Schroders

Schroder Oriental Income Fund Limited

Report and Accounts

For the year ended
31 August 2018

Investment objective

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

Investment policy

The investment policy of the Company is to invest in a diversified portfolio of investments, primarily equities and equity-related investments, of companies which are based in, or derive a significant proportion of their revenues from, the Asia Pacific region. The portfolio is diversified across a number of industries and a number of countries in that region. The portfolio may include government, quasi-government, corporate and high yield bonds and preferred shares. A full breakdown of the investment portfolio may be found on pages 7 and 8.

Equity-related investments which the Company may hold include investments in other collective investment undertakings (including real estate investment trusts and related stapled securities), warrants, depositary receipts, participation certificates, guaranteed performance bonds, convertible bonds, other debt securities, equity-linked notes and similar instruments (whether or not investment grade) which give the Company access to the performance of underlying equity securities, particularly where the Company may be restricted from directly investing in such underlying equity securities or where the Manager considers that there are benefits to the Company in holding such investments instead of directly holding the relevant underlying equity securities. Such investments may be listed or traded outside the Asia Pacific region. Such investments may subject the Company to credit risk against the issuing entity. The Company may also participate, subject to regulatory and tax implications, in debt-to-equity conversion programmes.

The Manager may consider writing calls over some of the Company's holdings, as a low-risk way of enhancing the returns from the portfolio, although it has not written any to date. The board has set a limit such that covered calls cannot be written over portfolio holdings representing in excess of 15% of gross assets. However, the Company may only invest in derivatives for the purposes of efficient portfolio management. Investors should note that the types of equity-related investments listed above are not exhaustive of all of the types of securities and financial instruments in which the Company may invest, and the Company will retain the flexibility to make any investments unless these are prohibited by the investment restrictions applicable to the Company.

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

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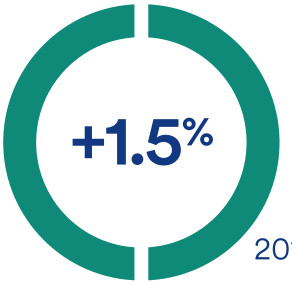
Financial Highlights

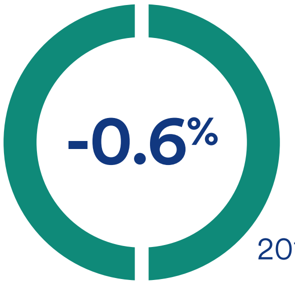
Definitions of terms and performance measures throughout this report can be found on page 52

Total returns[1] for the year ended 31 August 2018



2017: +20.6%

Net asset value total return ("NAV") per share



2017: +20.7%

Share price total return

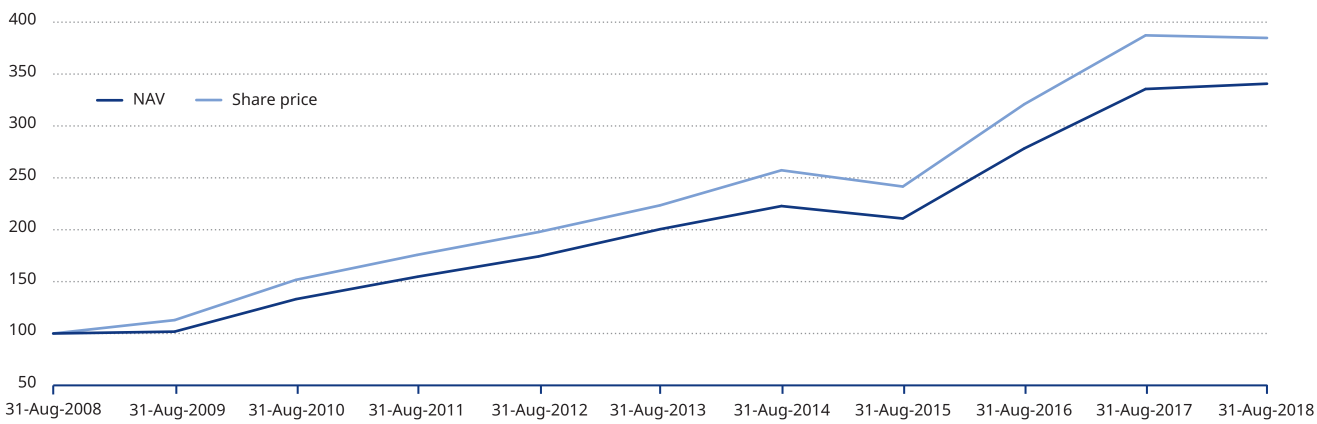
[1]Source: Morningstar.

Other financial information

	31 August 2018	31 August 2017	% Change
Shareholders' funds (£'000)	642,711	635,466	+1.1
Shares in issue	254,098,024	245,703,024	+3.4
NAV per share (pence)	252.94	258.63	(2.2)
Share price (pence)	250.00	261.00	(4.2)
Share price (discount)/premium to NAV per share (%)	(1.2)	0.9	
Gearing (%)	4.5	2.0	

	Year ended 31 August 2018	Year ended 31 August 2017	% Change
Net revenue after taxation (£'000)	26,421	23,939	+10.4
Revenue earnings per share (pence)	10.52	9.94	+5.8
Dividends per share (pence)	9.7	9.20	+5.4
Ongoing Charges (%)	0.83	0.85	

NAV and share price total returns over ten years to 31 August 2018



Source: Morningstar. Rebased to 100 at 31 August 2008

Chairman's Statement

"In...13 years the Company's NAV total return to shareholders has been 333%..."

Dear Shareholder

It is 13 years since the launch of the Company and this will be my final report to you as chairman. As I noted in my half year statement, I will not be standing for re-election at the forthcoming annual general meeting. I discuss board succession in more detail below but, before discussing this and other matters from the last financial year, I wanted to spend a moment reflecting on the Company's progress since I became chairman.

In those 13 years the Company's NAV total return to shareholders has been 333%, an annualised return of 13%. By comparison, the broad Asia ex Japan equity markets (as measured by the MSCI AC Pacific ex Japan Total Return Index in sterling terms) have returned 260%. It is, of course, gratifying that the Company has outperformed the equity markets of the region. This demonstrates the value that Schroders has added as investment manager and validates the income-orientated approach taken by the Company. More startling, however, is the sheer quantum of total return. Further, this period spans the financial crisis of 2008/2009 and subsequent smaller tremors in 2013 and 2015. So it is through a period of bull markets and bear markets alike.

The success of the Company's strategy has been replicated in its own growth in shareholder equity. Through C share issuance and tap issuance, the Company has grown from a market capitalisation of £161 million at launch to £600 million at the time of writing.

The final key attribute that the Company has demonstrated since its launch in 2005 has been consistent dividend growth, with the dividend having grown year on year. Indeed, this track record has led to the Company being named a 'Next Generation Dividend Hero' by the Association of Investment Companies this year.

The point of these observations is not to suggest hubris or complacency. Rather it is to demonstrate that, if ever evidence were needed that Asia is the economic powerhouse of the world and that patience and a long-term perspective are key attributes of successful investment, they are all contained here.

Investment markets and sentiment wax and wane; economies ebb and flow. Some years will, inevitably, will be more successful than others for the Company. But it seems clear that investment in companies in Asia with strong governance and good, sustainable dividends should continue to enable you, as our shareholders, to reap attractive returns in the long-term.

Returning now to the shorter term and the last financial year, performance has, indeed, been more muted. The NAV total return for the financial year to 31 August 2018 was 1.5%, in contrast to the prior year in excess of 20%. Two factors account for this lower return. Firstly, the weakness of sterling against Asian currencies following the Brexit referendum result was staunched and, indeed, so far in 2018 sterling has strengthened. Secondly, Asian equity markets have been less buoyant, mostly reflecting fears over the mounting trade rhetoric between the US and China, the imposition of tariffs and the impact of rising US interest rates.

Despite this, dividend growth from our underlying investments has remained robust and this has allowed the Company to grow its own dividend once again. During the financial year, the Company paid total dividends of 9.40 pence (2017: 8.80 pence) per share representing a yield of 3.8% on the share price as at 31 August 2018. Further, once again, as in previous years, the dividend was more than fully covered from income and so we added once again to the revenue reserve, which is available to supplement distributions in future years.

Despite this robust dividend flow, the share price produced a negative total return of -0.6%. This reflects the fact that, as at the financial year end, the shares were trading at a small discount to NAV of 1.2% versus a small premium of 0.9% at the same point last year. However, the shares have traded at a small premium during most of the year and close to NAV at all times, which is a characteristic upon which the board appreciates that shareholders place considerable value. This has enabled further issuance of 8,395,000 ordinary shares during the year under review, always on terms accretive to existing shareholders. This issuance is beneficial more generally because it improves the liquidity of shares and modestly reduces ongoing charges per share.

"...dividend growth from our underlying investments has remained robust..."

As I noted earlier, I will not be standing for re-election at the forthcoming AGM, to be held on 20 December 2018. This is as a part of an ongoing, orderly succession plan that commenced several years ago. In managing succession, the board has been mindful of maintaining the right mix and diversity of skills, experience and independence of thought whilst balancing fresh perspectives with corporate memory. The process to appoint a new director is well underway and I am confident that, by the end of 2018, we will be able to announce the appointment of a director who greatly complements the existing board, bringing fresh perspectives and broadening its diversity.

Following consultation with a number of shareholders, I am pleased to announce that my successor as chairman will be Peter Rigg, to facilitate effective succession planning in accordance with the provisions of the 2018 UK Corporate Governance Code. Peter has also served on the board since the inception of the Company and brings huge ability and

Chairman's Statement

experience to bear. Peter will seek to serve as chairman for the next two to three years before he too retires from the board.

So I finish my final report to you where I started it. The short-term outlook for investment markets, Asia included, is uncertain as geo-political rhetoric rises and headwinds are felt from rising US interest rates and the potential currency effects of Brexit. However, the long-term outlook for Asia remains as strong as ever: it is one of the most innovative and vibrant regions of the world and equity valuations are not demanding. The companies in which we invest are strong and well managed.

So, as in the past, whatever the short-term lumps and bumps, patience seems likely to be rewarded.

"...the long-term outlook for Asia remains as strong as ever..."

It has been my pleasure to serve you as chairman. I know that I leave you in capable hands. I will continue to watch the Company's progress with great interest, though in future from afar as a shareholder, like you.

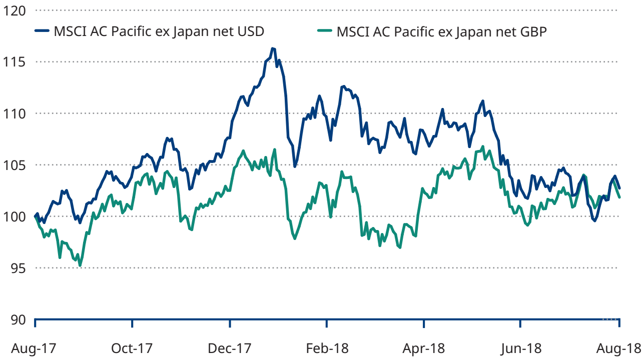
Robert Sinclair
Chairman

21 November 2018

Manager's Review

The net asset value per share of the Company recorded a total return of 1.5% over the 12 months to end August 2018.

Performance of the MSCI AC Pacific ex Japan (Net Dividends Reinvested) Index in GBP and USD – 31 August 2017 to 31 August 2018

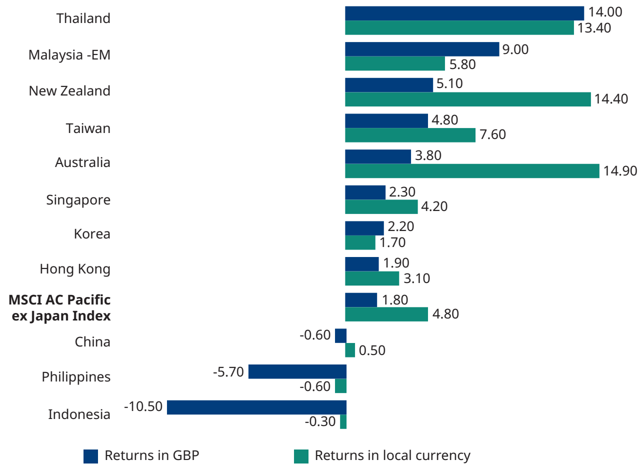


Source: Thomson Reuters as at 31 August 2018. Rebased to 100 at 31 August 2018.

Echoing the Chinese curse, it has been an interesting time in Asian markets over the year. Minimal overall progress in both sterling and local currency terms for the reference index, the MSCI All Countries Pacific ex Japan Index, disguised considerable volatility over the period, not least in the value of sterling. A recovery in the pound on Brexit optimism in late-2017 largely cancelled out local currency strength in regional markets; conversely in the second half of the fiscal year sterling's retracement masked significant weakness in underlying indices in 2018.

The reasons for the second half weakness will be familiar to many shareholders. Foremost was the rapid deterioration in Sino-US relations, with initial assumptions that this represented a mere trade dispute giving way to realisation of much more fundamental differences. Rising US interest rates, a stronger dollar and tightening credit conditions also contributed to downbeat sentiment across the whole region, allied to signs of economic slowdown in developed markets outside the US, emerging market volatility (Turkey, Argentina), and fading momentum in global trade. The slowing of economic activity in China has been a particular focus. To an extent, this is a result of a deliberate policy on the part of the Beijing authorities to rein in credit growth and instil greater investment discipline, partly through a shift towards the private sector and away from government led infrastructure spending. However, a more hostile global environment has injected an unwelcome degree of uncertainty surrounding a soft landing in the region's most important economy.

Country returns of the MSCI AC Pacific ex Japan (Net Dividends Reinvested) Index in GBP and local currency – 31 August 2017 to 31 August 2018



Source: Schroders, Factset.

Unsurprisingly, amongst the major regional markets China has underperformed, while others such as Hong Kong, Singapore and Korea have clustered near the average. The striking outliers have been among the more emerging ASEAN markets. Both the Philippines and Indonesia experienced considerable currency weakness. In Indonesia's case, the chronic current account deficit and heavy liquidation of bonds by overseas investors were the key factors, while the Philippine peso reflected an over-heating economy and insufficient policy tightening from the central bank, the BSP. In contrast, investors welcomed the return of Mahathir Mohammed (aged 93) as Malaysian prime minister, ending over 60 years of UMNO-led coalition government, while Thailand benefitted from a strong energy sector and its defensive nature given a sizeable current account surplus.

Positioning and performance

Similarly to the reference index, which produced a total return of 1.8% in GBP terms, the Company's NAV total return ended the year fractionally in positive territory. Relative performance recovered somewhat in the second half as highly priced/low yielding sectors such as heavyweight internet stocks reversed their first half strength. In country terms, stock selection was strong in China, Taiwan and Thailand, offset by weakness in Hong Kong, Korea and New Zealand. Country positioning was helpful thanks to the underweight in China and Indonesia and overweights in Thailand and Singapore. In sector terms, selection was strong in information technology, telecoms, real estate and consumer discretionary, partly offset by selection in materials and a nil weight in health care.

Hong Kong, Australia and Taiwan remain significant exposures, with a wealth of good quality companies offering attractive yields. Over the year, we added to both China and Korea, which have become appreciable portfolio exposures comprising over a fifth of the Company's assets on a combined basis. We also added to Japan and Thailand.

Manager's Review

Investment outlook

Arguably all purely financial forecasts and considerations are trumped (pardon the pun) by major, and by their nature unpredictable, political considerations. The most prominent surrounds the current poor relations between the US and China, which go far beyond mere trade considerations. However, other imponderables include whether Italy will ever have the political will to do what it takes to create a competitive economy (rather than muddle through), Brexit, and, most critically, whether the Chinese leadership holds the line accepting lower trend growth as the price for long-term financial sustainability.

Some or all of these issues may be amenable to at least short-term outcomes that are better than the consensus would suggest. However, the global economic and financial fundamentals are troubling, namely an unbalanced growth picture between the US and the rest, tightening liquidity, and the rising risk of more systemic financial shocks resulting from mis-priced risk eg loan funds, peer-to-peer lending, ETFs, remarkably low spreads in the high yield market, and multi-layered "risk free" infrastructure funds.

A stronger dollar, rising interest rates, trade tariff pressure from the biggest bilateral trade partner, and related faltering in investor and corporate confidence are not a great combination for the relatively trade-dependent and open economies of Asia. In general, the vulnerability to external financial shocks is lower across the region, certainly when compared with the 1997/98 crisis, and with 2013 during the "Taper Tantrum".

We have made little change to our positioning based on pure tariff considerations, not least because we have never been keen on low-margin labour cost arbitrage business models which will be most disrupted by tariffs. Our focus will remain on value-added players in what are complex supply chains that are unlikely to be easily substitutable, particularly in the US where labour constraints and skills shortages are becoming increasingly apparent.

Of greater concern are the prospects or otherwise for a smooth transition to a lower, but more sustainable, growth model for China. Our central view remains that the authorities can manage a soft landing consistent with its desire for a less credit intensive growth model. Attacks from Washington are certainly not making the process any easier. However, it is also being made more complicated by less favourable country-specific factors including a shift towards a current account deficit, elevated levels of domestic credit, and increasing vulnerability to capital flight. Combinations of marginal credit loosening, modest rise in spending and a gradual depreciation of the Renminbi accompanied by discouragement of capital outflows may still do the trick, but in our opinion scope for a more marked stimulus package looks limited.

Having said all that, regional markets are within a few per cent of the valuation lows seen in late 2015/early 2016, suggesting that investor caution is already elevated. A destabilising event in China remains a possibility rather than an imminent likelihood, and some progress on US/China relations is not out of the question. Consequently, the Company remains modestly geared, while the region's underlying attractiveness as a diversified source of income remains. We also take comfort from the fact that, at least across the companies held in the Company's portfolio, cash flows are robust and balance sheets are generally in good shape.

Sector and country weights

Portfolio by sector (gearing at 4.5%)

	Portfolio weight (%)
Consumer Discretionary	8.4
Consumer Staples	1.7
Energy	4.3
Banks	17.5
Real Estate	19.8
Other Financials	5.4
Health Care	–
Industrials	5.1
Information Technology	18.7
Materials	10.2
Telecommunications	11.7
Utilities	1.7

Source: Schroders as at 31 August 2018.

Portfolio by country (gearing at 4.5%)

	Portfolio weight (%)
Australia	17.6
Hong Kong	25.9
China	13.6
India	0.3
Indonesia	0.4
Japan	3.3
Korea	11.6
Malaysia	0.6
New Zealand	1.9
Singapore	7.6
Taiwan	13.4
Thailand	8.3

Source: Schroders as at 31 August 2018.

Schroder Unit Trusts Limited

21 November 2018

Investment Portfolio
at 31 August 2018

Strategic Report

Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 55.7% (2017: 52.8%) of total investments and derivative financial instruments.

	£'000	%
HONG KONG		
Swire Pacific A and B	**28,806**	**4.3**
Fortune Real Estate Investment Trust	**27,438**	**4.1**
HSBC	**24,038**	**3.6**
HKT Trust and HKT	**12,293**	**1.8**
Hopewell[1]	**11,281**	**1.7**
Hang Lung Properties	**10,827**	**1.6**
Standard Chartered	10,629	1.6
Kerry Properties	9,549	1.4
PCCW	7,882	1.2
BOC Hong Kong	6,771	1.0
Galaxy Entertainment	3,747	0.6
Pacific Textiles	3,433	0.5
Jardine Strategic[2]	3,287	0.5
Texwinca	2,924	0.4
Hang Lung Group	1,704	0.3
Giordano	1,093	0.2
TOTAL HONG KONG	165,702	24.8
AUSTRALIA		
BHP Billiton[3]	**21,705**	**3.2**
National Australia Bank	**16,537**	**2.5**
Australia & NZ Banking	**12,246**	**1.8**
Transurban	10,733	1.6
Woolworths	8,524	1.3
Telstra Corporation	7,922	1.2
Mirvac	7,528	1.1
Orica	5,800	0.9
Suncorp	5,220	0.8
Brambles	5,132	0.8
Incitec Pivot	5,122	0.8
Iluka Resources	4,148	0.6
Westpac Banking	1,391	0.2
TOTAL AUSTRALIA	112,008	16.8

	£'000	%
CHINA		
China Petroleum & Chemical[1] **H**	**21,911**	**3.3**
China Mobile[1]	**15,062**	**2.2**
Midea Group (LEPO) 19/6/2019[4]	**14,596**	**2.2**
China Construction Bank[1] **H**	**12,085**	**1.8**
China Pacific Insurance[1] H	9,084	1.4
China Yangtze Power A	8,042	1.2
Qingdao Haier A	4,910	0.7
Midea Group A	1,330	0.2
TOTAL CHINA	87,020	13.0
TAIWAN		
Taiwan Semiconductor Manufacturing	**45,813**	**6.8**
Hon Hai Precision Industry	**14,878**	**2.2**
Asustek Computer	10,336	1.5
Far EasTone Telecommunications (including GDR)	9,431	1.4
Novatek Microelectronics	3,385	0.5
FIH Mobile[3]	1,594	0.2
Taiwan Mobile	1,221	0.2
TOTAL TAIWAN	86,658	12.8
SOUTH KOREA		
Samsung Electronics preference shares	**29,934**	**4.5**
LG Chemical preference shares	9,157	1.4
Hyundai Motor preference shares	8,747	1.3
ING Life Insurance Korea	6,301	0.9
SK Innovation preference shares	5,572	0.8
Hyosung Chemical	4,009	0.6
Hyosung Advanced Materials	3,321	0.5
Hyosung TNC	2,722	0.4
Amorepacific preference shares	2,452	0.4
NCSOFT	2,090	0.3
TOTAL SOUTH KOREA	74,305	11.1

Investment Portfolio
at 31 August 2018

	£'000	%
THAILAND		
Intouch (including NVDR)	**18,061**	**2.7**
CPN Retail Growth Leasehold (REIT)	10,652	1.6
Bangkok Bank (including NVDR)	9,801	1.5
BTS Rail Mass Transit Growth Infrastructure	7,065	1.1
Supalai	3,288	0.5
Glow Energy	3,221	0.5
TOTAL THAILAND	**52,088**	**7.9**
SINGAPORE		
Oversea-Chinese Banking	**11,934**	**1.8**
Venture	**11,732**	**1.8**
Mapletree Commercial Trust (REIT)	5,892	0.9
Frasers Commercial Trust (REIT)	5,612	0.8
Soilbuild Business Space (REIT)	4,219	0.6
Mapletree Greater China Commercial Trust (REIT)	3,922	0.6
CapitaLand Mall Trust (REIT)	3,447	0.5
Far East Hospitality Trust (REIT)	2,309	0.3
TOTAL SINGAPORE	**49,067**	**7.3**
JAPAN		
Tokai Tokyo Securities	4,635	0.7
Tokyo Broadcasting Systems	4,141	0.6
Jafco	3,380	0.5
Fuji Media	3,084	0.5
Sumitomo Forest	2,650	0.4
Toshiba Machine	2,100	0.3
MCUBS MidCity Investment (REIT)	1,650	0.2
TOTAL JAPAN	**21,640**	**3.2**

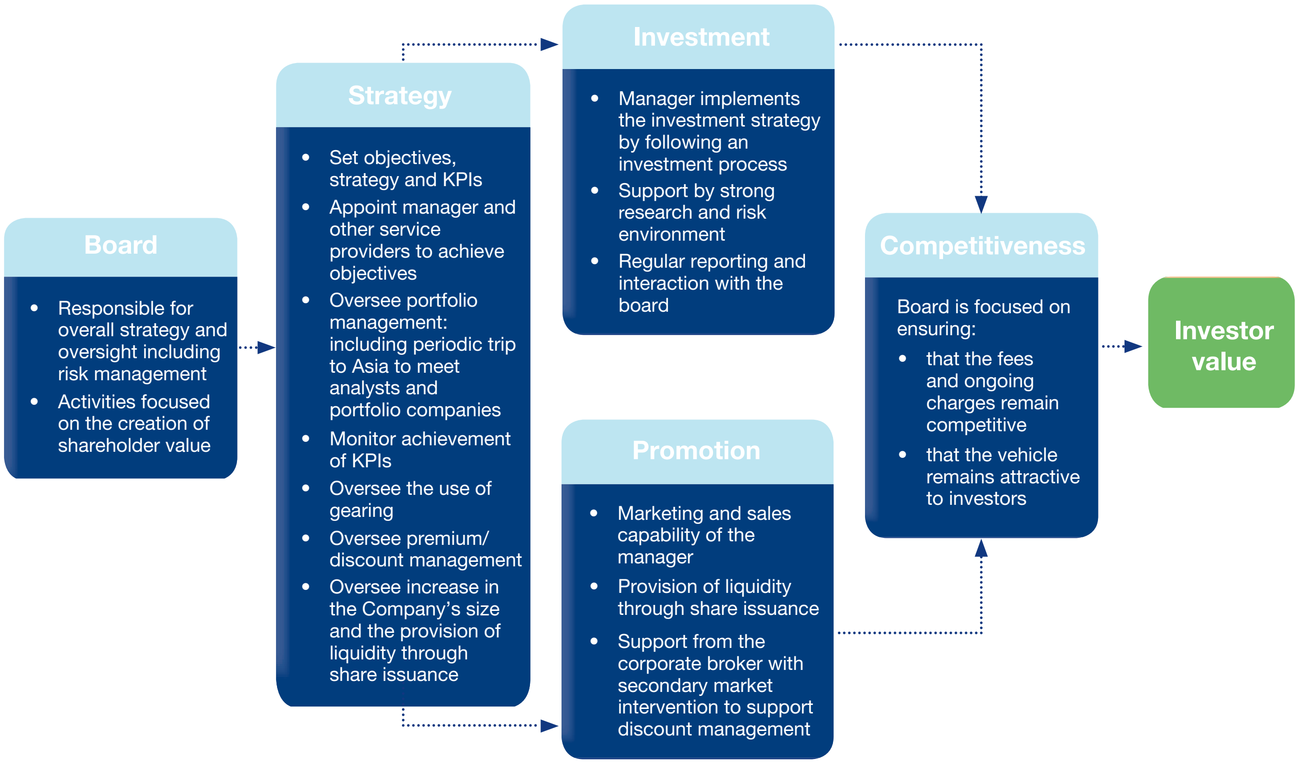
	£'000	%
NEW ZEALAND		
Fletcher Building	**11,823**	**1.8**
TOTAL NEW ZEALAND	**11,823**	**1.8**
MALAYSIA		
Bursa Malaysia	3,844	0.6
TOTAL MALAYSIA	**3,844**	**0.6**
INDONESIA		
Telekomunikasi Indonesia Persero	2,641	0.4
TOTAL INDONESIA	**2,641**	**0.4**
INDIA		
ICICI Bank (ADR)	2,189	0.3
TOTAL INDIA	**2,189**	**0.3**
TOTAL INVESTMENTS[5]	**668,985**	**100.0**

[1]Listed in Hong Kong
[2]Listed in Singapore
[3]Listed in the UK
[4]Listed in the USA
[5]Total investments comprises:

	£'000	%
Equities, including LEPOs, ADRs, GDRs and NVDRs	613,123	91.6
Preference shares	55,862	8.4
Total investments	668,985	100.0

Strategic Review

Business model



The Company carries on business as a Guernsey incorporated, Guernsey Financial Services Commission authorised, closed-ended investment company. Its shares are admitted to trading on the premium segment of the main market on the London Stock Exchange.

It is not intended that the Company should have a limited life, and the articles of incorporation do not contain any provisions for review of the future of the Company at specified intervals.

Investment objective and policy

Details of the Company's investment objective and policy may be found on the inside front cover.

The board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate.

Investment philosophy and process

Stock selection is at the heart of the investment approach for the Company, with income and capital growth the key features taken into consideration. One of the Manager's strengths is its network of analysts based in Asia whose focus is on identifying companies able to grow shareholder value in the long term. Although the in-house analysts are the primary source of stock ideas, the portfolio manager also generates stock ideas through his own research and draws on a number of other sources including a proprietary quantitative screen, sell-side analysts, other investment professionals within Schroders and his own contacts in the market. A country allocation process is carried out on a monthly basis, combining the output of a proprietary quantitative model and the qualitative views of the portfolio manager.

Strategic Review

Knowledge Wide source of investment ideas	Insight Non-consensus investment appraisal	Discipline Portfolio construction	Conviction
Schroders' locally-based analysts	Fundamentals	Valuation-driven	60-80 stocks Best ideas
Global sector specialists (London)	Long-term outlook	Unconstrained	
Quantitative screens	Management	Risk aware	
Sell-side research	Change	Seeking income with growth	
	Valuation		

Stock research

The majority of the Manager's analysis is done using internal research and company valuation models. The analysts typically use standard formats to construct models and to forecast company earnings which have been developed by the Manager's global research team. This means that outputs from the models are standardised so that differences in accounting regimes are as far as possible eliminated and that comparisons can be made between companies in the same industry across the region or globally.

Stock gradings reflect a balance between the Manager's analysts' view of the quality of the company and its fair value in the marketplace, and their level of conviction.

Stock selection/portfolio construction

When constructing the portfolio for the Company, the portfolio manager focuses on stocks which have strong income and capital growth potential. Many of the stocks will already have attractive yields, but the portfolio manager also looks to exploit opportunities in stocks which are set to benefit from improving capital efficiency, rising returns and increasing shareholder distributions.

There is no minimum yield requirement applied to every stock, but portfolio construction is carried out with reference to an overall yield requirement.

The portfolio manager focuses on the following factors when deciding in which companies to invest:

- ability to increase or sustain dividend payout;
- upside to the internal estimate of fair value;
- any grade awarded by Schroders' analysts; and
- relative attractiveness of other available opportunities.

The resulting portfolio is a balance between yield and capital growth, and well-diversified at both a country and sector level. The portfolio manager also manages the Company's gearing in line with parameters set by the Board.

Investment restrictions and 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 it retains an appropriate balance to meet the Company's investment objective.

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

(i) invest more than 15% of its gross assets in other investment companies or investment trusts which are listed on the Official List;

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

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

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

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

(vi) invest in physical commodities; or

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

In the event of any breach of the investment restrictions applicable to the Company, shareholders will be informed of the actions to be taken by the Manager by notice sent to the registered addresses of the shareholders in accordance with the Company's articles of incorporation or by an announcement issued through a regulatory information service approved by the Financial Conduct Authority ("FCA").

No breaches of these investment restrictions occurred during the year ended 31 August 2018.

The investment portfolio on pages 7 and 8 and the Manager's Review on pages 5 and 6 demonstrate that, as at 31 August 2018, the portfolio was invested in 12 countries and in 12 different industry sectors within such countries. There were 79 holdings in the portfolio at the year end. The board therefore believes that the objective of spreading investment risk has been achieved.

Gearing

The Company's policy is to permit net borrowings (including foreign currency borrowings) of up to 25% of the Company's net assets (measured when new borrowings are incurred). It is intended that the Manager should have the flexibility to utilise this power to leverage the Company's portfolio in order to enhance returns where and to the extent that this is considered appropriate by the directors. Full details of the gearing employed by the Company are set out in note 21 on pages 48 and 49.

Promotion

The Company promotes its shares to a broad range of investors which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- discretionary fund managers. The Manager promotes the Company via both London and regional sales teams. This market is the largest channel by a significant margin;
- execution-only investors. The Company promotes its shares via engaging with platforms and through its webpages. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager; and
- institutional investors.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendance at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with advisers and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The board also seeks active engagement with investors, and meetings with the chairman are offered to professional investors where appropriate.

In order to support the promotion of the Company, the board seeks to manage the share price relative to NAV per share. This is achieved by assisting in providing liquidity to the market through the issuance of shares to meet investor demand. In addition, to reduce the volatility of any share price discount, the board monitors the Company's share price relative to its underlying NAV per share and the discounts of peer group companies and regularly considers the use of the Company's share buy back authority. At times when the ordinary shares have traded at a discount, the board has sought to maintain the price at which the ordinary shares trade relative to their NAV at no greater than 5% over the longer term.

Details of the board's approach to share issuance and discount management may be found in the Chairman's Statement on pages 3 and 4 and in the Explanation of Special Business at the AGM on page 50.

Key performance indicators

The board measures the development and success of the Company's business through achievement of its investment objective, which is considered to be the most significant key performance indicator for the Company, as outlined in summary on page 2.

The board continues to review the Company's ongoing charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management and performance fees, directors' fees and general expenses, is submitted to each board meeting. Management and performance fees are reviewed at least annually.

Corporate and social responsibility

Board gender diversity

As at 31 August 2018, the board comprised three men and one woman. The board's approach to diversity is that candidates for board vacancies are selected based on their skills and experience, which are matched against the balance of those of the overall board, taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skill set and experience.

Strategic Review

Responsible investment policy

The Company delegates to its Manager the responsibility for taking environmental, social and governance ("ESG") issues into account when assessing the selection, retention and realisation of investments. The board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The board expects the Manager to exercise the Company's voting rights in consideration of these issues.

A description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri. The board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with its principles is reported on its website.

Anti-bribery and corruption policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy.

Greenhouse gas emissions

As the Company has no premises or employees and outsources its operations to third parties, in respect of which it does not have direct responsibility for emissions, it has no measurable greenhouse gas emissions to report.

Key information document

A key information document ("KID") for the Company was published by the AIFM on 1 January 2018, in accordance with the Packaged Retail and Insurance-Based Investment Products Regulations. The calculation of figures and performance scenarios contained in the KID have been neither set nor endorsed by the board.

Principal risks and uncertainties

The board is responsible for the Company's system of risk management and internal controls and for reviewing its effectiveness. The board has adopted a detailed matrix of principal risks affecting the Company's business as an investment company and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Risk Committee on an ongoing basis. This system assists the board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are subject to robust assessment at least annually. The last review took place in November 2018.

Although the board believes that it has a robust framework of internal controls 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 principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review. Cyber risk relating to all of the Company's key service providers is considered an ongoing threat in light of the rising propensity and impact of cyber attacks on businesses and institutions. To address the risk, the board receives reporting on cyber risk mitigation and management from its key service providers to ensure that it is managed and mitigated appropriately.

Actions taken by the board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

Risk	Mitigation and management
Strategic The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored. Share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis. Marketing and distribution activity is actively reviewed. Proactive engagement with investors.
The Company's cost base could become uncompetitive, particularly in light of open-ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against its competitors. Annual consideration of management and performance fee levels is undertaken.
Investment management The Manager's investment strategy and levels of resourcing, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of: the Manager's compliance with agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager, including resources and key personnel risk.
Financial and currency The Company is exposed to the effect of market and currency fluctuations due to the nature of its business. A significant fall in regional equity markets could have an adverse impact on the market value of the Company's underlying investments and, as the Company invests predominantly in assets which are denominated in a range of currencies, its exposure to changes in the exchange rate between sterling and other currencies has the potential to have a significant impact on returns and the sterling value of dividend income from underlying investments.	The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets or currency are discussed with the Manager. The Company has no formal policy of hedging currency risk but may use foreign currency borrowings or forward foreign currency contracts to limit exposure.

Risk	Mitigation and management
Custody Safe custody of the Company's assets may be compromised through control failures by the safekeeping and cashflow monitoring agent, including cyber hacking.	The safekeeping and cashflow monitoring agent reports on the safe custody of the Company's assets, including cash and portfolio holdings, which are independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements is undertaken. An annual report from the safekeeping and cashflow monitoring agent on its activities, including matters arising from custody operations is reviewed.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of the Company's net assets.
Accounting, legal and regulatory Breaches of the UK Listing Rules, The Companies (Guernsey) Law, 2008 (as amended) or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Confirmation of compliance with relevant laws and regulations by key service providers is reviewed. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures are established to safeguard against the disclosure of inside information.
Service provider The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider, could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reports are provided by key service providers and the quality of their services is monitored. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, is undertaken.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the system of internal controls operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit and Risk Committee, including 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 from the Audit and Risk Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report.

A full analysis of the financial risks facing the Company is set out in note 20 on pages 43 to 48.

Viability statement

The directors have assessed the viability of the Company over a five year period, taking into account the Company's current financial position, its cash flows and its liquidity, along with an assessment of any material uncertainties and events that might cast significant doubt upon the Company's ability to continue as a going concern.

The board believes that a period of five years reflects a suitable time horizon for strategic planning, taking into account the long-term nature of the investment policy of the Company, the inherent characteristics and volatility profile of the securities held by it and the potential impact of economic and market cycles.

In their assessment, the directors have considered each of the principal risks and uncertainties detailed on pages 13 and 14. In particular the directors have considered a stress test which represents a severe but plausible scenario based on the volatility of equity investments over the long term. This scenario involves a fall in equity prices of 50% and a reduction in dividend yield of 50% during the first year of the review period with no subsequent recovery in either prices or income during the balance of the viability period. It is assumed that the Company continues to pay an annual dividend in line with current levels and that the borrowing facility remains available and remains drawn, subject to the gearing cap. Foreign exchange rates are assumed to be stable throughout the period in this scenario.

The Company's investments comprise highly liquid, large, listed companies and so its assets are readily realisable securities and could be sold to meet funding requirements or the repayment of the gearing facility should the need arise. There is no expectation that the nature of the investments held within the portfolio will be materially different in the future.

The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position. Furthermore, the Company has no employees and consequently no redundancy or other employment related liabilities.

Although there continue to be material regulatory changes which could increase costs or impact revenue, the directors do not believe that this would be sufficient to affect its viability.

The board reviews the performance of the Company's service providers regularly, including the Manager, along with internal controls reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. The board also considers the business continuity arrangements of the Company's key service providers.

The board has assumed that the business model of a closed ended investment company, as well as the Company's investment objective, will continue to be attractive to investors.

Based on the above, along with the limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 August 2023.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the FRC in 2014, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By order of the board

Schroder Investment Management Limited
Company secretary

21 November 2018

Board of Directors

Robert Sinclair

Status: independent non-executive chairman

Length of service: 13 years – appointed a director and chairman in June 2005
Experience: Mr Sinclair is the managing director of Artemis Trustees Limited. He has over 50 years' experience in finance and accountancy of which 40 years have been spent in the Guernsey Financial Services industry. Mr Sinclair is a director of publicly listed companies: Chariot Oil & Gas Limited and Rainbow Rare Earths Limited. He is also a director of a number of fund management companies. He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Chartered Accountants of Scotland. Mr Sinclair is a resident of Guernsey.
Committee membership: Audit and Risk, Management Engagement and Nomination Committees (chairman of the Nomination Committee)
Current remuneration: £45,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Alexa Coates

Status: independent non-executive director

Length of service: 10 months – appointed a director in February 2018
Experience: Mrs Coates is a chartered accountant who brings 25 years of significant financial expertise to the board. Mrs Coates was a senior executive of HSBC for nine years, where she served as the global CFO for the group's asset management business and more recently led the finance function for commercial banking operations in Europe. Prior to joining HSBC, Mrs Coates worked in senior roles in retail, healthcare and professional services at J Sainsbury plc, BUPA, Williams Lea Group Ltd and CIT Bank. She started her career at Ernst & Young in 1991, where she worked in the UK and France. Mrs Coates is a non-executive director and chair of the audit and risk committee of Polar Capital Holdings plc, a publicly quoted company, and a trustee and resources committee member at the University of Essex.
Committee membership: Audit and Risk Committee, Management Engagement Committee and Nomination Committee, (chair of the Audit and Risk Committee)
Current remuneration: £40,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Board of Directors

Paul Meader

Status: independent non-executive director

Length of service: 2 years – appointed a director in January 2016
Experience: Mr Meader, a Guernsey resident, is an independent director of investment companies, insurers and investment funds. Until the autumn of 2012 he was Head of Portfolio Management for Collins Stewart based in Guernsey, prior to which he was Chief Executive of Corazon Capital. He has 30 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. Prior to joining Corazon he was Managing Director of Rothschild's Swiss private-banking subsidiary in Guernsey. Mr Meader is a Fellow of the Chartered Institute of Securities & Investments, a former Commissioner of the Guernsey Financial Services Commission and past chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford. Mr Meader also holds a number of directorships in other companies, several of which are publicly quoted, including investment companies Highbridge Multi-Strategy Fund Limited (retiring on 31 December 2018), ICG-Longbow Senior Secured UK Property Debt Investments Limited, JPMorgan Global Convertibles Income Fund Limited, SQN Asset Finance Income Limited, Guaranteed Investment Products 1 PCC Ltd and Volta Finance Limited.
Committee membership: Audit and Risk, Management Engagement and Nomination Committees
Current remuneration: £35,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Peter Rigg

Status: independent non-executive director

Length of service: 13 years – appointed a director in June 2005
Experience: Mr Rigg is the non-executive chairman of MXC Capital Limited, an AIM listed technology investment company. Between 1989 and 1995, Mr Rigg worked for the CS First Boston Group in Hong Kong, where he held various roles, including acting as a board representative of International Investment Trust Co., a leading Taipei-based fund management company and managing director and Hong Kong-based head of Asian equity capital markets for CS First Boston. Prior to that, Mr Rigg worked for Credit Suisse First Boston Limited in London as director for Asian investment banking and as a solicitor in banking and private practice. Mr Rigg is a resident of Monaco.
Committee membership: Audit and Risk, Management Engagement and Nomination Committees (chairman of the Management Engagement Committee)
Current remuneration: £35,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 August 2018.

Dividends and dividend policy

Having already paid interim dividends amounting to 5.20 pence per share, the board has now declared a fourth interim dividend of 4.50 pence per share for the year ended 31 August 2018, which is payable on 30 November 2018 to shareholders on the register on 16 November 2018. Thus, dividends for the year amount to 9.70 pence (2017: 9.20 pence) per share. This represents an increase of 5.4% over the rate of dividends payable in respect of the previous year.

Total dividends declared in respect of the year ended 31 August 2018 of £24,546,000 would have resulted in retained revenue for the year of £1,875,000, but in accordance with accounting standards, the fourth interim dividend, amounting to £11,434,000, will not be accounted for until it has been paid.

In line with the board's policy, it is expected that interim dividends on the Company's ordinary shares will be declared in respect of the quarters ended 30 November, 28 February, 31 May and 31 August in January, April/May, July and October/November each year.

Directors and their interests

The directors of the Company and their biographical details can be found on pages 16 and 17. Mr Sinclair, Mr Meader and Mr Rigg held office throughout the year under review and up to the date of this report. Mr Dunlop retired at the 2017 AGM and Mrs Coates was appointed on 2 February 2018. Details of directors' share interests in the Company are set out in the directors' remuneration report on page 26.

Notwithstanding the provisions of the Company's articles of incorporation and the UK Corporate Governance Code in respect of the periodic re-election of directors, the board considers that shareholders should be given the opportunity to vote on the re-election of all of its members on an annual basis. Accordingly, Mr Rigg and Mr Meader will retire at the forthcoming AGM and, being eligible, offer themselves for re-election. Mr Sinclair, having served as chairman of the board and a director since 2005, will retire at the AGM and will not offer himself for re-election. Mrs Coates, having been appointed by the board as a director during the year, will be proposed for election at the AGM, in accordance with the Company's articles of incorporation.

Re-appointment as a director is not automatic and follows a formal process of evaluation of each director's performance. Directors who have served for more than six years are subject to particularly rigorous assessment of their independence and contribution.

The board does not believe that length of service, by itself, necessarily affects a director's independence of character or judgement. Directors who have served for more than nine years may therefore continue to offer themselves for re-election at the AGM. The board does not consider Mr Rigg's independence to be impaired by the length of his tenure and, having assessed the independence of the directors, all are considered to be independent in character and judgement.

Having reviewed the composition, structure and diversity of the board, succession planning, the independence of the directors and whether each of the directors has sufficient time available to discharge their duties effectively, the Nomination Committee and the board considers that each director has an appropriate mix of skills, experience and knowledge to discharge their duties effectively.

In reaching this conclusion, the board has considered the level of external interests of each director and made the specific determination below in relation to Mr Meader.

Notwithstanding that Mr Meader is a director or chairman of six companies listed on the London Stock Exchange (as listed on page 17), the board has noted that he is a full-time non-executive director and that the less-complex nature of the companies for which he acts as a director means that the level of time commitment required to fulfil his duties is lower than larger trading companies. Further, the board has noted that Mr Meader has attended all board and committee meetings during the year and that he continues to show the time commitment to discharge fully and effectively his duties as a director.

No other directors being put forward for election or re-election at the AGM have significant levels of external interests.

In conclusion, the board recommends that shareholders vote in favour of the re-election of Mr Meader and Mr Rigg, and the election of Mrs Coates, at the forthcoming AGM.

Share capital

As at the date of this report, the Company had 255,923,024 ordinary shares of 1p each in issue (no shares were held in treasury). Accordingly, the total number of voting rights in the Company at the date of this report is 255,923,024. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 41.

Substantial share interests

The Company has received notifications in accordance with the FCA Disclosure Guidance and Transparency Rules of the below interests in the voting rights attaching to the Company's issued share capital.

	Ordinary shares as at 31 August 2018	% total voting rights
Investec Wealth & Investment Limited	25,092,429	9.80%
Brewin Dolphin Limited	14,571,888	5.69%
Rathbone Investment Management	11,069,985	4.33%
KB Financial Services Holdings Limited	9,927,288	3.87%
Charles Stanley & Co Ltd	7,860,051	3.07%
Cheviot Asset Management Limited	7,789,750	3.04%

There have been no notified changes to the above holdings since the year end.

Directors' Report

Key service providers

The board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an alternative investment fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an alternative investment fund manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, 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. As at the date of this report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the chairman, other board members or the corporate broker as appropriate. The Manager has delegated investment management and administrative, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity insurance cover.

The Schroders Group manages £439.1 billion (as at 30 September 2018) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Manager is entitled to receive a management fee of an amount equivalent to 0.75% per annum of the net assets of the Company, reducing to 0.70% per annum on net assets above £250 million. The fee is payable quarterly in arrears and calculated as at the last business day in February, May, August and November in each year.

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

The performance fee is only payable in respect of any period to the extent that the closing adjusted NAV per ordinary share, taking account of the performance fee, exceeds the highest adjusted NAV per ordinary share (reduced to the level at which any cap as described below applied) in respect of which a performance fee was previously paid. Effective 1 September 2017, the total amount of any performance fee payable in respect of any one accounting period has been capped at 0.75% of the net assets of the Company, calculated at the end of the relevant accounting period.

Where a performance fee payable in respect of any year is reduced due to the cap detailed above, the performance fee for the subsequent year will be 10% of the amount by which the adjusted net asset value ("NAV") per share exceeds a hurdle, being 107% of the NAV per share which would have earned the performance fee actually paid, rather than 107% of the adjusted opening NAV.

Any investment management fees payable to the Manager or to other subsidiaries of Schroders plc in respect of investments by the Company in collective investment schemes and investment companies managed or advised by the Schroders Group are deducted from the fee payable to the Manager under the AIFM agreement. There were no such investments during the year ended 31 August 2018.

The management and performance fees payable in respect of the year ended 31 August 2018 amounted to £4,549,000 (2017: £4,193,000) and £nil (2017: £6,355,000) respectively.

The Manager is also entitled to a fee for providing administrative, accounting and company secretarial services to the Company. For these services, it receives an annual fee, payable quarterly in arrears, of £150,000.

Details of all amounts payable to the Manager are set out in note 17 on page 42.

The board has reviewed the performance of the Manager, and fees paid to it, during the year under review and continues to consider that it has the appropriate depth and quality of resource to achieve above-average returns in the longer term. Thus, the board considers that the Manager's appointment under the terms of the AIFM agreement, is in the best interests of shareholders as a whole.

Safekeeping and cashflow monitoring agent

HSBC Bank plc ("HSBC Bank"), which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, has been appointed to carry out certain duties of a safekeeping and cashflow monitoring agent specified in the AIFM Directive for the Company, including:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring; and
- oversight of the Company and the Manager to the extent described in the AIFM Directive.

HSBC Bank is liable to the Company for losses suffered by it as a result of any negligence, wilful default, fraud or fraudulent misrepresentation on its part.

The Company, the Manager and HSBC Bank may terminate the safekeeping and cashflow monitoring agent services agreement pursuant to which HSBC Bank provides these services at any time by giving 90 days' notice in writing. HSBC Bank may only be removed from office when a new safekeeping and cashflow monitoring agent is appointed by the Company.

Corporate governance statement

The Guernsey Financial Services Commission's Finance Sector Code of Corporate Governance (the "GFSC Code") provides a framework which applies to all companies in the regulated finance sector in Guernsey. The Company reports against the UK Corporate Governance Code (the "Code"), which meets the requirements of the GFSC Code.

The board is committed to high standards of corporate governance and has implemented a framework for corporate governance that it considers to be appropriate for an investment company in order to comply with the principles of the Code. The disclosures in this statement report against the provisions of the Code, as revised in 2016. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk. The board has noted the publication of a further revised UK Corporate Governance Code in July 2018, which applies to financial years beginning on or after 1 January 2019, and is considering the Company's governance framework in light of the new provisions.

Compliance statement

The UK Listing Authority requires all companies with a listing on the premium segment of the London Stock Exchange to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities on page 24 and the viability and going concern statements set out on page 15, indicate how the Company has applied the Code's principles of good governance and its requirements on internal control.

The board believes that the Company has, throughout the year under review, complied with all the provisions set out in the Code, save in respect of those relating to executive directors, as the Company, in line with most investment companies, has delegated management functions to service providers. In addition, the Company has not complied with the provision relating to the appointment of a senior independent director ("SID"), where departure from the Code is considered appropriate given the Company's position as an investment company. As the board comprises entirely non-executive directors, the appointment of a SID has not been considered necessary. The chairman of the Audit and Risk Committee effectively acts as the SID, leads the evaluation of the performance of the chairman and is available to directors and/or shareholders if they have concerns which cannot be resolved through discussion with the chairman.

Operation of the board

Chairman

The chairman is an independent non-executive director who is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The chairman's other significant commitments are detailed on page 16.

Role and operation of the board

The board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The board also ensures that the Manager adheres to the investment restrictions set by the board and acts within the parameters set by it in respect of any gearing.

A formal schedule of matters specifically reserved for decision by the board has been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

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

The board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment company industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

On appointment, directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the board as they arise. Directors also regularly participate in relevant training and industry seminars. Training and development needs are considered as part of the evaluation process and are agreed with the chairman.

Conflicts of interest

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

Board evaluation

In order to review the effectiveness of the board, its committees and the individual directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the chairman. In respect of the chairman himself, discussions are held between the directors and the chairman of the Audit and Risk Committee. The process is considered by the board to be constructive in terms of identifying areas for improving the functioning and performance of the board and its committees, the contribution of individual directors and building and developing individual and collective strengths. The last evaluation took place in November 2018.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place in respect of the directors throughout the year under review. The Company provides a deed of indemnity to each director to the extent permitted by Guernsey law whereby the Company is able to indemnify such director against any liability incurred in proceedings in which the director is successful, and for costs in defending a claim brought against the director for breach of duty where the director acted honestly and reasonably. These are third party deeds of indemnity and were in place throughout the year under review for each director and to the date of this report as appropriate.

Directors' attendance at meetings

Four board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of discount or premium of the Company's shares to underlying NAV per share; promotion of the Company; and services provided by third parties. Additional meetings of the board are arranged as required.

The number of scheduled meetings of the board and its Committees held during the financial year and the attendance of individual directors is shown below. The AGM is also attended by directors.

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee
Robert Sinclair	3/4	3/4	3/4	1/1
Alexa Coates[1]	3/3	3/3	3/3	0/0
Paul Meader	4/4	4/4	4/4	1/1
Peter Rigg	4/4	4/4	4/4	1/1
Fergus Dunlop[2]	1/1	1/1	1/1	1/1

[1]Appointed as a director on 2 February 2018.
[2]Retired as a director 15 December 2017.

Mr Sinclair's absence from one set of quarterly meetings was due to ill health.

Relations with shareholders

Shareholder relations are given high priority by both the board and the Manager. The Company communicates with shareholders through its webpages and the annual and half year reports, which aim to provide shareholders with a clear understanding of the Company's activities and its results.

The chairmen of the board and its committees attend the AGM whenever possible and are available to respond to queries and concerns from shareholders.

It is the intention of the board that the annual report and notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM whenever possible. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the company secretary at the address given on the outside back cover.

The Company has adopted a policy which ensures that shareholder complaints and other shareholder communications addressed to the company secretary, the chairman or the board are, in each case, considered by the chairman and the board.

Committees

In order to assist the board in fulfilling its governance responsibilities, it has delegated certain functions to committees. The roles and responsibilities of these committees, together with details of work undertaken during the year under review, are outlined on pages 22 to 24.

The committees of the board have defined terms of reference which are available on the Company's webpages www.schroders.co.uk/orientalincome. Membership of the committees is set out on pages 16 and 17.

Nomination Committee

The Nomination Committee is responsible for succession planning bearing in mind the balance of skills, knowledge, experience and diversity existing on the board and will recommend to the board when the further recruitment of non-executive directors is required. The committee aims to maintain a balance of relevant skills, experience and length of service of the directors serving on the board, taking gender and other diversity factors into account.

Before the appointment of a new director, the Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, the board also recognises the importance of diversity. The board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as the independence and time commitment necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new director. The board does not consider it appropriate or in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are drawn from suggestions put forward by an external agency and by the Company. Candidates are then interviewed by members of the committee, which makes a recommendation to the board.

To discharge its duties, the committee met on four occasions during the year under review. It considered its terms of reference, the balance of skills, independence and experience of the board, chairmanship of the board and the Audit and Risk Committee, and succession planning, including the profile of, and candidates for, a new director in view of Mr Sinclair's forthcoming retirement from the board. The committee has engaged the services of external search consultancies, Sapphire Partners and OSA Recruitment, in the selection of candidates for a new director, which is discussed in the Chairman's Statement. Neither agency has any other connection with the Company.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for shareholders, and that the Company maintains appropriate administrative and company secretarial support. The committee also reviews the services provided by other service providers. The members of the committee, which is chaired by Mr Rigg, are set out on pages 16 and 17. The board considers each member of the committee to be independent.

To discharge its duties, the committee met on one occasion during the year to consider its terms of reference, the performance and ongoing suitability of the Manager, the terms and conditions of the AIFM agreement, the performance and suitability of other service providers, and the fees paid to directors.

Audit and Risk Committee

The role and activities of the Audit and Risk Committee are set out overleaf.

By order of the board

Schroder Investment Management Limited
Company secretary

21 November 2018

Report of the Audit and Risk Committee

The responsibilities and work carried out by the Audit and Risk Committee during the year under review are set out in this report. The duties and responsibilities of the committee may be found in its terms of reference, which are set out on the Company's webpages, www.schroders.co.uk/orientalincome. During the year under review, Mrs Coates was appointed chair of the committee, and Mr Rigg retired from this role. Membership of the committee is as set out on pages 16 and 17. The board has satisfied itself that at least one of the committee's members has recent and relevant financial and sector experience.

The committee met on four occasions during the year ended 31 August 2018. It discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager, safekeeping and cashflow monitoring agent and registrar;
- reviewing the half year and annual report and accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the auditor;
- evaluating the auditor's performance;
- undertaking a competitive audit tender; and
- reviewing the principal risks faced by the Company and the system of internal controls.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 August 2018, the Audit and Risk Committee, having deliberated on the Company's principal risks and uncertainties, considered the following issues, which include those communicated by the auditor during its reporting:

Issue considered	How the issue was addressed
– Valuation and existence of holdings	– Review of portfolio holdings and assurance reports on controls from the Manager and Safekeeping and Cashflow Monitoring Agent.
– Recognition of investment income	– Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
– Overall accuracy of the annual report and accounts	– Consideration of the draft annual report and accounts and the letter from the Manager in support of the letter of representation to the auditor.
– Calculation of investment management and performance fees	– Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager and Safekeeping and Cashflow Monitoring Agent, including assurance reports on their controls.

As a result of the work performed, the committee has concluded that the annual report and accounts for the year ended 31 August 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the board. The board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 24.

Report of the Audit and Risk Committee

Effectiveness of the independent audit process

Following a competitive tender of the audit contract, as discussed in the Company's half year report to shareholders, PricewaterhouseCoopers CI LLP was appointed as the Company's auditor in place of Ernst and Young LLP during the year under review.

As part of the tender process several firms were invited to complete requests for proposals based on key criteria set by the committee. Two firms were shortlisted by the prevailing committee chairman and invited to present to the committee members. Two firms were recommended to the board with a preference for PricewaterhouseCoopers CI LLP, based on, among other factors, its depth of resource, technological competencies, and experienced senior statutory auditors. The board agreed with the committee's recommendation.

Having evaluated the effectiveness of PricewaterhouseCoopers CI LLP and the audit process, the committee has recommended the firm's re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; and overall competence. As part of the evaluation, the committee considered feedback from the Manager on the audit process and the year end report from the auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the committee also met the auditor without representatives of the Manager present.

Independent auditor

PricewaterhouseCoopers CI LLP has indicated its willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers CI LLP as auditor to the Company, and to authorise the directors to determine the firm's remuneration will be proposed at the AGM.

Provision of information to the auditor

The directors at the date of approval of this report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Provision of non-audit services by the auditor

The committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The committee has determined that the Company's auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services however, and this will be judged on a case-by-case basis.

No non-audit services were provided to the Company during the year (2017: nil).

Internal audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The committee will continue to monitor the system of internal controls in order to provide assurance that it operates as intended and the directors will continue to review annually whether an internal audit function is needed.

Alexa Coates
Chair of the Audit and Risk Committee

21 November 2018

Statement of Directors' Responsibilities

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

Guernsey company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors should:

- select suitable accounting policies, and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- make judgements and estimates that are reasonable and prudent.

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

Each of the directors, whose names and functions are listed on pages 16 and 17, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRS as adopted in the EU and with The Companies (Guernsey) Law, 2008 (as amended), give a true and fair view of the assets, liabilities, financial position and the net return of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the board

Robert Sinclair
Chairman

21 November 2018

Directors' Remuneration Report

Introduction

The following directors' remuneration policy is currently in force and is subject to a vote every three years. The next vote will take place at the AGM in 2020 and the current policy provisions will apply until that date. The below directors' remuneration report is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 15 December 2017, 99.88% of the votes cast (including votes cast at the chairman's discretion) in respect of approval of the directors' remuneration policy were in favour, while 0.12% were against. No votes were withheld.

At the AGM held on 15 December 2017, 99.88% of the votes cast (including votes cast at the chairman's discretion) in respect of approval of the directors' remuneration report for the year ended 31 August 2017 were in favour, while 0.12% were against. No votes were withheld.

Directors' remuneration policy

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

It is the board's policy to determine the level of directors' remuneration having regard to amounts 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, taking into account the aggregate limit of fees set out in the Company's articles of incorporation (currently £200,000). Any increase in the level set out therein requires approval by the board and the Company's shareholders.

The chairman of the board and the chairman of the Audit and Risk Committee each receives fees at a higher rate than the other directors to reflect their additional responsibilities. The fees payable to directors are not performance related. They are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

The board and its committees exclusively comprise non-executive directors. No director past or present has an entitlement to a pension from the Company, and the Company has not, and does not intend to, operate a share scheme for directors or to award any share options or long-term performance incentives to any director. No director has a service contract with the Company, however directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The board did not seek the views of shareholders in setting this remuneration policy. Any comments on the remuneration policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this remuneration policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the directors. New directors are subject to the provisions set out in this remuneration policy.

Directors' remuneration report

This report sets out how the remuneration policy was implemented during the year ended 31 August 2018.

Fees paid to directors

The following amounts were payable by the Company to the directors for services as non-executive directors in respect of the year ended 31 August 2018 and the previous financial year:

	Salary/fees 2018 £	2017 £
Robert Sinclair (Chairman)	**35,000**	35,000
Alexa Coates[1]	**17,331**	N/A
Fergus Dunlop[2]	**8,733**	30,000
Paul Meader	**30,000**	30,000
Peter Rigg[3]	**32,063**	32,750
Christopher Sherwell[4]	**N/A**	8,650
	123,127	136,400

[1]Appointed as a director on 9 February 2018. Appointed as chairman of the Audit and Risk Committee on 1 June 2018.
[2]Retired as a director on 15 December 2017.
[3]Retired as chairman of the Audit and Risk Committee on 1 June 2018.
[4]Retired as a director on 14 December 2016.

The information in the above table has been audited.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the board in November 2018. The members of the board at the time that remuneration levels were considered were as set out on pages 16 and 17. Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Following the annual review, the board agreed that the fee paid to the chairman should increase to £45,000 per annum, the fee paid to the chair of the Audit and Risk Committee should increase to £40,000 per annum and the fees paid to

Governance

the other directors should increase to £35,000 per annum. These increases took effect from 1 September 2018.

Directors' fees were last increased from September 2015 and, while the board will continue to review fee levels on an annual basis, the intention remains to consider increases on a three-year cycle.

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration payable to directors to distributions paid to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000	Change (%)
Remuneration payable to directors	**123**	136	-9.6
Distributions paid to shareholders – dividends	**23,589**	21,131	+11.6

Directors' share interests

The Company's articles of incorporation do not require directors to own shares in the Company. The interests of directors, including those of connected persons, at the beginning and end of the financial year under review are set out below.

	Ordinary shares of 1p each 31 August 2018	Ordinary shares of 1p each 31 August 2017
Robert Sinclair	**12,142**	12,142
Alexa Coates	**Nil**	N/A
Paul Meader	**11,000**	11,000
Peter Rigg	**23,142**	23,142

There have been no changes to the above share interests since the year end.

Robert Sinclair
Chairman

21 November 2018

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Schroder Oriental Income Fund Limited (the "Company") as at 31 August 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 (as amended).

For the purpose of clarification, all references to "financial statements" will also be deemed to be "accounts".

What we have audited

The Company's financial statements comprise:

- the Balance Sheet as at 31 August 2018;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the Notes to the Accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

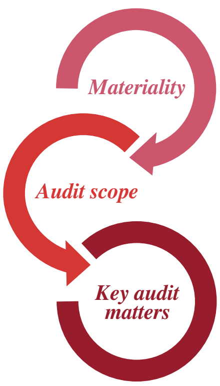
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the Company, as required by the Crown Dependencies' Audit Rules and Guidance and with SEC Independence Rules, and we have fulfilled our ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Materiality

- Overall materiality for the Company was £6.4 million which represents 1% of net assets.

Audit scope

- The Company is a standalone closed ended investment company registered in the Bailiwick of Guernsey with its shares listed on the main market of the London Stock Exchange.
- The board of directors engages Schroder Unit Trusts Limited (the "Manager") to manage the Company's assets.
- This is the first year that we have audited the Company.
- We conducted our audit using information provided by HSBC Securities Services (Guernsey) Limited ("HSS") to whom the Manager has delegated the provision of certain functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and HSS, and adopted a fully substantive testing approach using reports obtained from HSS.

Key audit matters

- Income from investments
- Valuation and existence of investments

Financial

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

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events, that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	£6.4 million (2017: £6.4 million)
How we determined it	1% of net assets (2017: 1% of total equity shareholders' funds)
Rationale for the materiality benchmark	We believe that 'net assets' is the most appropriate benchmark because this is a key metric of interest to members. It is also a generally accepted measure used for companies in this industry. The predecessor audit firm stated "total equity shareholders' funds" as the benchmark on which they determined overall Company materiality. This is equivalent to 'net assets'.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.3 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Income from investments *Refer to page 22 (Report of the Audit and Risk Committee), page 36 (Accounting policies) and page 38 (Notes to the Accounts)* International Standards on Auditing presume there is a risk of fraud in revenue recognition. For the purpose of clarification, "revenue" refers to all of the Company's income streams, those classified as both revenue and capital (including unrealised/realised gains and losses on investments). We considered this risk to specifically relate to the risk of misstating unrealised/realised gains/losses on investments and the misclassification of dividend income as capital rather than revenue due to the pressure that management may feel to achieve capital growth in line with the objective of the Company. We also focused on the accuracy, occurrence and completeness of income from investments, as incomplete or inaccurate income could have a material impact on the Company's net asset value.	Our main audit procedures over income were as follows: – We read the basis of accounting and accounting policy selected by the directors covering recognition of income and assessed it for compliance with International Financial Reporting Standards as adopted by the European Union and the AIC SORP. – To respond to the risk of fraud in revenue recognition we gained an understanding of both automated and manual journals posted to the income account. We tested a sample of manual year-end adjusting journals including material journals and those impacting income (revenue and capital). – We understood and assessed the design and implementation of key controls surrounding income recognition. – To test for the occurrence and accuracy of capital gains, we vouched a sample of realised gains to supporting evidence such as bank statements and recalculated unrealised gains and losses through testing the valuation of 100% of the investment portfolio using independent third party prices as described below. – To test completeness of dividend income we agreed that appropriate dividends had been received in the year by reference to independent data of dividends declared for the investment holdings in the portfolio. – To test occurrence and accuracy of dividend income we tested all dividends received by reference to the investment holding in the portfolio and recalculated the amounts using third party data, agreeing a sample back to bank statements. – We also considered the classification of income between revenue and capital. We concluded that income had been accounted for in accordance with the stated accounting policy and the AIC SORP and no material differences were noted.

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

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments *Refer to pages 7 and 8 (Investment Portfolio), page 22 (Report of the Audit and Risk Committee), and page 40 (Notes to the Accounts).* The portfolio of directly held investments, which constitutes the 'investments at fair value through profit or loss' financial statement line item, comprises of 100% quoted equities, which are designated by International Financial Reporting Standards as adopted by the EU, as 'Level 1' given that they are quoted in an active market for which publicly available pricing data is readily available. The investment portfolio represents 104% of the Company's net asset value. The investments are held by an independent custodian and subject to financial and risk management controls that mitigate the risk of material misstatement. Whilst the valuation of these investments is not considered complex, nor does it involve significant judgements and estimates to be made by management, the fair value of investments is material to the Company. A material misstatement due to fraud or error could potentially be material to the financial statements as a whole. As a result, whilst we have not concluded it to be a significant audit risk, we consider the valuation and existence of investments to be an area of focus in our audit and accordingly a key audit matter.	Our main audit procedures over these investments were as follows: – We read the accounting policies selected by the directors covering the recognition, classification and measurement of investments and assessed those policies for compliance with International Financial Reporting Standards as adopted by the European Union. – We agreed 100% of investment prices used in the calculation of the year end valuation of investments to independent third party sources. – We agreed the foreign currency exchange rates used (for non-GBP investments) as at the year end to independent third party sources. – We agreed the holdings of each of the quoted investments to an independently obtained custodian confirmation from the third party custodian, HSBC Bank Plc, as at 31 August 2018. – We re-calculated the carrying value of each of the listed investments by multiplying the price per share by the holding, taking into consideration applicable foreign exchange rates. We concluded that the valuation of investments held at fair value through profit or loss is consistent with the Company's accounting policies and that the investments existed and were owned by the Company at the year end. No material differences were noted.

Other information
The directors are responsible for the other information. The other information comprises all the information included in the Report and Accounts but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

– we have not received all the information and explanations we require for our audit;

– proper accounting records have not been kept; or

– the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

We have nothing to report in respect of the following matters which we have reviewed:

– the directors' statement set out on page 15 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;

– the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and

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

– the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with section 262 of The Companies (Guernsey) Law, 2008 (as amended) 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.

Elizabeth Burne
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
21 November 2018

Notes:

1. The maintenance and integrity of the Schroder Oriental Income Fund Limited webpages is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the webpages.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

for the year ended 31 August 2018

	Note	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
(Losses)/gains on investments at fair value through profit or loss	2	–	(13,193)	(13,193)	–	94,537	94,537
Net foreign currency losses		–	(895)	(895)	–	(963)	(963)
Income from investments	3	31,257	1,033	32,290	28,197	446	28,643
Other income	3	22	–	22	11	–	11
Total income/(loss)		31,279	(13,055)	18,224	28,208	94,020	122,228
Management fee	4	(1,365)	(3,184)	(4,549)	(1,258)	(2,935)	(4,193)
Performance fee	4	–	–	–	–	(6,355)	(6,355)
Other administrative expenses	5	(813)	(4)	(817)	(775)	(5)	(780)
Profit/(loss) before finance costs and taxation		29,101	(16,243)	12,858	26,175	84,725	110,900
Finance costs	6	(334)	(777)	(1,111)	(223)	(518)	(741)
Profit/(loss) before taxation		28,767	(17,020)	11,747	25,952	84,207	110,159
Taxation	7	(2,346)	(29)	(2,375)	(2,013)	(36)	(2,049)
Net profit/(loss) and total comprehensive income		26,421	(17,049)	9,372	23,939	84,171	108,110
Earnings/(losses) per share	9	10.52p	(6.79)p	3.73p	9.94p	34.97p	44.91p

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

The Company does not have any income or expense that is not included in net profit for the year. Accordingly the "Net profit" for the year is also the "Total comprehensive income" for the year.

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

The notes on pages 36 to 49 form an integral part of these accounts.

Statement of Changes in Equity

for the year ended 31 August 2018

	Note	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2016		150,251	39	150,374	203,837	24,161	528,662
Issue of ordinary shares		19,825	–	–	–	–	19,825
Net profit and total comprehensive income		–	–	–	84,171	23,939	108,110
Dividends paid in the year	8	–	–	–	–	(21,131)	(21,131)
At 31 August 2017		170,076	39	150,374	288,008	26,969	635,466
Issue of ordinary shares		21,462	–	–	–	–	21,462
Net (loss)/profit and total comprehensive income		–	–	–	(17,049)	26,421	9,372
Dividends paid in the year	8	–	–	–	–	(23,589)	(23,589)
At 31 August 2018		**191,538**	**39**	**150,374**	**270,959**	**29,801**	**642,711**

The notes on pages 36 to 49 form an integral part of these accounts.

Balance Sheet
at 31 August 2018

	Note	2018 £'000	2017 £'000
Non current assets			
Investments at fair value through profit or loss	10	**668,985**	654,213
Current assets			
Receivables	11	**3,794**	2,908
Cash and cash equivalents		**39,165**	29,881
		42,959	32,789
Total assets		**711,944**	687,002
Current liabilities			
Payables	12	**(69,233)**	(51,536)
Net assets		**642,711**	635,466
Equity attributable to equity holders			
Share capital	13	**191,538**	170,076
Capital redemption reserve	14	**39**	39
Special reserve	14	**150,374**	150,374
Capital reserves	14	**270,959**	288,008
Revenue reserve	14	**29,801**	26,969
Total equity shareholders' funds		**642,711**	635,466
Net asset value per share	15	**252.94p**	258.63p

These accounts were approved and authorised for issue by the board of directors on 21 November 2018 and signed on its behalf by:

Director

The notes on pages 36 to 49 form an integral part of these accounts.

Registered in Guernsey

Company registration number: 43298

Cash Flow Statement
for the year ended 31 August 2018

	2018 £'000	2017 £'000
Operating activities		
Profit before finance costs and taxation	**12,858**	110,900
Add back net foreign currency losses	**895**	963
Losses/(gains) on investments at fair value through profit or loss	**13,193**	(94,537)
Net purchases of investments at fair value through profit or loss	**(29,608)**	(25,219)
Less amortisation of discount on fixed interest securities	**(27)**	–
Decrease in receivables	**571**	296
(Decrease)/increase in payables	**(7,431)**	2,341
Overseas taxation paid	**(2,527)**	(2,074)
Net cash outflow from operating activities before interest	**(12,076)**	(7,330)
Interest paid	**(1,104)**	(739)
Net cash outflow from operating activities	**(13,180)**	(8,069)
Financing activities		
Bank loans drawn down	**46,415**	44,254
Bank loans repaid	**(21,275)**	(38,192)
Issue of ordinary shares	**21,462**	19,825
Dividends paid	**(23,589)**	(21,131)
Net cash inflow from financing activities	**23,013**	4,756
Increase/(decrease) in cash and cash equivalents	**9,833**	(3,313)
Cash and cash equivalents at the start of the year	**29,881**	33,859
Effect of foreign exchange rates on cash and cash equivalents	**(549)**	(665)
Cash and cash equivalents at the end of the year	**39,165**	29,881

Dividends received during the year amounted to £32,614,000 (2017: £27,608,000) and bond and deposit interest receipts amounted to £234,000 (2017: £1,005,000).

The notes on pages 36 to 49 form an integral part of these accounts.

Notes to the Accounts
for the year ended 31 August 2018

1. Accounting Policies

(a) Basis of accounting

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

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss.

Where consistent with the requirements of IFRS, the directors have sought to prepare the accounts on a basis compliant with presentational guidance set out in the statement of recommended practice for investment trust companies (the "SORP") issued by the Association of Investment Companies in November 2014 and updated in February 2018.

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

The Company's share capital is denominated in sterling and this is the currency in which its shareholders operate and expenses are generally paid. The board has therefore determined that sterling is the functional currency and the currency in which the accounts are presented. Amounts have been rounded to the nearest thousand.

The directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and conclude that it is reasonable to prepare the financial statements on a going concern basis. The principal accounting policies adopted are set out below.

(b) Presentation of the Statement of Comprehensive Income

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

(c) Investments at fair value through profit or loss

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment objective and information is provided internally on that basis to the Company's board of directors. Accordingly, investments are designated upon initial recognition as investments at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which are quoted bid market prices for investments traded in active markets.

Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both the AIFM's fair value pricing committee and by the directors.

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

(d) Accounting for reserves

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

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

(e) Income

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

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

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

(f) Expenses

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

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

– Any performance fee is allocated 100% to capital.

– Expenses incidental to the purchase or sale of investments are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 40.

(g) Finance costs

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

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

(h) Cash and cash equivalents

Cash and cash equivalents may comprise cash and demand deposits which are readily convertible to a known amount of cash in three months or less and are subject to insignificant risk of changes in value. Other receivables are non interest bearing, short-term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(i) Other financial assets and liabilities

Interest bearing bank loans are initially recognised at cost, being the proceeds received net of direct issue costs, and subsequently at amortised cost.

Forward foreign currency contracts are held at fair value through profit or loss, based on the gain or loss if the contracts had been closed out at the accounting date, at prevailing market rates.

(j) Taxation

The taxation charge in the Statement of Comprehensive Income comprises irrecoverable overseas withholding tax deducted from dividends receivable.

(k) Foreign currency

The results and financial position are expressed in sterling. Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transaction. At each balance sheet date, monetary items and non monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at 1600 hours on the balance sheet date.

Gains or losses arising on translation are included in net profit or loss for the year and presented as revenue or capital as appropriate.

(l) New and amended accounting standards

At the date of authorisation of these financial statements, the following standards deemed to be relevant to the Company were in issue but not yet effective:

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2018, early adoption permitted).

The Company will adopt the standard in the reporting period when it becomes effective and, following an assessment, the board concludes that the adoption of this standard in future periods will not materially impact the Company's financial results in the period of initial application.

In accordance with its investment objective, the Company's portfolio may from time to time include exposure to bonds, which have contractual cash flows and the board has determined that, as permitted by IFRS 9, it would be appropriate to continue to classify these securities at fair value through profit or loss even though the Company would collect contractual cash flows while it held these securities, as it would only be incidental and not integral to achieving the investment objective, which is to provide investors with a total return.

IFRS 15 Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2018).

Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard are not expected to have a material impact.

At the date of authorisation of these financial statements there are no new or revised standards or interpretations, which are in issue but which are not yet effective, which the board expects to have any significant effect on the Company's accounts.

Notes to the Accounts
for the year ended 31 August 2018

(m) Significant accounting judgements, estimates and assumptions

There were no significant accounting judgements, estimates or assumptions used in the preparation of these financial statements in accordance with IFRS.

2. (Losses)/gains on investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Gains on sales of investments based on historic cost	**34,601**	45,283
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(28,677)**	(22,631)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**5,924**	22,652
Net movement in investment holding gains and losses	**(19,117)**	71,885
(Losses)/gains on investments held at fair value through profit or loss	**(13,193)**	94,537

3. Income

	2018 £'000	2017 £'000
Income from investments:		
Overseas dividends	**31,107**	27,393
Interest on government bonds	**150**	804
	31,257	28,197
Other income:		
Deposit interest	**22**	11
Total income	**31,279**	28,208
Capital:		
Special dividends allocated to capital	**1,033**	446

4. Management and performance fee

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Management fee	**1,365**	**3,184**	**4,549**	1,258	2,935	4,193
Performance fee	**–**	**–**	**–**	–	6,355	6,355
	1,365	**3,184**	**4,549**	1,258	9,290	10,548

The basis for calculating the management and performance fees is set out in the Directors' Report on page 19.

5. Other administrative expenses

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Administration expenses	**513**	**4**	**517**	463	5	468
Secretarial fee	**150**	**–**	**150**	150	–	150
Directors' fees	**123**	**–**	**123**	136	–	136
Auditor's remuneration for audit services[1]	**27**	**–**	**27**	26	–	26
	813	**4**	**817**	775	5	780

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

Notes to the Accounts
for the year ended 31 August 2018

6. Finance costs

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Interest on bank loans and overdrafts	334	777	1,111	223	518	741

7. Taxation

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Irrecoverable overseas tax	2,346	29	2,375	2,013	36	2,049

The Company has been granted an exemption from Guernsey taxation, under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989, for which it is charged an annual exemption fee of £1,200 (2017: £1,200).

8. Dividends

Dividends paid and declared

	2018 £'000	2017 £'000
2017 fourth interim dividend of 4.20p (2016: 3.80p)	10,477	9,068
First interim dividend of 1.70p (2017: 1.60p)	4,254	3,818
Second interim dividend of 1.70p (2017: 1.70p)	4,284	4,074
Third interim dividend of 1.80p (2017: 1.70p)	4,574	4,171
Total dividends paid in the year	23,589	21,131

	2018 £'000	2017 £'000
Fourth interim dividend declared of 4.50p (2017: 4.20p)	11,434	10,320

Under The Companies (Guernsey) Law 2008 (as amended), the Company may pay dividends out of both capital and revenue reserves, subject to passing a solvency test. However all dividends paid and declared to date have been paid, or will be paid, out of revenue profits. The Company has passed the solvency test for all dividends paid to date.

The fourth interim dividend declared in respect of the year ended 31 August 2017 differs from the amount actually paid due to shares issued after the balance sheet date but prior to the share register record date.

9. Earnings/(losses) per share

	2018 £'000	2017 £'000
Net revenue profit	26,421	23,939
Net capital (loss)/profit	(17,049)	84,171
Net total profit	9,372	108,110
Weighted average number of shares in issue during the year	250,958,435	240,721,945
Revenue earnings per share	10.52p	9.94p
Capital (loss)/earning per share	(6.79)p	34.97p
Total earnings per share	3.73p	44.91p

Financial

Notes to the Accounts
for the year ended 31 August 2018

10. Investments at fair value through profit or loss

	2018 £'000	2017 £'000
Opening book cost	497,452	426,586
Opening investment holding gains	156,761	107,507
Opening valuation	654,213	534,093
Amortisation of discount on fixed interest securities	27	–
Purchases at cost	257,032	237,368
Sales proceeds	(229,094)	(211,785)
Gains on sales of investments based on the carrying value at the previous balance sheet date	5,924	22,652
Net movement in investment holding gains and losses	(19,117)	71,885
Closing valuation	668,985	654,213
Closing book cost	560,018	497,452
Closing investment holding gains	108,967	156,761
Total investments at fair value through profit or loss	668,985	654,213

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

	2018 £'000	2017 £'000
On acquisitions	235	380
On disposals	315	398
	550	778

11. Receivables

	2018 £'000	2017 £'000
Dividends and interest receivable	2,483	2,894
Securities sold awaiting settlement	1,306	–
Other receivables	5	14
	3,794	2,908

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

12. Current liabilities

Payables

	2018 £'000	2017 £'000
Bank loan	67,901	42,416
Securities purchased awaiting settlement	–	364
Other payables and accruals	1,332	8,756
	69,233	51,536

The bank loan comprises US$59.7 million and JP¥3,171.3 million (2017: US$54.7 million) drawn down on the Company's £100 million multi-currency credit facility with Scotiabank Europe plc. The facility is secured and drawings are subject to covenants and restrictions which are customary for a facility of this nature and all of these have been complied with. Further details of the facility are given in note 20 on page 46.

Notes to the Accounts
for the year ended 31 August 2018

13. Share capital

	2018 £'000	2017 £'000
Ordinary shares of 1p each, allotted, called-up and fully paid:		
Opening balance of 245,703,024 (2017: 237,541,574) shares	170,076	150,251
Issue of 8,395,000 (2017: 8,161,450) shares	21,462	19,825
Closing balance of 254,098,024 (2017: 245,703,024) shares	191,538	170,076

No shares were held in treasury at the year end (2017: nil).

During the year a total of 8,395,000 shares, nominal value £83,950 were issued to the market to satisfy demand, at an average price of 255.65p per share, for a total consideration received of £21,462,000, net of transaction costs of £54,000.

14. Reserves

				Capital reserves		
	Share capital £'000	Capital redemp-tion reserve £'000	Special reserve £'000	Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve £'000
At 31 August 2016	**150,251**	**39**	**150,374**	**99,258**	**104,579**	**24,161**
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	22,652	–	–
Movement in investment holding gains and losses	–	–	–	–	71,885	–
Transfer on disposal of investments	–	–	–	22,631	(22,631)	–
Realised exchange losses on cash and short-term deposits	–	–	–	(595)	–	–
Movement in derivative gains and losses	–	–	–	3	–	–
Exchange (losses)/gains on foreign currency credit facility	–	–	–	(4,909)	4,538	–
Issue of shares	19,825	–	–	–	–	–
Management fee, finance costs and other expenses charged to capital	–	–	–	(3,458)	–	–
Performance fee	–	–	–	(6,355)	–	–
Dividends allocated to capital	–	–	–	446	–	–
Irrecoverable overseas withholding tax on dividends allocated to capital	–	–	–	(36)	–	–
Dividends paid in the year	–	–	–	–	–	(21,131)
Net revenue profit for the year	–	–	–	–	–	23,939
At 31 August 2017	**170,076**	**39**	**150,374**	**129,637**	**158,371**	**26,969**

Financial

Notes to the Accounts
for the year ended 31 August 2018

	Share capital £'000	Capital redemp-tion reserve £'000	Special reserve £'000	Capital reserves Gains and losses on sales of investments £'000	Capital reserves Investment holding gains and losses £'000	Revenue reserve £'000
At 31 August 2017	**170,076**	**39**	**150,374**	**129,637**	**158,371**	**26,969**
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	5,924	–	–
Movement in investment holding gains and losses	–	–	–	–	(19,117)	–
Transfer on disposal of investments	–	–	–	28,677	(28,677)	–
Realised exchange losses on cash and short-term deposits	–	–	–	(549)	–	–
Exchange gains/(losses) on foreign currency credit facility	–	–	–	2,785	(3,131)	–
Issue of shares	21,462	–	–	–	–	–
Management fee, finance costs and other expenses charged to capital	–	–	–	(3,965)	–	–
Dividends allocated to capital	–	–	–	1,033	–	–
Irrecoverable overseas withholding tax on dividends allocated to capital	–	–	–	(29)	–	–
Dividends paid in the year	–	–	–	–	–	(23,589)
Net revenue profit for the year	–	–	–	–	–	26,421
At 31 August 2018	**191,538**	**39**	**150,374**	**163,513**	**107,446**	**29,801**

Under The Companies (Guernsey) Law 2008 (as amended), the Company may buy back its own shares, or pay dividends, out of any reserves, subject to passing a solvency test. This test considers whether, immediately after the payment, the Company's assets exceed its liabilities and whether it will be able to pay its debts when they fall due.

15. Net asset value per share

	2018	2017
Net assets attributable to shareholders (£'000)	**642,711**	635,466
Shares in issue at the year end	**254,098,024**	245,703,024
Net asset value per share	**252.94p**	258.63p

16. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2017: none).

17. Transactions with the Manager

The Company has appointed Schroder Unit Trusts Limited (the "Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, secretarial and administration services. Details of the management and performance fee agreement are given in the Directors' Report on page 19. The management fee payable in respect of the year amounted to £4,549,000 (2017: £4,193,000), of which £1,142,000 (2017: £2,197,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £150,000 (2017: £150,000) of which £37,500 (2017: £75,000) was outstanding at the year end. No performance fee is payable in respect of the year (2017: £6,355,000).

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

Notes to the Accounts
for the year ended 31 August 2018

18. Related party transactions

Details of the remuneration payable to directors and details of directors' shareholdings are given in the directors' remuneration report on pages 25 and 26. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2017: nil).

19. Disclosures regarding financial instruments measured at fair value

The Company's portfolio of investments, which may comprise investments in equities, equity linked securities, government bonds and derivatives, are carried in the balance sheet at fair value. Other financial instruments held by the Company may comprise amounts due to or from brokers, dividends and interest receivable, accruals, cash at bank and drawings on the credit facility.

For these instruments, the balance sheet amount is a reasonable approximation of fair value.

The investments are categorised into a hierarchy comprising the following three levels:

Level 1 – valued using quoted prices in active markets.

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

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

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

Details of the valuation techniques used by the Company are given in note 1(c) on page 36, and note 1(i) on page 37.

At 31 August 2018, the Company's investment portfolio and derivative financial instrument were categorised as follows:

	2018 Level 1 £'000	2018 Level 2 £'000	2018 Level 3 £'000	2018 Total £'000
Investments in equities and equity linked securities	**668,985**	**–**	**–**	**668,985**
Total	**668,985**	**–**	**–**	**668,985**

	2017 Level 1 £'000	2017 Level 2 £'000	2017 Level 3 £'000	2017 Total £'000
Investments in equities, equity linked securities and government bonds	654,213	–	–	654,213
Total	654,213	–	–	654,213

There have been no transfers between Levels 1, 2 or 3 during the year (2017: nil).

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

The Company's investment objective is to provide a total return for investors primarily through investments in equities and equity-related investments, of companies which are based in, or which derive a significant proportion of their revenues from, the Asia Pacific region and which offer attractive yields. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets. These risks include market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The directors' policy for managing these risks is set out below. The board coordinates the Company's risk management policy.

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

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

- investments in equities and equity-related securities of companies in the Asia Pacific region which are held in accordance with the Company's investment objective;
- short-term receivables, payables and cash arising directly from its operations; and

Notes to the Accounts
for the year ended 31 August 2018

– a multicurrency credit facility with Scotiabank Europe plc, the purpose of which is to assist in financing the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and market price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analysis where appropriate. The board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

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

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies and regularly reports to the board. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. The Company may use foreign currency borrowings or forward foreign currency contracts to limit the exposure to anticipated changes in exchange rates which might otherwise affect the value of the portfolio of investments. Income denominated in foreign currencies is converted into sterling on receipt.

Foreign currency exposure

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

	2018									
	Japanese yen £'000	Hong Kong dollars £'000	Australian dollars £'000	Singapore dollars £'000	Taiwan dollars £'000	Thai baht £'000	New Zealand dollars £'000	US dollars £'000	Other £'000	Total £'000
Current assets	28	11,859	887	247	–	303	–	7,185	2,429	22,938
Current liabilities	(22,005)	–	–	–	–	–	–	(45,907)	–	(67,912)
Foreign currency exposure on net monetary items	(21,977)	11,859	887	247	–	303	–	(38,722)	2,429	(44,974)
Investments at fair value through profit or loss[1]	21,640	222,151	90,303	49,067	75,633	52,088	11,823	29,503	95,072	647,280
Total net foreign currency exposure	(337)	234,010	91,190	49,314	75,633	52,391	11,823	(9,219)	97,501	602,306

	2017									
	Japanese yen £'000	Hong Kong dollars £'000	Australian dollars £'000	Singapore dollars £'000	Taiwan dollars £'000	Thai baht £'000	New Zealand dollars £'000	US dollars £'000	Other £'000	Total £'000
Government bonds	–	–	–	–	–	–	–	–	2,569	2,569
Current assets	–	3,929	89	171	515	436	–	15,383	92	20,615
Current liabilities	–	(364)	–	–	–	–	–	(42,420)	–	(42,784)
Foreign currency exposure on net monetary items	–	3,565	89	171	515	436	–	(27,037)	2,661	(19,600)
Investments at fair value through profit or loss[1]	–	234,040	96,908	68,551	65,910	41,227	14,854	38,051	73,906	633,447
Total net foreign currency exposure	–	237,605	96,997	68,722	66,425	41,663	14,854	11,014	76,567	613,847

[1]Excluding any government bonds and stocks priced in sterling.

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

Notes to the Accounts
for the year ended 31 August 2018

Foreign currency sensitivity

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2017: 10%) appreciation or depreciation in sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

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

	2018 £'000	2017 £'000
Statement of Comprehensive Income – net profit		
Net revenue profit	**2,860**	2,597
Net capital profits	**(4,475)**	(1,971)
Net assets	**(1,615)**	626

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

	2018 £'000	2017 £'000
Statement of Comprehensive Income – net profit		
Net revenue profit	**(2,860)**	(2,597)
Net capital profit	**4,475**	1,971
Net assets	**1,615**	(626)

In the opinion of the directors, the above sensitivity analysis with respect to monetary financial assets and liabilities is broadly representative of the whole of the current and comparative year. The sensitivity of the Company's investments to changes in foreign currency exchange rates is subsumed into market price risk sensitivity on page 47.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when interest rates are re-set. The fair value of any government bonds held in the Company's portfolio may be affected by interest rate movements or the expectation of such movements in the future. However, it is not possible to assess the impact of interest rate movements on the value of these investments accurately and therefore the exposure would be included in market price risk in part (iii) to this note.

Management of interest rate risk

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

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

Interest rate exposure

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

	2018 £'000	2017 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	**39,165**	29,881
Other payables: drawings on the credit facility	**(67,901)**	(42,416)
Total exposure	**(28,736)**	(12,535)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2017: same).

Notes to the Accounts
for the year ended 31 August 2018

During the year, the Company extended its £100 million 364 day multicurrency revolving credit facility with Scotiabank Europe plc, which now expires on 25 April 2019. The facility limit may be extended to £125 million subject to credit approval by the lender. Amounts are normally drawn down on this facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At the year end, the Company had drawn down US$59.7 million (£45.9 million) and JP¥3,171.3 million (£22.0 million) on this facility at an interest rate of 2.74% and 0.60% per annum respectively (2017: US$54.7 million (£42.4 million) at an interest rate of 1.89% per annum).

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

	2018 £'000	2017 £'000
Maximum interest rate exposure during the year – net debt	(54,190)	(39,147)
Minimum interest rate exposure during the year – net debt	(21,468)	(12,315)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2017: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2018		2017	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	94	(94)	86	(86)
Net capital profit	(238)	238	(149)	149
Net total profit	(144)	144	(63)	63
Net assets	(144)	144	(63)	63

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

(iii) Market price risk

Market price risk includes changes in market prices which may affect the value of the Company's investments.

Management of market price risk

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

Market price risk exposure

The Company's total exposure to changes in market prices at 31 August comprised the following:

	2018 £'000	2017 £'000
Investments at fair value through profit or loss	668,985	654,213

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 7 and 8. This shows that the portfolio principally comprises investments quoted on Asian stockmarkets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the net profit for the year and net assets to an increase or decrease of 10% (2017: 10%) in the fair values of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee, but with all other variables held constant.

	2018		2017	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	(140)	140	(137)	137
Net capital profit	66,571	(66,571)	65,101	(65,101)
Net total profit for the year and net assets	66,431	(66,431)	64,964	(64,964)

(b) Liquidity risk

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

Management of the risk

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

The board's policy is for the Company to remain fully invested in normal market conditions and that the credit facility be used to manage working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

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

	Three months or less 2018 £'000	Three months or less 2017 £'000
Other payables		
Bank loan – including interest	68,020	42,485
Securities purchased awaiting settlement	–	364
Other payables and accruals	1,321	8,752
	69,341	51,601

(c) Credit risk

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

Management of credit risk

This risk is managed as follows:

Portfolio dealing

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

Notes to the Accounts
for the year ended 31 August 2018

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

Exposure to the custodian

The custodian of the Company's assets is HSBC Bank plc which has Long-Term Credit Ratings of AA- with Fitch and Aa3 with Moody's.

The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

Credit risk exposure

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

	2018 Balance sheet £'000	2018 Maximum exposure £'000	2017 Balance sheet £'000	2017 Maximum exposure £'000
Non current assets				
Government bonds	–	–	2,569	2,569
Current assets				
Receivables – dividends and interest	**2,483**	**2,483**	2,894	2,894
Securities sold awaiting settlement	**1,306**	**1,306**	–	–
Cash and cash equivalents	**39,165**	**39,165**	29,881	29,881
	42,954	**42,954**	35,344	35,344

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

21. Capital management policies and procedures

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

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

	2018 £'000	2017 £'000
Debt		
Bank loan	**67,901**	42,416
Equity		
Share capital	**191,538**	170,076
Reserves	**451,173**	465,390
	642,711	635,466
Total debt and equity	**710,612**	677,882

Notes to the Accounts
for the year ended 31 August 2018

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

The board's policy is to limit gearing to 25%. Gearing for this purpose is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	2018 £'000	2017 £'000
Borrowings used for investment purposes, less cash	28,736	12,535
Net assets	642,711	635,466
Gearing	4.5%	2.0%

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

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back the Company's own shares for cancellation or to hold in treasury, which takes into account the share price discount;
- the opportunities for issues of new shares or to reissue shares from treasury; and
- the amount of dividend to be paid.

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Thursday, 20 December 2018 at 9.00 a.m. The formal Notice of Meeting is set out on page 51.

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

Resolution 8 – authority to make market purchases of the Company's own shares (special resolution)

At the AGM on 15 December 2017, the Company was granted authority to make market purchases of up to 37,408,747 ordinary shares for cancellation or holding in treasury. No ordinary shares were bought back under this authority and the Company therefore has remaining authority to purchase up to 37,408,747 ordinary shares. This authority will expire at the forthcoming AGM.

The directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV per share and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue at 19 November 2018 (excluding treasury shares). The directors will exercise this authority only if the directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue.

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

Resolution 9 – disapplication of pre-emption rights (extraordinary resolution)

As last year the board is proposing an authority be given to directors to disapply pre-emption rights when issuing shares. The approval of this authority will allow the Company to continue to issue shares on the current basis and provide sufficient liquidity to meet demand for shares in the market. The directors intend to issue ordinary shares pursuant to these authorities if investor demand for them is strong. However, the directors will issue ordinary shares only when they believe it to be advantageous to the Company's existing shareholders to do so. The issue of ordinary shares will only be made at a premium to NAV per share.

If renewed, both the above authorities will expire at the conclusion of the AGM in 2019 unless renewed or revoked earlier.

Recommendation

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

Notice of Annual General Meeting

NOTICE is hereby given that the annual general meeting of Schroder Oriental Income Fund Limited will be held on Thursday, 20 December 2018 at 9.00 a.m. at 2nd Floor, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special and extraordinary resolutions respectively:

1. To receive the Directors' Report and the audited accounts for the year ended 31 August 2018.
2. To approve the directors' remuneration report for the year ended 31 August 2018.
3. To elect Mrs Alexa Coates as a director of the Company.
4. To re-elect Mr Paul Meader as a director of the Company.
5. To re-elect Mr Peter Rigg as a director of the Company.
6. To re-appoint PricewaterhouseCoopers CI LLP as auditor of the Company.
7. To authorise the board to determine the remuneration of PricewaterhouseCoopers CI LLP as auditor of the Company.
8. To consider and, if thought fit, to pass the following resolution as a special resolution:

   "That the Company be and is hereby generally and unconditionally authorised in accordance with section 315 of The Companies (Guernsey) Law, 2008 (as amended), to make market purchases of ordinary shares of 1p each in the capital of the Company ("Share"), provided that:

   (a) the maximum number of Shares hereby authorised to be purchased shall be 38,362,861, representing 14.99% of the issued Share capital as at 19 November 2018;

   (b) the minimum price which may be paid for a share is 1p;

   (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade in the Shares of that class and the highest then current independent bid for the Shares of that class on the London Stock Exchange;

   (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value per Share;

   (e) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company unless such authority is renewed or revoked prior to such time; and

   (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."
9. To consider and, if thought fit pass the following as an extraordinary resolution:

   "That the board be and is hereby authorised in accordance with Section 291 of The Companies (Guernsey) Law, 2008 (as amended) to allot ordinary shares for cash and/or sell treasury shares up to 25,592,302 ordinary shares of 1p each in aggregate, representing 10% of the share capital in issue on 19 November 2018, for cash and the right of shareholders to receive a pre-emptive offer in respect of such ordinary shares shall be excluded pursuant to Article 3.24 of the Company's articles of incorporation, provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) from the conclusion of the annual general meeting of the Company to be held in 2019 save that the board may allot ordinary shares for cash or sell treasury shares after the expiry of this authority in pursuance of an offer or agreement made by the Company before such expiry that would or might require ordinary shares to be allotted or treasury shares to be sold after such expiry."

1. An ordinary shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and (insofar as permitted by the Company's articles of incorporation) to vote instead of him/her.

   A proxy need not be a member. A form of proxy is enclosed for ordinary shareholders which should be completed and returned to the Company's registrar, care of Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 48 hours before the time fixed for the meeting. Completion of the proxy will not preclude an ordinary shareholder from attending and voting in person.
2. The biographies of each of the directors offering themselves for election and re-election are set out on pages 16 and 17 of the annual report and accounts for the year ended 31 August 2018.
3. As at 19 November 2018, the Company had 255,923,024 ordinary shares of 1p each in issue (no shares were held in treasury). Accordingly, the total number of voting rights in the Company on 19 November 2018 is 255,923,024.

By order of the board

Schroder Investment Management Limited
Company Secretary

21 November 2018

Registered office:
PO Box 208
Arnold House
St Julian's Avenue
St Peter Port
Guernsey GY1 3NF

Registered number: 43298

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs.

Net asset value ("NAV") per share

The NAV per share represents the net assets attributable to equity shareholders divided by the number of shares in issue, excluding any shares held in treasury. The NAV per share is published daily.

Total return

Total return represents the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

Discount/premium

The discount/premium is the amount by which the share price of an investment company is lower (discount) or higher (premium) than the NAV per share. The discount or premium is normally expressed as a percentage of the NAV per share.

Gearing

The gearing percentage is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. Gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the figure so calculated is negative, this is shown as a "net cash" position.

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its NAV and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

Ongoing charges

Ongoing charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/orientalincome. The webpages are the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price and copies of the 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 webpages contain links to announcements made by the Company to the market and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its NAV per share 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 the Company's webpages.

Association of Investment Companies

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

Individual Savings Account ("ISA") status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because the returns to investors are predominantly based on exposure to listed equities and equity-based instruments.

Financial calendar

First interim dividend paid	January
Second interim dividend paid	May
Half year results announced	April/May
Third interim dividend paid	July
Financial year end	31 August
Annual results announced	November
Fourth interim dividend paid	November/December
Annual General Meeting	December

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the Company's webpages.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the website www.schroders.co.uk/its. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2018 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.2
Commitment method	2.0	1.2

Illiquid assets

As at the date of this Report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may be found in the Company's AIFMD information disclosure document published on the Company's webpages.

Publication of Key Information Document ("KID")

Pursuant to the Packaged Retail and Insurance Based Products Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

www.schroders.co.uk/orientalincome

Advisers

Alternative investment fund manager (the "Manager")

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU
United Kingdom

Company secretary and administrator

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
United Kingdom
Telephone: 020 7658 6501

Registered office

PO Box 208
Arnold House
St Julian's Avenue
St Peter Port
Guernsey GY1 3NF

Lending bank

Scotiabank Europe plc
201 Bishopsgate
London EC2M 3NS
United Kingdom

Safekeeping and cashflow monitoring agent (including custodian)

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditor

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey GY1 4ND

Registrar

Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey GY1 1DB

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 Computershare Investor Services (Guernsey) Limited at the address set out above.

Corporate broker

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

Designated manager

HSBC Securities Services (Guernsey) Limited
Arnold House
St Julian's Avenue
St Peter Port
Guernsey GY1 3NF

Shareholder enquiries

General enquiries about the Company should be addressed to the company secretary at the address set out above.

Dealing codes

ISIN: GB00B0CRWN59
SEDOL: B0CRWN5
Ticker: SOI

Global intermediary identification number (GIIN)

1TVP6A.99999.SL.83

Legal entity identifier (LEI)

5493001U9X6P8SS0PK40

The Company's privacy notice is available on its webpages.

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