Schroders

Schroder Oriental Income Fund Limited

Annual Report and Accounts

For the year ended
31 August 2022

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 10 and 11.

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.

Contents

Financial Highlights

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on pages 67 and 68, together with supporting calculations where appropriate.

Total returns* for the year ended 31 August 2022

+2.5%

2021: +21.9%

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

+1.2%

2021: +21.2%

Share price total return

Other financial information

	31 August 2022	31 August 2021	% Change
Shareholders' funds (£'000)	**724,147**	751,419	(3.6)
Shares in issue (excluding shares held in treasury)	**261,203,024**	267,468,024	(2.3)
NAV per share (pence)	**277.24**	280.94	(1.3)
Share price (pence)	**264.00**	271.50	(2.8)
Share price discount to NAV per share* (%)	**(4.8)**	(3.4)	
Gearing* (%)	**4.0**	2.7	

	Year ended 31 August 2022	Year ended 31 August 2021	% Change
Net revenue after taxation (£'000)	**34,105**	27,682	+23.2
Revenue earnings per share (pence)	**12.94**	10.30	+25.6
Dividends per share (pence)	**11.40**	10.50	+8.6
Ongoing Charges* (%)	**0.86**	0.85	

Definitions of terms and performance measures used throughout this report can be found on pages 67 and 68.

Ten-Year Financial Record

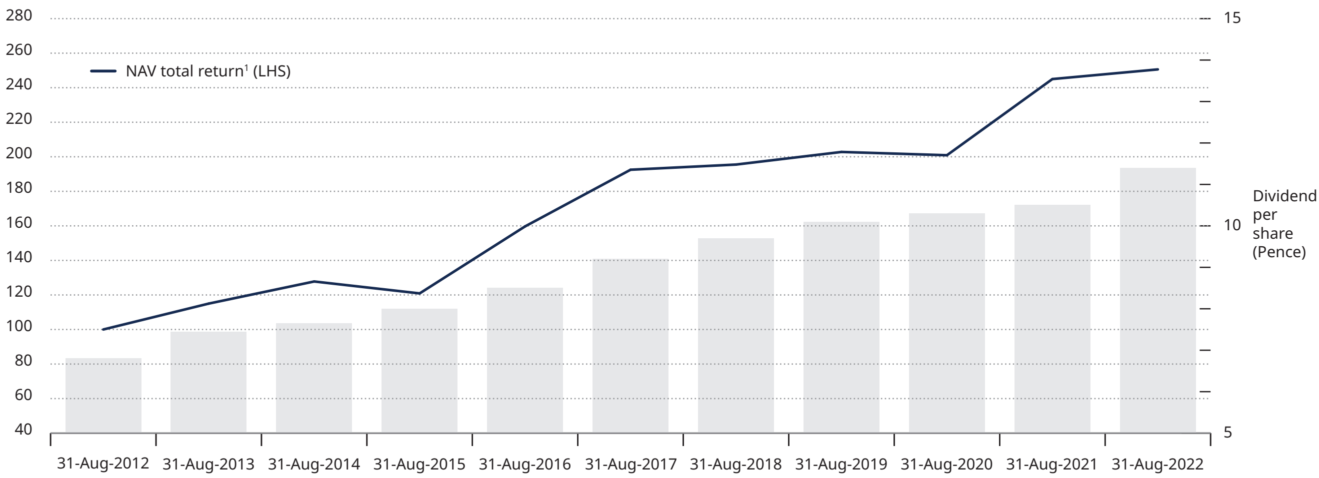
At 31 August	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Shareholders' funds (£'000)	395,926	428,456	410,090	528,662	635,466	642,711	661,804	646,699	751,419	724,147
NAV per share (pence)	181.46	193.44	175.95	222.56	258.63	252.94	251.94	239.28	280.94	277.24
Share price (pence)	177.00	195.50	176.50	224.50	261.00	250.00	253.00	233.00	271.50	264.00
Share price (discount)/ premium to NAV per share (%)	(2.5)	1.1	0.3	0.9	0.9	(1.2)	0.4	(2.6)	(3.4)	(4.8)
Gearing (%)[1]	2.1	5.1	5.5	0.4	2.0	4.5	5.3	4.0	2.7	4.0

For the year ended 31 August	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net revenue after taxation (£'000)	16,571	17,802	19,660	21,296	23,939	26,421	27,376	26,537	27,682	34,105
Revenue earnings per share (pence)	8.74	8.12	8.73	9.03	9.94	10.52	10.60	9.86	10.30	12.94
Dividends per share (pence)	7.45	7.65	8.00	8.50	9.20	9.70	10.10	10.30	10.50	11.40
Ongoing Charges (%)[2]	0.93	0.88	0.87	0.89	0.85	0.83	0.86	0.87	0.85	0.86

Performance[3]	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NAV total return	100.0	115.0	127.8	120.9	159.7	192.5	195.5	202.8	200.9	245.0	250.6
Share price total return	100.0	113.0	130.1	122.2	162.3	195.8	194.6	205.0	197.0	238.7	241.6

[1]Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[2]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year.
[3]Source: Morningstar. Rebased to 100 at 31 August 2012.

NAV total returns and dividends per share over ten years to 31 August 2022



[1] Source: Morningstar. Rebased to 100 at 31 August 2012.

Strategic Report

Chairman's Statement

Dear Shareholder

The Company's financial year, to 31st August 2022, saw us witness two very different environments in the global economy and financial markets. The autumn period through to the end of 2021 saw continued strong economic growth, growing inflationary pressures, bond market stability and equity market euphoria. 2022 started with a sharp reversal of market sentiment, exacerbated in February by the invasion of Ukraine. As global energy prices and inflation rose ever higher, so did bond yields and equities fell sharply.

Against this backdrop, the Company produced an encouraging, albeit modest, positive net asset value ("NAV") total return of 2.5%. In 2021, Asia had not experienced the same euphoria in equity markets as elsewhere, as the shadow of China's policy choices lay across the region. Similarly, the falls in 2022 have been more muted than in the US and Europe but, nonetheless, the MSCI AC Pacific ex Japan Index (in sterling terms) still fell by 7.7% over the financial year to 31st August.

As I have mentioned before, this index is an interesting yardstick but it is little more than that. It is not the key driver of how our portfolio is invested. Instead, Richard Sennitt and Abbas Barkhordar seek to build a diversified portfolio of quality, income generating companies based on fundamental stock analysis. They do not slavishly follow macro themes. However, the reasons for the material outperformance during the year are noteworthy and are well explained in the Manager's Review on page 6. What I do want to highlight is the growing dividend stream received by the Company which has underpinned another increase in our own dividend to shareholders to 11.40 pence per share. During 2020 and 2021, we dipped modestly into our revenue reserves until the COVID storm abated. We believed that, with generally low payout ratios and good fundamentals, our portfolio companies would recommence dividend growth when confidence or, in certain cases, regulation permitted. So it has proven and the Company's dividend for this financial year is back, once again, to being well covered, allowing us to replenish our revenue reserve as well as increase the total dividend to you. This year's increase represents an 8.6% rise in the dividend since last year and is the 16th consecutive dividend increase since the Company's launch in 2005.

That said, a modest health warning is warranted. The Company's revenue is accounted for in sterling and our dividend to you is paid in sterling. Our underlying revenue from our portfolio has grown well in local currency terms this year, which is heartening, but the significant weakness of sterling during the year (and subsequently) has flattered both our NAV performance and our revenue when translated into sterling terms. We don't seek to predict or to hedge the vagaries of sterling but the performance of the currency can have a material impact on shareholder total returns and our revenue. For many years it has been a wind at our back. Any reversal of recent sterling weakness would, conversely, act as a headwind in the future.

So far, I have focused on our NAV performance. Our share price has tracked this fairly closely during the financial year and generated a total return (dividends reinvested) of 1.2%. However, the discount that arose in 2020 has persisted, ending the period at 4.8%. This follows many years when the Company's share price traded at a modest premium and the Company issued shares at a premium. Emerging or widening discounts are not unique to the Company: the average discount across the investment trust sector is now wider than during the global pandemic. However, as I noted in this year's Interim Report, the Board does not believe that our discount is justified given our strong performance, attractive yield and relevance within client portfolios. So we have been willing to continue to repurchase shares when there has been a mismatch of supply and demand in the market. During the financial year, a total of 6,265,000 shares were repurchased at an average discount of 5.1%. Since the financial year end, markets have fallen again and volatility has risen. Discounts of investment trusts have widened further, sometimes markedly. Our discount has crept out to around 5-7%. We have redoubled our efforts accordingly and will continue to repurchase shares when we believe that it is in the best interests of shareholders.

In addition to financial performance, investors are increasingly focused on how results are achieved, to ensure that their funds are being invested in responsible companies and that returns are sustainable. You will be pleased to hear that this is also a focus of the Board and the Manager, and details of how Environmental, Social and Governance ("ESG") considerations are factored into investment decisions is covered on pages 14 to 17.

Aside from this, there are two other items that I would like to highlight. Firstly, as announced in the Interim Report published in May, Schroders has agreed to reduce the performance fee payable by the Company. This has had no impact on the year just past because the total return was below the hurdle rate to trigger any performance fee. But, the benefit of the increase in that hurdle from 7% to 8% and the reduction of the cap to 0.65% (from 0.75% previously) will be felt in future years. It represents a notable financial improvement to shareholders and the Board would like to thank Schroders for this.

Secondly, we have been delighted to welcome Isabel Liu to the Board. Isabel joined in November 2021 and is already making a notable contribution to our discussions. Her extensive knowledge of China and the region is generating lively and relevant debate around the board table. Our succession planning over the last five years has enabled us to build a genuinely diverse board with different experience, backgrounds and perspectives. We were supportive of the FCA's initiative to enshrine diversity into the Listing Rules and are pleased to be able to adopt these changes early. Our report on diversity can be found on page 19. This year also saw us conduct a board review, externally facilitated by Stogdale St James. I am pleased to be able to report that this found that your board achieves the high standards we outline in our Purpose, Values and Culture on page 18.

Looking forward, it is easy to despair. Without doubt, the economic environment will get worse before it gets better. A global recession seems likely, even if it may prove shallow. But, financial markets are forward looking and have already

Chairman's Statement

discounted much bad news. Looking more specifically at Asia, caution seems warranted in relation to investment in China. Politics, zero-COVID and economic vulnerability, especially to a highly leveraged property market, suggest a bumpy ride ahead for Chinese investments. But aside from China, the region represents something of a haven and, whilst China is important, it is not all of Asia. Many economies outside of China are thriving and represent increasingly attractive alternatives for production, investment and growth. Equity valuations in the region are not demanding and offer interesting opportunities. Our portfolio is well diversified, tilted away from China and focused on companies with strong and reliable fundamentals. Of course, in the short term, equities could fall further. Yet, we see no reason why our portfolio should not prosper in the medium term and generate growing dividends and attractive total returns. Recent events in the UK place into even sharper focus the importance of a globally diversified portfolio for all types of investors, including income investors. Schroder Oriental Income seems to me to have a well deserved place amongst that diversification.

The Company's Annual General Meeting will be held at 4.30pm on Monday 5th December 2022 at Schroder's offices, 1, London Wall Place. Our investment managers, Richard Sennitt and Abbas Barkhordar will be giving presentations at an investor webinar on Tuesday 29th November 2022 at 10.30 am (which can be signed up to via the Company's website, http://www.schroders.co.uk/orientalincome), and at the Company's Annual General Meeting and I would encourage you to come and listen to them. We hope to welcome many of you to the AGM in person and to hear your thoughts and questions.

Paul Meader

Chairman

3 November 2022

Manager's Review

The net asset value per share of the company recorded a total return of +2.5% over the twelve months to end August 2022. Four interim dividends have been declared totalling 11.40p (10.50p last year).

Performance of the MSCI AC Pacific ex Japan net dividends reinvested Index in GBP and USD – 31 August 2021 to 31 August 2022

Source: Thompson Datastream as at 31 August 2022.

The past year has been a tumultuous period for markets with a number of headwinds globally and regionally weighing on sentiment. Geopolitical tensions worsened with the shock Russian invasion of Ukraine as well as ongoing tensions between the US and China and increasing concerns surrounding Taiwan. Inflation, in part driven by the war in Ukraine and in part by shortages of both goods and labour, rose materially and saw aggressive responses from Central Banks which in turn focussed attention back on to the state of the slowing global economy and its knock-on to earnings. In Asia, the period was dominated by concerns over the health of the Chinese economy with its 'zero-COVID' policy exacerbating ongoing worries over an already weak property market. Increased levels of regulation in China (particularly amongst the internet names) also weighed on sentiment. Later in the period, some easing measures announced by the Chinese government, together with an apparent shift in focus towards 'stability', looked to underpin sentiment.

With the rise in and potential for a more sustained higher level of inflation globally, there was renewed concern over higher interest rates. This saw some of the more highly-rated growth stocks come under pressure, especially the less profitable names, with value stocks outperforming growth stocks over the period. This favoured income stocks. Towards the end of the period there were some hopes that inflation was nearing a peak and this would elicit a pivot from the US Federal Reserve to a more dovish stance. However, this proved to be relatively short-lived.

The divergence of returns across the regional markets continued to be high, with China lagging for the reasons mentioned above. Korea, often a market correlated with global growth expectations, was also weak with the memory sector names falling on concerns over falling demand as well as some of the more highly rated internet names under pressure. Of the larger markets Taiwan, Australia and Singapore all outperformed. Australia and Singapore were aided by a strong recovery in the financials and materials sectors. IT stocks in Taiwan underperformed as concerns over the impact of a slowing consumer would have on end demand, with rising prices eating into real incomes. The other ASEAN markets performed better, helped initially by the potential for post-pandemic re-opening, as well as value stocks outperforming, in which they tend to have higher weightings. Indonesia, in particular, stood out as a beneficiary of higher commodity prices.

Market returns of the MSCI AC Pacific ex Japan Net Dividends Reinvested Index in GBP and local currency – 31 August 2021 to 31 August 2022

Source: Schroders, Factset.

Sector returns across the region also saw a large spread. Beneficiaries of rising commodity prices did well, especially energy names, and higher interest rates meant financials also outperformed. Sectors with a high growth component sold off, including the healthcare names dragged down by the high-multiple biotechnology stocks, as did a number of the e-commerce and internet related names largely found in the consumer discretionary and communication services sectors. Information technology sold off towards the end of the period as there was increasing concern over a slowdown in consumer demand at a time when some of the bottlenecks around supply were clearing.

The recovery in earnings over the past year has, in part, started to be reflected in higher dividend payments. Areas of improvement included Australian resource names buoyed by higher commodity prices, as well as some of the real estate companies and financials in Hong Kong and Korea. Australian and Singaporean banks also announced increased dividends in part due to regulators becoming more comfortable with the macro backdrop and in part due to the earnings headwinds starting to abate. Concerns over renewed outbreaks of COVID, supply chain disruption and a volatile geopolitical backdrop understandably did see caution from some companies in areas which were more dependent on the opening up of economies or whose earnings were more impacted by shortages.

Positioning and Performance

The Company's positive NAV total return of +2.5% over the year compared favourably with that of the reference benchmark which fell -7.7% over the year. Although growth expectations have started coming down, the initial recovery in global growth, seen as pandemic restrictions started to be lifted in many economies, combined with interest rates starting to move up was a relatively positive backdrop for the fund as it favoured some of the more economically sensitive sectors, such as financials and materials, at the expense of the more expensive growth names. Our overweight to, and stock selection in, financials and materials added value. In financials this was driven by the positions in banks which in general benefitted from a firming of interest rate expectations combined with their low valuations. The Australian resources exposure was also positive thanks to higher commodity prices driven by the global recovery. This saw the stocks generate substantial levels of free cash flow which in turn led to record dividend payments. A lack of exposure to the higher growth names was also positive with rising rates weighing on valuations. In particular, internet and healthcare names, which tend to pay little or no dividend and where the fund has no exposure, lagged in the period.

Our overweight to information technology was a headwind as the sector saw negative earnings revisions, but our positions added value thanks to strong stock selection in some of the Taiwanese names, which more than offset the negative from being overweight the sector. The fund's real estate holdings also added value thanks to being overweight as well as from positive stock selection. A lack of Chinese private developers and exposure to some of the Singaporean names that, in part, benefitted from 'opening up' helped here.

From a regional perspective, positioning in Singapore and China were the major contributors to relative performance. In China, both the significant underweight to, and stock selection in, the market added value, as the ongoing issues highlighted above impacted stocks. Here, the internet names were among those that bore the brunt of the sell down. In Singapore, stock selection was very strong owing to our positioning in banks, telcos and property. Those areas also saw the Hong Kong overweight add value. Our small overweight to Australia, being the best performing of the larger markets, helped but again it was stock selection in materials and financials that had the bigger impact. Whilst stock selection was also strong in Korea and Taiwan, our underweight to some of the other ASEAN markets, in particular Malaysia and the Philippines detracted.

The geographic exposure in the Company's portfolio continues to be mainly spread between Taiwan, Australia, Singapore, Hong Kong, Korea and China. China remains a substantial underweight but is, in part, offset by the overweight to Hong Kong. Over the period we did reduce our exposure to Hong Kong by reducing exposure to some of the property names that had performed relatively well and by selling our Macau gaming stock early on in the period. Here, concerns over regulation together with ongoing uncertainty as to when travel restrictions would be relaxed due to further COVID outbreaks were the driver. Elsewhere, we added to Singapore, where we are overweight, and also to a limited extent to Korea.

As throughout much of 2021, portfolio moves tended to take advantage of the valuation spread that we saw across industries, reducing those stocks that had performed particularly strongly and now looked more fully valued in favour of those names that had lagged and looked more attractive from a valuation perspective. We continued in aggregate to add to financials where we are overweight with valuations still looking relatively attractive given higher interest rates and subdued credit costs. Here we added to Korean, Australian and Indonesian names, albeit these were partly funded from names elsewhere including in Taiwan. Real estate continues to be an important sector in the fund but we did reduce the size of that overweight, taking profits in Hong Kong and China names that had performed relatively well despite concerns over the Chinese property sector. We own one Chinese name which has performed strongly but do not own any of the private residential developers where the problems have been centred. We have also taken money out of some of the Singapore REITs that are sensitive to rising rates and have been experiencing large increases in costs.

The other area where we have reduced exposure is in the materials sector where sales have been focussed in the Australian names. The sector has performed strongly over the last year, in part helped by the surge in commodity prices. Information technology is the biggest sectoral exposure in the fund after financials. Although near term earnings have been seeing downward revisions we continue to see some strong long-term drivers for growth around digitisation and the roll out of 5G and the 'Internet of Things' and our focus remains on the Taiwanese and Korean companies.

Investment Outlook

Slowing global and weak Chinese growth, elevated geopolitical tensions around Ukraine and Taiwan and rising interest rates, combined with ongoing downward revisions to earnings, mean that headwinds for markets are likely to continue. However, some areas of the markets are starting to look more attractive from a longer term perspective having derated markedly.

Globally, consumption is under pressure as rising prices eat into real incomes. This, allied with the shift away from consumption of goods to consumption of services as the majority of economies open up post-pandemic, has seen the demand for goods falter. This in turn has started to see inventories accumulate across supply chains globally, leading to a fear that we will see a painful period of inventory adjustment on top of an already slowing global economy. From an Asian perspective, this is likely to have an impact on exports and from our portfolio's perspective is most likely to evidence itself in the technology hardware sector. To an extent, markets have already started to discount this with technology names in both Korea and Taiwan already underperforming despite earnings holding up relatively well for now. In our view, valuations are now starting to factor in a slowdown but not yet a "hard landing" which, although not our base case, is a possibility. In general, the stocks we own in this sector are leaders in their area with high market shares and strong balance sheets on attractive valuations, so in our view should prove to be relatively resilient. Although we did take some money out of the sector earlier in the year, we remain overweight.

The other trend that the pandemic and Ukraine crisis have reinforced has been the need for increased self sufficiency. The need for diversified supply chains was something that the COVID crisis had highlighted, given the disruption the pandemic caused. With security of supply already a focus in areas such as semiconductor production thanks to ongoing US-China tensions and the concentration of advanced manufacturing in Taiwan, the Ukraine conflict has also highlighted the vulnerability of nations to energy supply dependency. The recently concluded Party Congress in China saw President Xi mention 'security' 91 times in his opening speech (according to Bloomberg) compared with 55 mentions five years ago, reinforcing a view that China will continue to intensify efforts around 'self sufficiency' in core technologies and strategic industries. All this will likely lead to further localisation of supply chains and an era of reduced globalisation.

Geopolitics will continue to remain a risk, including surrounding Taiwan as highlighted by the recent visit by Nancy Pelosi to the island, which has resulted in increased tensions between the US and China. Other actions such as the recent moves by the US to restrict China's ability to purchase and manufacture high-end semiconductors combined with the upcoming mid-term elections in the US mean it is unlikely we will see any meaningful relaxation in tensions near term and this is likely to continue to weigh on sentiment.

From an Asian perspective the biggest impact on growth is coming from the 'zero-COVID' policy in China, where the lockdowns have had a severe impact on growth as well as exacerbating the weakness in the property sector. It is not clear how long this policy will remain in place but for now there is unlikely, in our view, to be any major volte-face. The recent Party Congress gave no indication when the policy might be eased and whilst vaccination rates in China are high and comparable to most developed nations, a large tranche of the elderly still remain unvaccinated making it difficult for them to open up until this is rectified. Although a wholesale opening up is unlikely near term, it is possible that some more incremental easing measures occur but in our view China's consumption and growth will continue to remain lacklustre as regular mass testing and sporadic targeted lockdowns weigh on sentiment.

Given this, we have started to see a number of actions to loosen policy including rate cuts, easing of property purchase restrictions and increases in infrastructure spending and fiscal incentives. In our view, it is likely that we will see further easing measures but whilst the 'zero-COVID' policy remains their impact for the large part is likely to resemble pushing on a string. Nevertheless, given how poorly the market has performed, together with the move to an easing bias there (whilst most of the rest of the world are tightening), as well as a tentative easing of the severity of lockdowns, there is potential for the market to experience better periods of performance. From our positioning perspective we have been very underweight China for some time and although we continue to look for new opportunities given the falls, we remain so and believe that the challenges that were there for the market remain.

Longer term, although Xi's confirmation at the Congress as the Party's General Secretary for his third five year term was not a surprise, the make-up of the Politburo Standing Committee ("PSC") (and Politburo) was decidedly one-sided being dominated by Xi loyalists, further cementing his power within the Party. The lack of countervailing voices within the new PSC potentially heightens policy risk and likely means that many of the challenges brought about by increased regulation will persist, with the narrative around areas such as 'common prosperity' continuing to weigh on the potential returns of parts of the private sector. All this means one shouldn't necessarily use a mean reversion argument alone when it comes to valuation.

Sector-wise, aside from information technology, financials remain an important overweight. Here banks, in our view, still remain attractive in aggregate on the back of benefits from rising rates and low valuations. However, given the backdrop of rising rates in most markets combined with slowing growth there is a risk that if rates move up faster than expected it could start to impact asset quality, offsetting the benefit of expanding margins, so we remain selective. Underweights are largely found in some of the more 'defensive' areas such as utilities, consumer staples and healthcare where valuations are generally, in our view, quite full.

While recent events described above don't paint a particularly optimistic picture, this has in part been reflected in market action with valuations today looking much less frothy than they did a year ago. Nevertheless, the US Federal Reserve being more aggressive on rates near term is clearly a headwind, given its near term impact on growth and earnings. However, this in turn should start to cap long-term inflationary expectations which will pave the way for lower rates at some point in the future. Until then, it is likely that we see further downward revisions to earnings and a period of inventory adjustment amongst companies to reflect the slower growth and hopefully put them in a position to start to grow earnings once more. Given overall aggregate valuations for the region are now trading at or below long-term averages, this does set up a more constructive backdrop for Asian markets next year, barring a global hard landing or a more extreme geopolitical risk event.

As we have discussed previously, it is our belief that Asia remains an attractive source of equity income, potentially providing diversification for some UK investors seeking income as we saw through the initial wave of COVID. For many companies across the region, dividend payments have recovered along with the recovery in earnings seen over the last year. In the medium- and long-term, dividends tend to follow earnings and earnings have recovered materially from the COVID lows. As described above, earnings growth this year will likely face some downward pressures which may impact dividends, particularly in some of the more cyclical areas including resources and information technology. However, it should not be forgotten that overall payout ratios in Asia do not look extended versus some other markets and corporates in Asia remain relatively lowly geared. From an overall fund distribution perspective, the other dynamic to be cognisant of is sterling, whose direction will obviously impact the size of translated dividends, with a stronger Sterling acting as a headwind. Finally, it is worth highlighting that whilst inflation is rising faster than expected is not great for equities in the short term, longer-term real asset income sources should look attractive versus fixed income alternatives.

To conclude, it is worth remembering that as investors we buy companies not countries. We are mindful of the impact political and macroeconomic factors can have on equities and returns, but we are bottom-up stock-pickers first and foremost, focusing on the company's return prospects and valuation. We do not try to pick companies which will do well based purely on a particular macro environment which we have forecast; rather we try to pick well-managed companies with attractive and potentially growing distributions, which have structural advantages allowing them to survive (and hopefully thrive!) in as wide a range of external conditions as possible. Therefore, a focus on attractive bottom-up ideas, in our view, remains essential.

Manager's Review

Sectoral breakdown of portfolio (gearing* currently at 4.0%)

	Portfolio weight (%)
Consumer Discretionary	3.5
Consumer Staples	3.9
Energy	1.7
Banks	22.3
Real Estate	15.2
Other Financials	7.1
Health Care	–
Industrials	2.4
Information Technology	27.4
Materials	9.5
Communication Services	11.0
Utilities	–

*Net cash less loans outstanding.
Source: Schroders as at August 31, 2022.

Regional breakdown of portfolio (gearing* currently at 4.0%)

	Portfolio weight (%)
Australia	20.4
Hong Kong	14.4
China	11.3
India	–
Indonesia	2.3
Japan	1.4
Korea	13.1
Malaysia	–
New Zealand	0.6
Philippines	0.5
Singapore	16.0
Taiwan	20.6
Thailand	2.2
Vietnam	1.2

*Net cash less loans outstanding.
Source: Schroders as at August 31, 2022

Schroder Investment Management Limited

3 November 2022

Investment Portfolio
at 31 August 2022

Investments are classified by the Manager in the region or country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 59.5% (2021: 59.6%) of total investments and derivative financial instruments.

	£'000	%
Taiwan		
Taiwan Semicon Manufacturing	**64,424**	**8.5**
Hon Hai Precision Industry	**23,860**	**3.2**
Delta Electronics	**12,718**	**1.7**
ASE Technology	9,745	1.3
Mediatek	9,492	1.3
Uni-President Enterprises	7,973	1.1
CTBC Financial	6,962	0.9
Novatek Microelectronics	6,876	0.9
Far EasTone Telecommunications	6,856	0.9
Total Taiwan	**148,906**	**19.8**
Australia		
BHP Billiton[1]	**24,166**	**3.2**
National Australia Bank	**21,782**	**2.9**
Telstra	**18,873**	**2.5**
Rio Tinto[1]	**18,166**	**2.4**
Mirvac	10,341	1.4
Westpac Banking	10,243	1.4
Woolworths	8,145	1.1
Orica	7,067	1.0
Australia and New Zealand Banking	6,995	0.9
James Hardie Industries	6,793	0.9
Suncorp	5,525	0.7
Deterra Royalties	4,770	0.6
Woodside Energy[1]	4,266	0.6
Total Australia	**147,132**	**19.6**
Singapore		
Singapore Telecom	**23,080**	**3.1**
Oversea-Chinese Banking	**21,383**	**2.8**
United Overseas Bank	**17,590**	**2.3**
CapitaLand Integrated Commercial Trust (REIT^)	**13,695**	**1.8**
Singapore Exchange	**11,395**	**1.5**
Venture	11,304	1.5
Mapletree Industrial Trust (REIT^)	7,460	1.0
Frasers Centrepoint Trust (REIT^)	5,584	0.7
Suntec (REIT^)	2,766	0.4
Mapletree Pan Asia Commercial Trust (REIT^)	2,330	0.3
Total Singapore	**116,587**	**15.4**

	£'000	%
Hong Kong (SAR)		
BOC Hong Kong	**21,947**	**2.9**
HKT Trust and HKT	**21,389**	**2.9**
Link (REIT)	**13,123**	**1.7**
Kerry Properties	**11,342**	**1.5**
HK Exchanges & Clearing	7,870	1.0
Fortune Real Estate Investment Trust	7,190	1.0
Swire Properties	6,990	0.9
Hang Lung Properties	6,441	0.9
Hang Lung Group	5,467	0.7
Swire Pacific B	3,048	0.4
Total Hong Kong (SAR)	**104,807**	**13.9**
South Korea		
Samsung Electronics (including preference shares)	**58,918**	**7.9**
SK Telecom	8,941	1.2
Samsung Fire and Marine Insurance (including preference shares)	8,574	1.1
LG Chemical preference shares	7,260	1.0
KB Financial	6,253	0.8
Hana Financial	4,583	0.6
Total South Korea	**94,529**	**12.6**
Mainland China		
Midea Group warrants 21/06/2023[2] and A shares	**21,633**	**2.9**
Ping An Insurance H shares[3]	**11,858**	**1.6**
China Resources Land[3]	10,239	1.4
Sany Heavy Industry A shares	9,221	1.3
China Petroleum & Chemical H shares[3]	8,064	1.1
China Construction Bank[3]	7,665	1.1
China Life Insurance[3]	6,473	0.9
Shenzhou International[3]	3,994	0.6
Total Mainland China	**79,147**	**10.9**
Indonesia		
Bank Mandiri	**16,569**	**2.2**
Total Indonesia	**16,569**	**2.2**

Investment Portfolio
at 31 August 2022

	£'000	%
Thailand		
Kasikornbank NVDR*	8,977	1.2
Land and Houses NVDR*	5,900	0.8
Total Thailand	**14,877**	**2.0**
Japan		
Sumitomo Mitsui Financial	9,982	1.3
Total Japan	**9,982**	**1.3**
Vietnam		
Vietnam Dairy Products	9,321	1.2
Total Vietnam	**9,321**	**1.2**
New Zealand		
Fletcher Building	4,671	0.6
Total New Zealand	**4,671**	**0.6**
Philippines		
International Container Terminal Services	3,844	0.5
Total Philippines	**3,844**	**0.5**
Total Investments[4]	**750,372**	**100.0**

[1]Listed in UK
[2]Listed in Luxembourg
[3]Listed in Hong Kong
[4]Total investments comprises:

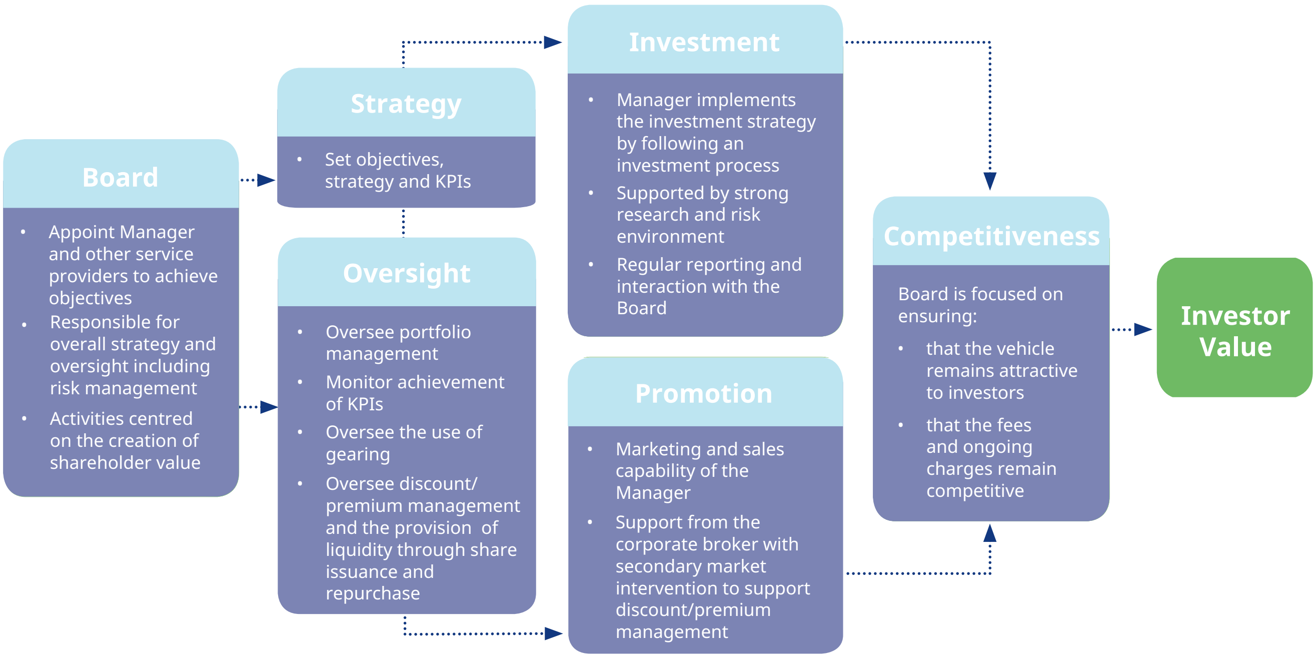
	£'000	%
Equities and NVDR*	691,391	92.1
Preference shares	58,981	7.9
Total investments	750,372	100.0

*"NVDR" means non-voting depositary receipts
^"REIT" means real estate investment trust

Strategic Review

The Strategic Review sets out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved and how the Board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.

Business model



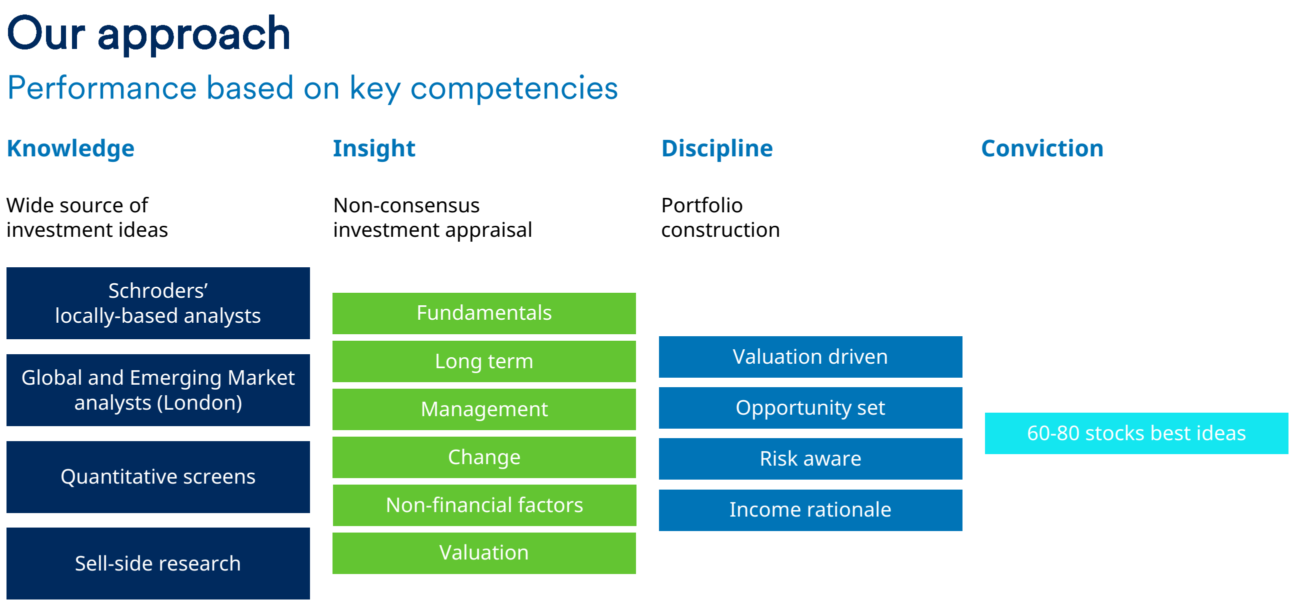
The Company is a listed investment trust, that has outsourced its operations to third party service providers. The Board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on 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. The terms of the appointment are described more completely in the Directors' Report including delegation to the portfolio manager and his team. The Manager also promotes the Company using its sales and marketing teams. The Board and Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above.

Investment process

Stock selection is at the heart of the investment approach for the Company. A key strength of the Manager is its network of analysts 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 managers also generate stock ideas through their own research and draw on a number of other sources including other investment professionals within Schroders, a proprietary quantitative screen and sell-side analysts.

The investment approach is primarily bottom-up, driven by an assessment of the financial and non-financial (including ESG) factors which influence company returns. In addition, there is a top-down regional allocation review process, carried out on a monthly basis, combining the output of an in-house quantitative model and the qualitative views of the Manager.

The chart below details the Manager's investment process.



Stock research

The Manager believes that equity markets are not efficient in Asia, and to generate alpha over the long term the best approach is to focus on fundamental bottom-up stock analysis. In particular, the Manager's analytical focus is on the future trend in a company's return on invested capital ("ROIC") relative to its cost of capital, in the belief that this reflects the attractiveness and sustainability of the business model and serves as a predictor of long-term shareholder returns.

Given this focus on fundamental research, it forms a key input into the Manager's stock selection decisions. The Manager has 39 dedicated equity analysts across the Asia Pacific ex Japan region, who have an average of over 16 years' investment experience, seven of which have been with Schroders (September 2022). As a result of their level of experience, these analysts have an exceptional knowledge of Asian markets and the companies within them. The foundation of the Manager's internal research is a programme of regional company contacts each year (over 2,300 for calendar year 2021), with the majority of Schroders' analysis being done using internal research and company valuation models.

This is supplemented by other resources across the Schroders group including the ESG and Data Insight Unit teams as well as other equity teams focussed on Global and Emerging markets.

Stock selection/portfolio construction

When constructing the portfolio for the Company, the Manager focuses on the following factors:

- conviction on investment thesis;
- upside to the internal estimate of fair value;
- any grade awarded by Schroders' analysts;
- ability to increase or sustain dividend payout;
- relative attractiveness of other available opportunities;
- the risks to the investment case;
- the ESG credentials of that company; and
- the sustainability of that company's profits.

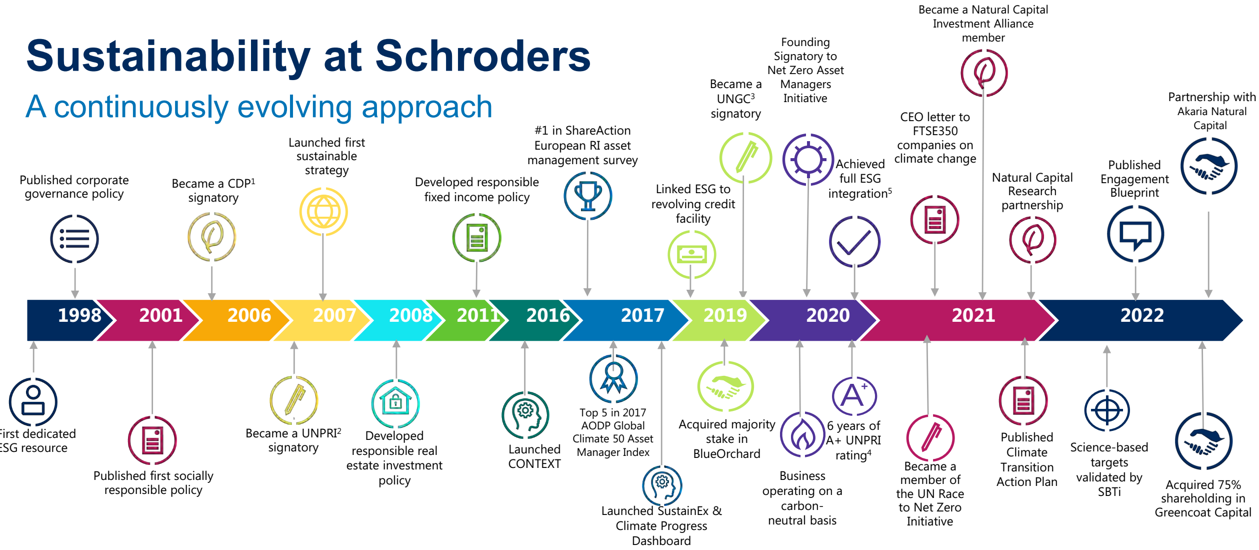
Many of the stocks will already have attractive yields, but the Manager also looks to exploit opportunities in stocks which are set to benefit from improving capital efficiency, rising returns and increasing shareholder distributions. There is no minimum yield requirement applied to every stock, but portfolio construction is carried out with reference to the overall Company yield.

Integration of ESG into the investment process

This report reflects the ESG views and activities of the Manager in relation to the Company's portfolio, and more widely. References to "our" or "we" in this section of the report refer to the views of the Manager.

How are ESG factors incorporated into the Asian investment process?

Schroders has been considering Environmental, Social and Governance ("ESG") issues, and sustainability generally, for over 20 years, as detailed in the timeline below.



'Issues such as climate change, resource scarcity, population growth and corporate failure have put responsible investment at the forefront of investors' minds. We believe that companies with a strong environmental, social and governance ethos tend to deliver better results for our clients.'

Peter Harrison, Group Chief Executive, Schroders plc

Source: Schroders, September 2022.
[1]Carbon Disclosure Project. [2]UN Principles for Responsible Investing. [3]UN Global Compact. [4]Strategy and Governance module. [5]For certain businesses acquired during the course of 2020 and 2021 we have not yet integrated ESG factors into investment decision-making. There are also a small number of strategies for which ESG integration is not practicable or now possible, for example passive index tracking or legacy businesses or investments in the process of or soon to be liquidated, and certain joint venture businesses are excluded.

For a long time, the Manager has incorporated into its decision making a thorough assessment of management quality, environmental, social and governance factors, whether implicitly or explicitly. We recognise the importance of appraising both financial and non-financial factors when analysing a company and its security. Your Manager believes that integrating an analysis and evaluation of ESG factors in our security valuation and selection process is key to enhancing and protecting long-term shareholder value. The appraisal of non-financial factors, including ESG considerations, contributes to a better understanding of a company's risk characteristics and return potential.

As long-term, bottom-up investors, assessing the sustainability of a company's returns and financial position has always been at the core of our research and investment decisions in Asia. Consistent with this approach we engage with company management teams (Schroders conducts over 2,300 meetings with regional companies a year[1]) as well as voting all our proxies where practically possible. Our analysts are directly responsible for assessing ESG risks and opportunities as we believe they are best placed to understand their companies and determine the impact of ESG issues on the sustainability of the business.

ESG analysis is an integrated and important part of our investment process from initial screening through to final portfolio construction. ESG analysis impacts our investment process in four direct ways:

1. Initial screening – ESG helps determine which companies we consider to be investable as part of our initial screening.

2. Sustainability of earnings – ESG analysis helps understand the impact ESG externalities may have on the future earnings power of the business and with it our assessment of the return on invested capital ("ROIC") and shareholder return classification ("SRC") of the company.

3. Fair Value and recommendation – ESG is an indirect and direct input into our fair value estimate of a company. Indirect, to the extent that a company's SRC may influence the assumptions used in establishing our fair value estimate of a company; and direct, to the extent that we may apply an additional explicit discount/premium to that fair value estimate.

4. Portfolio construction – ESG helps shape portfolio construction and may influence how we size positions. For example, poor ESG performance or heightened ESG risks may result in a decision to underweight a security, hold a smaller position size or avoid an investment completely. There is no automatic rule – each investment opportunity is assessed on a case-by-case basis, with the focus on the materiality of ESG factors on a company's valuation and risk profile.

In summary, ESG analysis helps determine which companies we look at, how we assess their sustainability and, hence, how we value them. And while company valuations ultimately drive our portfolio construction, our ESG insights play a crucial role in the investment process and influence how we size positions within a portfolio. Furthermore, our ESG analysis is broad reaching and we are not only interested in the potential downside risks that we may identify but also the upside return implications for stocks we invest in.

Asia ex Japan ESG analysis in practice[1]

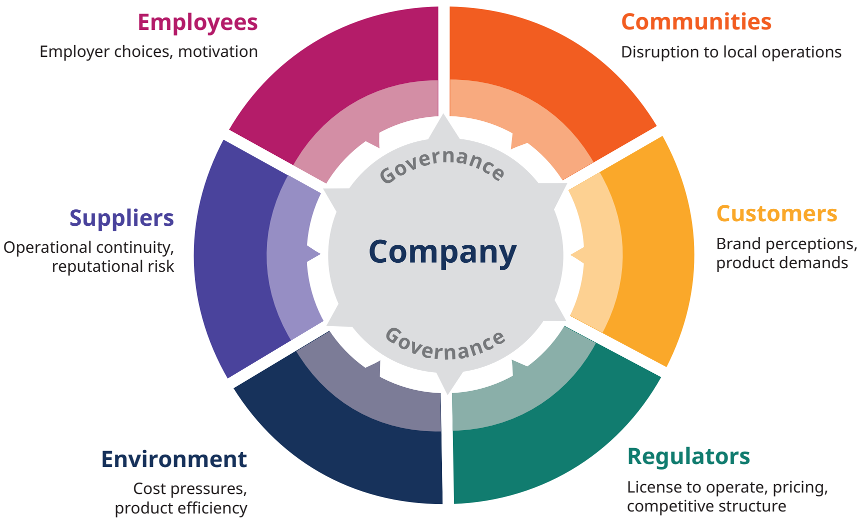
Our Asian equity analysts are expected to provide written ESG analysis for all companies under coverage. This identifies and assesses the potential effect of ESG issues on the investment case.

For our ESG analysis to be more robust and more integrated, we have drawn on the proprietary tools developed by Schroders such as Context and Sustainex. Asia Context, which is the principal tool employed, captures our ESG analysis in one template using a stakeholder based framework and is a key step in our overall assessment of a company. In addition to separate rankings for 'E', 'S' & 'G', we generate an overall score for each company's ESG rating.

We have always engaged with the companies that we invest in, and direct company contact is an important component of the initial due diligence and ongoing monitoring process. The Asia Context template provides us with a clearer, and broader, roadmap on the issues requiring engagement. It has also helped refresh our team's focus on ROIC and enhances appreciation of the downside and upside risks to a company's business model. The analysts have the option to apply an explicit discount or premium to their fair value estimate as a result of their ESG analysis.

One of the Asian Equities team's greatest strengths is our experienced analysts working hand-in-hand with our experienced fund managers – often involving discussions from the beginning to the end of the research on a company. Many of our fund managers are ex-analysts and they are heavily involved in the discussions that underpin our ESG conclusions – especially given the inherent subjectivity of how certain ESG considerations will impact a company. We do not expect our analysts to score our Asia Context templates in isolation – in many instances we need to build a team consensus on which issues to address and how to score them.

Chart 1: Schroders Context Framework:



Source: Schroders

In addition to the merits of an individual stock idea, portfolio managers will also take into consideration the overall balance of the portfolio when selecting stocks and sizing positions – looking, for instance, at overall sector and country weights. As part of that process a company's ESG characteristics may influence how portfolio managers size positions within a portfolio. The portfolio manager may elect to limit, or even rule out, exposure to a particular stock in view of a specific ESG concern. We assess each situation on its merits, focusing on the materiality of ESG factors on a stock's valuation and risk profile.

Working with the Schroders Group's Sustainable Investment Team

Schroders has a team of more than 50[2] dedicated ESG professionals who develop proprietary ESG tools and oversee ESG analysis across Schroders.

The ESG specialists will also engage directly with companies, prioritising those with exposure to higher ESG risk and low ESG ratings. They attend company meetings with portfolio managers and analysts to discuss specific sustainability issues directly with company management, in addition to financial performance, as well as engaging with company sustainability experts directly.

Corporate Governance Analysts in the team will also work alongside investors, and our internal compliance and legal teams to ensure our voting activities comply with our ESG policy.

To enhance the Asian team's ESG expertise, we have two members of the Sustainable Investment team based in Asia, supporting the investment team and ensuring they are kept fully informed of the relevant output of the Sustainable Investment team in London. In addition, we have a Sustainable Equity Analyst on the team who brings additional insight and perspective to our ESG analysis and engagement.

In addition the Asian investment team collaborates with the Sustainable Investment team, both formally and informally

1 The above ESG research framework covers investments in companies covered by our team of locally based Asia ex Japan analysts. The detail of ESG coverage in other regions where analysts report locally (eg Australia, India) may differ, but is underpinned by the same broad approach.
2 As at July 2022.

participating, for instance, in a monthly ESG conference call together with other investors globally to discuss topical issues as well as ESG best practice.

So what is the outcome for the Company?

The process described above in relation to how we approach ESG in our view results in a portfolio that is likely to be less exposed to areas that could be deemed 'sensitive' from an ESG perspective and where there is 'sensitivity', it is likely to be to markets that are generally well regulated with a focus on the better practitioners. It should be noted that the Company does not screen out all companies in sensitive sectors, rather the process results in a much higher hurdle for stocks to get into the portfolio than might otherwise be the case. Below is a table that covers some of the more 'sensitive' sectors and our exposure to them. As you can see exposure to the more sensitive areas is limited.

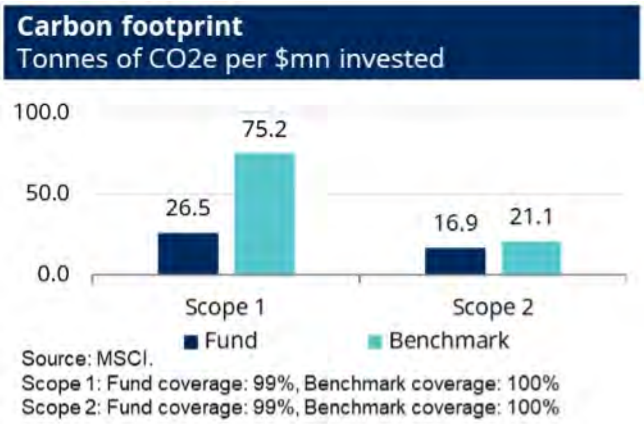
Sector	Reasons for Caution	Our Approach	Approx. Fund Exposure
Agribusinesses/ Aquaculture	Environmental, Social, Governance, (low barriers of entry, widespread questionable practices)	Avoid; small exposure	0%
Tobacco	Social	Avoid	0%
Gambling	Social, Governance. Licence to operate/ promotional practices	Limited exposure to best-in-class players in well-regulated markets (eg Australia, Macau)	0%
Utilities (traditional)	Environmental, Governance, (national service obligations, uncertain regulations/risks of backlash against coal plants, mostly state-owned enterprises)	Avoid carbon heavy energy providers, focus on hydro and sustainable energy providers in well-regulated markets	0%
Auto	Environmental (regulations against the sector – too much hot money in EVs and multiple players will mean poor returns for all)	Avoid exposure to traditional OEMs, minimise exposure to supply chains/EV batteries	0% Original Equipment Manufacturers 0% Supply chain 0.8% Electric Vehicle battery manufacture (1 stock)
Resources	Environmental, Social, Governance (questionable practices such as bribery and poor environmental and safety controls concerns in Asia ex Australia)	Avoid except for Australian blue chip/focussed names, with minimal thermal coal exposure	7.3% (4 stocks)*
Oil and Gas	Environmental, Governance (regulations, unfavourable taxes, price takers, big carbon producers)	Limited exposure to sector ideally with a gas focus or self help story	1.7% (2 stocks)
Property	Environmental, Social, Governance (bribery issues, flooding, land clearance compensation, labour practices)	Exposure mainly Hong Kong, Australia and Singapore listed stocks.	15.1% (14 stocks)
Defence	Monopsony structure, corruption	Avoid	0%

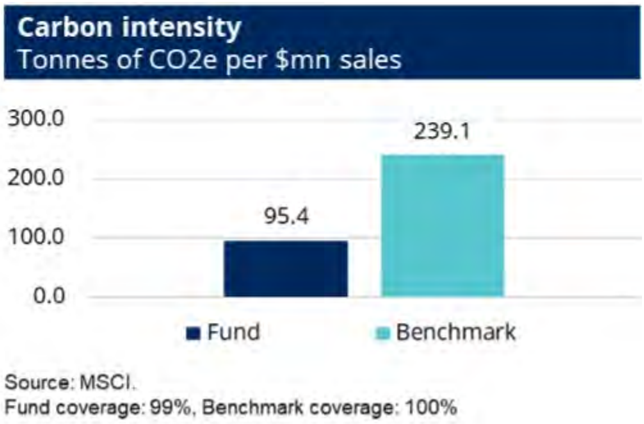
Source: Schroders, as at 30 September 2022. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.
*Includes mining related stocks.

Several of these industries are traditionally prominent in income funds, as they typically contain many companies with high dividend yields. Our approach, however, has been to take a cautious approach to exposure in those companies which, while they may be paying attractive dividends currently, are not always operating in a sustainable way which could potentially impact future earnings and by extension dividend payments.

We have tended, therefore, to take our exposure to these industries through the higher quality names, operating in well-regulated markets. For example, while we believe commodity resources will continue to be necessary in future (and indeed crucial for a transition to a lower carbon world), our exposure to this sector is through blue-chip Australian companies, rather than more marginal miners in emerging countries. Similarly, for the real estate sector, our exposure is largely through companies which have a focus on strong governance, operating in the most well-regulated markets in the region. For some sectors (e.g. tobacco or thermal coal), our requirement for operations to be sustainable in the long-term is a high hurdle to clear, regardless of the governance or regulatory frameworks a company is operating under, so we have tended to have very limited exposure there.

Perhaps the most prominent area of ESG-related risk is that of Climate Change. Although the Manager doesn't explicitly target a lower carbon footprint from the Company's holdings than the reference index the table below shows that this is currently the case. Whilst there are variations depending on the data source, and there isn't complete coverage of all stocks in the universe, on most measures below the Company appears better positioned than the index.





Source: Benchmark data MSCI AC Pacific ex JP, September 30, 2022.

Investment restrictions and spread of 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 2022.

The investment portfolio on pages 10 and 11 and the Manager's Review on pages 6 to 9 demonstrate that, as at 31 August 2022, the portfolio was invested in 10 countries and in 10 different industry sectors within such countries. There were 64 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 has a £75 million multi-currency revolving credit facility with Bank of Nova Scotia which was US$50.0 million (£43.0 million) drawn at the end of the year. The facility was taken out on 18 July 2022 and expires on 17 July 2023.

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 20 on page 63.

Promotion

The Company promotes its shares to a broad range of investors including discretionary wealth managers, private investors, financial advisers and institutions which have the potential to be long-term supporters of the investment strategy. The Board 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.

These activities consist of investor lunches, one-on-one meetings, webinars, regional road shows and attendances at conferences. 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 adviser 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 where appropriate.

Shareholders are also encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly. https://www.schroders.com/en/uk/private-investor/fundcentre/funds-in-focus/investment-trusts/schroders-investmenttrusts/never-miss-an-update/

Key performance indicators

The investment objective

The Board measures the development and success of the Company's business through achievement of the Company's investment objective, to provide a total return for investors primarily through investments in equities in the Asia Pacific region, which is considered to be the most significant key performance indicator for the Company.

Commentary on performance against the investment objective can be found in the Chairman's Statement.

At each meeting, the Board considers a number of performance indicators to assess the Company's success in achieving its investment objective. These are as follows: NAV total return; share price total return; share price discount/premium to NAV per share and ongoing charges. These are classed as Alternative Performance Measures ("APMs") and their calculations are explained in more detail on pages 67 and 68.

The performance against these indicators is reported on page 2.

Net asset value and share price total return

At each meeting, the Board reviews the performance of the portfolio in detail and discusses the views of the portfolio manager with him.

Share price discount/premium to net asset value per share

The Board reviews the level of discount/premium to net asset value per share at every board meeting and is alert to the value shareholders place on maintaining as low a level of discount/premium volatility as possible. Details of how the Company's discount control mechanism works and its operation during the year under review can be found on page 30.

Ongoing charges

The Board reviews 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 any performance fees payable are reviewed at least annually.

Dividends payable

On a quarterly basis the Board considers the earnings from the Company's holdings in determining the dividend payable to shareholders based on input from the Manager. Details of the Company's dividend policy and the dividends paid during the year are set out on page 29.

Risk factors

In addition to the performance indicators set out above, the Board also monitors risk factors relating to investment performance on a quarterly basis.

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value, in line with the investment objective.

The Company's culture is driven by its values: Transparency, Engagement and Rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The Board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

Acting with high standards of integrity and transparency the Board is committed to encouraging a culture that is responsive to the views of shareholders and its wider stakeholders.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with the key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting.

Responsible investment

The Company delegates to its Manager the responsibility for taking 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.

Further detail on engagement and stewardship can be found on page 20.

In addition to the description of the Manager's integration of ESG into the investment process and the details in this Strategic Review, a description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com.

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 has committed to the UN Global Compact, amongst codes and standards, and information about the application of Schroders' sustainability and responsible investment policies can be found at: https://www.schroders.com/en/sustainability/corporate-responsibility/.

The Board has received reporting from the Manager on the application of its policy.

Financial crime policy

The Company continues to be committed to carrying out its business fairly, honestly and openly operates a financial crime policy, covering bribery and corruption, tax evasion, money laundering, terrorist financing and sanctions, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Greenhouse gas emissions and energy usage

As the Company outsources its operations to third parties, it consumed less than 40,000 kWh during the year and so has no greenhouse gas emissions, energy consumption or energy efficiency action to report. The Manager has sought to estimate the carbon usage of the Company's investee companies and this estimate is included on page 17, for illustrative purposes only.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager and are detailed further in 'Promotion' on pages 17 and 18.

In addition to the engagement and meetings held during the year the chairs of the Board and committees, as well as the other directors, attend the AGM and are available to respond to queries and concerns from shareholders.

Diversity

The Board is pleased to have adopted the new FCA's Listing Rule in relation to diversity early. The below tables set out the gender and ethnic diversity composition of the Board (as at 31 August 2022 and at the date of this report).

Gender Diversity

	Number of board members	Percentage of the board	Number of senior positions on the board (SID and chair)
Men	2	40%	1
Women	3	60%	1
Other	n/a	n/a	n/a
Not-specified/prefer not to say	n/a	n/a	n/a

Ethnic Diversity

	Number of board members	Percentage of the board	Number of senior positions on the board (SID and chair)
White British or other White (including minority white groups)	4	80%	2
Mixed/Multiple Ethnic Groups	n/a	n/a	n/a
Asian/Asian British	1	20%	0
Black/African/Caribbean/Black British	n/a	n/a	n/a
Other ethnic group, including Arab	n/a	n/a	n/a
Not specified/prefer not to say	n/a	n/a	n/a

Given that the Company is an investment trust with no executive board members, the columns and references regarding executive management have not been included.

The Board has adopted a diversity and inclusion policy. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the Board seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The Board will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered.

The Board also considers the diversity and inclusion policies of its key service providers.

Stakeholder Engagement, Section 172 of the Companies Act 2006

During the period, the Board discharged its duty under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole, having regard to the interests of all stakeholders. As an externally managed investment trust, the Company has no employees, operations or premises. The Board has identified its key stakeholders as the Company's shareholders, the Manager, other service providers, the Investee companies and the Company's Lender.

The table below explains how the Directors have engaged with all stakeholders and outlines key activities undertaken during the reporting period.

Stakeholder	Engagement
Shareholders	The Company welcomes attendance and participation from Shareholders at the Annual General Meeting. Unfortunately, COVID 19 restrictions prevented us from holding a physical AGM last year, but Shareholders were nevertheless able to submit questions to the Board. This year will, therefore, be the first opportunity for Shareholders to physically attend an AGM in London, following the Company's transfer to being a UK investment trust from Guernsey in 2020. We look forward to welcoming as many of you as possible to the AGM, details of which are on page 70 of this report. This will provide an opportunity for Shareholders to engage with the Board and hear from the Portfolio Managers, Richard Sennitt and Abbas Barkhordar, who will also be present. Shareholders unable to attend the AGM are invited to submit questions to the Company Secretary in advance of the meeting; and will be able to view a presentation from the Manager on-line. The annual and half year results presentations, as well as monthly updates are available on the Company's webpage with results announced via a regulatory news service. The Directors receive regular updates on the shareholder register, any trading activity and feedback received from investor meetings held by the Manager and Broker. The Board is responsible for discount and premium management and is alert to the value Shareholders place on maintaining as low a level of discount volatility as possible. During the financial year, a total of 6,265,000 shares were bought back and a further 1,785,000 have been bought back since the period end. The Board will continue to buy back shares when it judges it is in the best interests of Shareholders to do so.
The Manager	The Board maintains a constructive and collaborative relationship with the Manager, encouraging open discussion. The Board invites the Portfolio Managers to attend all Board and certain committee meetings and receives regular reports on the performance of the investments and the implementation of the investment strategy, policy and objective. The portfolio activities undertaken by the Portfolio Managers and the impact of decisions affecting investment performance are set out in the Portfolio Managers' Review on pages 6 to 9. The Management Engagement Committee reviews the performance of the Manager, its remuneration and the discharge of its contractual obligations at least annually. During the year under review the Board sought feedback and advice from shareholders and independent service providers regarding the level of performance fees paid by the Company. As a result of this feedback and following consultation with the Manager, the Board has negotiated a reduction in performance fees, details of which are outlined on page 28. The Manager contributed feedback to the external board evaluation process completed this year.

Stakeholder	Engagement
Other service providers	The Board maintains regular contact with its key service providers, both at the Board and committee meetings, and through ad hoc communication throughout the year. The need to foster business relationships with key service providers is central to the Directors' decision-making as the Board of an externally managed investment trust. During the period, the Management Engagement Committee undertook reviews of the third-party service providers and agreed that their continued appointment remained in the best interests of the Company and its Shareholders. The Committee periodically reviews the market rates for services received, to ensure that the Company continues to receive high quality service at a competitive cost. During the year, Directors attended a meeting to assess the internal controls of certain service providers including the Company's Depositary and Custodian HSBC, the Delegated Administrator, Registrar and Schroder's Group Internal Audit. These meetings enable the Board to conduct due diligence on operations and IT risks amongst service providers; and to receive up to date information on changes in regulation and market practice in the industry. The Board also engaged with its service providers on their own commitments on ESG, Financial Crime, Modern Slavery, Whistle-blowing etc. In addition to the Board meetings, the Directors also met separately with the Company's Broker, Numis, to discuss market changes and investor feedback. The Broker's views on the performance of the Board were also included in the external board evaluation process.
Investee companies	The Board believes that it is in the interests of all stakeholders to consider ESG factors. The Board supports and encourages the ESG policy which the Schroders investment team has implemented as part of the investment decision making process, details of which can be found on pages 12 to 17. The Manager has discretionary powers to exercise voting rights on behalf of the Company and it reports on voting decisions to the Board. The Board monitors investment decisions and questions the Portfolio Managers' rationale for exposures taken and voting decisions made. In addition to regular discussions with the Manager regarding the ESG aspects of portfolio companies, the Board met with Schroders engagement team to gain a more in depth understanding of the Manager's active engagement with investee companies.
The Company's lender	During the year under review, the Board entered into a new revolving credit facility agreement with Scotiabank. The Board is responsible for ensuring that the Company adheres to all loan covenants.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust 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 also subject to robust review at least annually. The last assessment took place in October 2022.

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.

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. The arrows in the Change column indicate if the Board thinks the risk has increased, decreased or stayed the same during the year.

Emerging risks and uncertainties

During the year, the Board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. The most significant was climate change risk. The Board has determined that this risk is worthy of close monitoring.

Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns. The Board notes the Manager has integrated ESG considerations, including climate change, into the investment process. The Board will continue to monitor this as an emerging risk.

*The "Change" column on the right highlights at a glance the Board's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as increased or decreased, and dashes show risks as stable.

Risk	Mitigation and management	Change (post mitigation and management)*
Geo-Political Risks Political developments globally might materially affect the ability of the Company to achieve its investment objective.	In addition to the Ukraine war, the Board monitored key political developments in the Asia Pacific region including US/China tension, the political situation in Hong Kong, Taiwan and political developments in mainland China. The Board and the portfolio manager periodically meet with the Manager's economists to gauge the likelihood and impact of certain political changes.	↑ Political developments, including in China.
Market Risks The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in underlying corporate earnings and/or equity markets could have an adverse impact on the market value of the Company's underlying investments.	The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets are discussed with the Manager. The Manager seeks to invest in companies with strong balance sheets and sustainable business models.	↑ The extreme market volatility seen recently.

Strategic Review

Risk	Mitigation and management	Change (post mitigation and management)*
Currency The Company is exposed to the effect of currency fluctuations due to the nature of its business. 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 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 negative impact of substantial changes in 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. The Company does not hedge against sterling.	↑
Investment Performance 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 mandate and the long-term investment strategy 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 by the Board as a key performance indicator and is reviewed against the Company's peers on a regular basis. The use of buy back authorities is considered on a regular basis. The Manager and Corporate Broker monitor market feedback and the Board considers this at each quarterly meeting. Marketing and distribution activity is actively reviewed. Proactive engagement with shareholders.	–
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. The Manager also reported on the impact of COVID-19 on the Company's portfolio, and the market generally. Annual review of the ongoing suitability of the Manager, including resources and key personnel risk.	–
Competitiveness The Company's fees could become uncompetitive against its peer group and against open-ended alternatives	The Management Engagement Committee reviews fees paid to the Manager at least annually. Ongoing monitoring of fees charged by other service providers takes place alongside an annual review of the Company's Ongoing Charges figure. The Board approves significant non-routine expenses.	–

Risk	Mitigation and management	Change (post mitigation and management)*
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.	–
Environmental, social and governance Underestimating the increasing impact of ESG factors on investment performance, and potentially demand for the Company's shares.	The Manager has implemented a comprehensive ESG policy which is outlined in detail on pages 14 to 17. The Manager reports on its ESG engagement at regular board meetings. The Board ensures that ESG factors are incorporated into reports to shareholders.	↑ Scrutiny of ESG issues has increased, together with the potential for these to affect the value of invested companies.
Service provider performance The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of fraud, 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, including an annual presentation to the Audit and Risk Committee chair and other directors from key risk and internal controls personnel at the Company's main service providers. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, is undertaken. Service providers' internal controls reports continue to be robust, as businesses gradually return to physical workplaces.	–
Cyber The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information, unauthorised payments or inability to carry out operations in a timely manner.	Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack. In addition, the Board receives presentations from the Manager, the registrar, and the safekeeping agent and custodian on cyber risk.	–

Risk assessment and internal controls review by the Board

Risk assessment includes consideration of the scope and quality of the systems of internal control 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. The Board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company is set out in note 20 to the accounts on pages 61 to 66.

Viability statement

The directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 August 2022 and 3 November 2022 and the potential impact of the principal risks and uncertainties it faces for the review period. The directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans.

A period of five years has been chosen as the Board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding. This time period also reflects the average hold period of an investment.

In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 22 to 24 and in particular the impact of a significant fall in regional equity markets on the value of the Company's investment portfolio. 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.

The directors have also considered a stress test which represents a severe but plausible scenario along with movement in foreign exchange rates. This scenario assumes a severe stock market collapse and/or exchange rate movements at the beginning of the five year period, resulting in a 50% fall in the value of the Company's investments and investment income and no subsequent recovery in either prices or income in the following five years. 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 limit.

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 operating costs 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.

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 monitors the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls at its quarterly meetings.

Although there continue to be 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 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. The directors also considered the beneficial tax treatment the Company is eligible for as an investment trust. If changes to these taxation arrangements were to be made it would affect the viability of the Company to act as an effective investment vehicle.

Based on the above 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 five year period of their assessment.

Going concern

The directors have assessed the principal risks, the impact of the emerging risks and uncertainties and the matters referred to in the viability statement. Based on the work the directors have performed, they have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the directors, being the period to 3 November 2023 which is at least 12 months from the date the financial statements were authorised for issue.

By order of the Board

Schroder Investment Management Limited
Company Secretary

3 November 2022

Board of Directors

Paul Meader

Status: independent non-executive chairman

Length of service: 6 years – appointed a director in January 2016
Experience: Mr Meader 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 35 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 one of which is publicly quoted, ICG-Longbow Senior Secured UK Property Debt Investments Limited.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees
Remuneration for the reporting period: £45,000 per annum
Number of shares held: 11,000*

Alexa Coates

Status: independent non-executive director

Length of service: 4 years – appointed a director in February 2018
Experience: Mrs Coates is a chartered accountant who brings 30 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 of Marsh Limited, the insurance broker, Aviva Investors and its UK fund services company as well as non-executive director and chair of the audit and risk committee of Polar Capital Holdings plc, a publicly quoted company, and a trustee at the University of Essex.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees, (chair of the Audit and Risk Committee)
Remuneration for the reporting period: £40,000 per annum
Number of shares held: 10,000*

Board of Directors

Kate Cornish-Bowden

Status: senior independent non-executive director

Length of service: 3 years – appointed in December 2018
Experience: Ms Cornish-Bowden is a non-executive director of Finsbury Growth & Income Trust PLC, International Biotechnology Trust plc, and CC Japan Income & Growth Trust plc where she is chair of the audit committee. Ms Cornish-Bowden worked for 12 years as a fund manager for Morgan Stanley Investment Management, where she was managing director and head of the global equity team. Prior to Morgan Stanley she worked as a research analyst at M&G. Ms Cornish-Bowden is a member of the Chartered Financial Analyst Institute (CFA), holds a Masters in Business Administration (MBA), and has completed the Financial Times Non-Executive Director Diploma.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees
Remuneration for the reporting period: £35,000 per annum
Number of shares held: 24,780*

Isabel Liu

Status: independent non-executive director

Length of service: 1 year – appointed in November 2021
Experience: Isabel has 25 years' global experience investing equity in infrastructure. She started her investment career in Asia with the $1 billion AIG Asian Infrastructure Fund. She was Managing Director of the Asia Pacific investment business of John Laing plc. After relocating from Hong Kong to London, she was Investment Director for the €1 billion ABN AMRO Global Infrastructure Fund. Most recently Isabel served as Board Director at Pensions Infrastructure Platform, sponsored by UK pension schemes. She has also been Chair of the Audit Risk Assurance and Remuneration Committee as a Board Member of Transport Focus. Isabel is a non-executive director of Utilico Emerging Markets Trust plc and Gresham House Energy Storage Fund Plc. Isabel holds a BA in Economics from the Ohio State University, a Masters in Public Policy from Harvard Kennedy School, and an MBA from the University of Chicago Booth School of Business.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees
Remuneration for the reporting period: £35,000 per annum
Number of shares held: 8,918*

Nick Winsor

Status: independent non-executive director

Length of service: 2 years – appointed in March 2020
Experience: Nick is an independent consultant and non-executive director. He has more than 35 years of retail and commercial banking experience with HSBC Group in a number of international markets: Brunei; Channel Islands; Hong Kong; India; Japan; Qatar; Singapore; Taiwan; UAE and the UK. He was CEO of HSBC's businesses in the Channel Islands and Isle of Man, CEO and VP of HSBC Bank (Taiwan) Limited and a Director of HSBC Bank Middle East Limited. Before this, he was Head of Personal Financial Services for the Asia Pacific Region. Nick is a Non-Executive Director of Metro Bank plc and a member of the Risk Oversight Committee. He is also a Non-Executive Director of the States of Jersey Development Company, Chair of the Remuneration and Nomination Committee and a member of the Deal Advisory Panel. He is the Chair of Autism Jersey and was awarded an MBE in the Queen's 2020 Birthday Honours list for services to the community. Nick holds a Masters in Physics from Oxford University and is a Fellow of the Institute of Directors.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees, (chair of the Nomination and Remuneration Committee)
Remuneration for the reporting period: £35,000 per annum
Number of shares held: 20,000*

*Shareholdings are as at 2 November 2022, full details of directors' shareholdings are set out in the Remuneration Report on page 40.

Directors' Report

Directors and officers

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 26. He has no conflicting relationships.

Senior Independent Director ("SID")

The SID is responsible for the evaluation of the Chairman, and also serves as a secondary point of contact for shareholders.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the Board and is responsible for assisting the Chairman with Board meetings and advising the Board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. 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.

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 seek 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. The Strategic Review on pages 12 to 25 sets out further detail of how the Board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

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 meets at least quarterly and 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.

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 of the Company's shares to NAV, promotion of the Company, and services provided by third parties. Additional meetings of the Board are arranged as required.

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. No directors have any connections with the Manager, shared directorships with other directors or material interests in any contract which is significant to the Company's business.

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. Part of the fund accounting and administration activities are currently performed by HSBC Securities Services (UK) Limited. 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, marketing, 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 cover.

The Schroders Group manages £773.4 billion (as at 30 June 2022) 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 and 0.65% per annum on net assets above £750 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 NAV per ordinary share. The performance fee is 10% of the amount in pounds sterling of any gains, being the amount by which the closing adjusted NAV per ordinary share (adjusted as described below) at the end of the relevant calculation period exceeds the highest of:

(i) A hurdle, being 108% of the NAV per ordinary share, taken from the audited balance sheet at the end of the previous calculation period;

(ii) The highest closing NAV per ordinary share (unadjusted) as per the audited accounts for any previous period in which a performance fee has been paid; and

(iii) 100p

Closing Adjusted NAV per ordinary share is the NAV per share on the last day of the financial year in respect of which the performance fee is being calculated, adjusted to add back any performance fee accrued during the year but not crystallised;

to adjust for the deemed reinvestment of any dividends paid by the Company during the period; and to remove the impact on NAV per share due to any share buy-backs and issues.

The total amount of any performance fee payable in respect of any one accounting period has been capped at 0.65% of the net asset value, calculated at the end of the relevant accounting period.

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 2022.

The management and performance fees payable in respect of the year ended 31 August 2022 amounted to £5,149,000 (2021: £5,281,000) and £nil (2021: £5,636,000) 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 60.

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.

Registrar

Computershare Investor Services (Guernsey) Limited ("Computershare") has been appointed as the Company's registrar. Computershare's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

Compliance with the AIC Code of Corporate Governance

The Board of the Company has chosen to adopt the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission, provides more relevant information to shareholders.

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on page 25 respectively indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's risk management, governance and diversity policies.

The Company complied with the Principles and Provisions of the AIC Code during the year under review and to date.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

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 AIC Code, which meets the requirements of the GFSC Code.

Revenue and dividend policy

It is the Board's policy that, except subject to unforeseen circumstances, 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.

Having already paid interim dividends amounting to 5.80 pence per share, the Board has declared a fourth interim dividend of 5.60 pence per share for the year ended 31 August 2022, which is payable on 30 November 2022 to shareholders on the register on 11 November 2022. Thus, dividends for the year amount to 11.40 pence (2021: 10.50 pence) per share. This represents an increase of 8.6% over the rate of dividends payable in respect of the previous year.

The Board noted that the Company's shareholders appreciated the board's discount management control. The Board agreed to request renewal of the authorities to issue and buyback shares as described on page 69.

Total dividends declared in respect of the year amount to £29,868,000, which is £4,237,000 less than the £34,105,000

Directors' Report

revenue profit after taxation available for distribution. Accordingly, the Company will be able to add £4,237,000 to brought forward revenue reserves. However in accordance with accounting standards, the fourth interim dividend amounting to £14,627,000 will not be accounted for until it is has been paid.

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, is outlined over the next few pages.

The reports of the Audit and Risk Committee, Management Engagement Committee and Nomination and Remuneration Committee are incorporated into and form part of the Directors' Report. Each committee's effectiveness was assessed, and judged to be satisfactory, as part of the Board's annual review of the Board and its committees.

Other required Directors' Report disclosures under laws, regulations, and the AIC Code

Status

The Company carries on business as a Guernsey incorporated, Guernsey Financial Services Commission authorised, closed-ended investment company. Its shares are listed and admitted to trading on the premium segment of the main market on the London Stock Exchange. The Company was added to the FTSE 250 index on 17 September 2019.

On 1 September 2020, following approval by the Company's shareholders at a general meeting, the Company became tax resident in the United Kingdom and since then it has been approved by HM Revenue & Customs, by way of a one-off application, as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. It is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status. The Company is not a "close" company for taxation purposes.

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.

Share capital and substantial share interests

As at the date of this report, the Company had 271,233,024 ordinary shares of 1p in issue. 11,815,000 shares were held in treasury. 6,265,000 shares were bought back during the year ended 31 August 2022. 1,785,000 shares were bought back in the period from the year-end until 2 November 2022. Accordingly, the total number of voting rights in the Company at the date of this report is 259,418,024. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 58. All shares in issue rank equally with respect to voting, dividends and any distribution on winding up.

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 5% or more of the voting rights attaching to the Company's issued share capital. The Company is reliant on investors to comply with these regulations, and certain investors may be exempted from providing these. As such, this should not be relied on as an exhaustive list of shareholders holding above 5% of the Company's voting rights.

	Ordinary shares as at 31 August 2022	% total voting rights
Investec Wealth & Investment Limited	25,092,429	9.66
Brewin Dolphin Limited	14,571,888	5.61

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

Provision of information to the auditors

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

Directors' attendance at meetings

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. Whenever possible all directors attend the AGM.

	Board	Audit and Risk Committee	Nomination Committee	Management Engagement Committee
Alexa Coates	4/4	3/3	2/2	2/2
Kate Cornish-Bowden	4/4	3/3	2/2	2/2
Isabel Liu[1]	3/3	2/2	1/1	2/2
Paul Meader	4/4	3/3	2/2	2/2
Nick Winsor	4/4	3/3	2/2	2/2

[1] Isabel Liu was appointed as a director on 4 November 2021.

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 an 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.

By order of the Board

Paul Meader
Chairman

3 November 2022

Audit and Risk Committee Report

The responsibilities and work carried out by the Audit and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail below, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/orientalincome.

All directors are members of the committee. Alexa Coates is the chair of the committee. The Board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence relevant to the sector in which the company operates.

Approach

The committee's key roles and responsibilities are set out below.

Risks and Internal Controls	Financial Reports and Valuation	Audit
Principal risks To establish a process for identifying, assessing, managing and monitoring emerging and principal risks of the Company.	**Financial statements** To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and valuation. To review the annual and half year reports.	**Audit results** To discuss any matters arising from the audit and recommendations made by the auditors.
Risks and uncertainties To ensure a robust assessment of the Company's emerging and principal risks and procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.	**Going concern** To review the position and make recommendations to the Board in relation to whether it considers it appropriate to adopt the going concern basis of accounting in preparing its annual and half-yearly financial statements.	**Auditors' appointment, independence and performance** To make recommendations to the Board, in relation to the appointment, re- appointment, effectiveness and removal of the external auditors, to review their independence, and to approve their remuneration and terms of engagement. Reviewing the audit plan and engagement letter.

The table overleaf sets out how the committee discharged its duties during the year. The committee met three times during the year. Further details on attendance can be found on page 30. An evaluation of the committee's effectiveness and review of its terms of reference were completed during the year.

Significant issues that the committee considered in relation to the financial statements, and how these issues were addressed, are outlined below.

Audit and Risk Committee Report

Application during the year		
Risks and Internal Controls	**Financial Reports and Valuation**	**Audit**
Principal & emerging risks Reviewed the principal and emerging risks faced by the Company and the systems, processes and oversight in place to manage and mitigate them.	**Valuation and existence of holdings** Quarterly review of portfolio holdings and assurance reports.	**Meetings with the auditors** Met the auditors without representatives of the Manager present. Representatives of the auditors attended the committee meeting at which the draft annual report and accounts were considered.
Internal controls and risk mitigation Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports and presentations on these controls.	**Calculation of the investment management fee and performance fee** Consideration of the methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement. In particular, reviewed the methodology for the revised performance fee.	**Auditors independence** PricewaterhouseCoopers CI LLP were appointed as auditors on 25 May 2018. The auditors are required to rotate the senior statutory auditor every five years. There are no contractual obligations restricting the choice of external auditors. During the year, and following the company becoming tax resident in the UK on 1 September 2020, PricewaterhouseCoopers CI LLP resigned & PricewaterhouseCoopers LLP was appointed as auditors to the company to enable a smoother more efficient audit process and therefore reduce costs to shareholders. The Company is compliant with the provisions of the September 2014 Competition and Markets Authority Order, which requires that FTSE 350 companies put their audit out to tender at least every ten years.
Service provider control reviews Reviewed the operational controls maintained by the Manager, depositary and registrar in June 2022 at an annual review meeting. Received quarterly reports covering the operation of the service providers.	**Recognition of investment income** Considered dividends received against forecast and the allocation of special dividends to income or capital.	**Effectiveness of the independent audit process and auditors performance** Evaluated the effectiveness of the independent audit firm and process prior to making a recommendation that it should be re-appointed at the forthcoming AGM. Evaluated the auditors' performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence; alongside feedback from the Manager on the audit process. Assessed all relationships with the auditors and received confirmation from the auditors that they remained independent and that it had implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards. The Committee is therefore satisfied that the auditors are independent. Professional scepticism of the auditors was questioned and the committee was satisfied with the auditors' replies.

Audit and Risk Committee Report

Application during the year		
Risks and Internal Controls	**Financial Reports and Valuation**	**Audit**
Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010 Consideration of the Manager's report confirming compliance.	**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 auditors.	**Audit results** Met with and reviewed a comprehensive report from the auditors which detailed the results of the audit, compliance with regulatory requirements, safeguards that have been established, and on their own internal quality control procedures.
	Fair, balanced and understandable Reviewed the annual report and accounts to ensure that it was fair, balanced and understandable.	**Provision of non-audit services by the auditors** 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 auditors. The committee has determined that the Company's appointed auditors 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 auditors may, if required, provide other non-audit services which will be judged on a case-by-case basis. The auditors did not provide any non-audit services to the Company during the year.
	Going concern and viability Reviewed the impact of risks on going concern and longer-term viability, as described further on page 25.	**Consent to continue as auditors** PricewaterhouseCoopers LLP has indicated to the committee their willingness to continue to act as auditors.

Recommendations made to, and approved by, the Board:

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 August 2022, 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 41.

Following the Company becoming a tax resident in the UK on 1 September 2020, the audit was transferred from PricewaterhouseCoopers CI LLP to PricewaterhouseCoopers LLP (the UK team) to enable a smooth and cost efficient audit.

Having reviewed the performance of the auditors as described above, the committee considered it appropriate to recommend the firm's re-appointment. Resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Alexa Coates
Audit and Risk Committee chair

3 November 2022

Management Engagement Committee Report

The Management Engagement Committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All directors are members of the committee. Paul Meader is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/orientalincome.

Approach

Oversight of the Manager

The committee:

- reviews the Manager's performance, over the short- and long-term, against the reference index, peer group and the market;
- considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders;
- assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees;
- reviews the appropriateness of the Manager's contract, including terms such as notice period.
- visits the Manager's Asian and London offices periodically to meet with relevant investment and controls functions; and
- assesses if the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager.

Oversight of other service providers

The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- Safekeeping agents
- Corporate broker
- Registrars
- Lender

The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.

The committee noted the Audit and Risk Committee's review of the auditors.

Application during the year

The committee met with senior management, as well as representatives from various business functions supporting the portfolio manager.

The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.

The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.

As reported in the Half Year Report, the committee reviewed the performance fee basis and recommended to the Board a reduction in the performance fee.

The annual review of each of the service providers was satisfactory.

The committee noted that the Audit and Risk Committee had undertaken a detailed evaluation of the Manager, registrar, and safekeeping agents' internal controls.

Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.
- That a lower performance fee be agreed.

Nomination and Remuneration Committee Report

The Nomination and Remuneration Committee is responsible for (1) the recruitment, selection, induction and remuneration of all directors, (2) their assessment during their tenure, and (3) the Board's succession. All directors are members of the committee. Nick Winsor is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/orientalincome.

Oversight of directors

Selection → Induction → Annual evaluation → Annual review of succession policy → Application of succession policy

Approach

Selection and induction	Board evaluation and directors' fees	Succession
• Committee prepares a job specification for each role. Proposals are sought from independent search firms, which are evaluated by the Board and a firm selected. • For the chairman and the chairs of committees, the committee also considers current board members. • Job specification outlines the knowledge, professional skills personal qualities and experience requirements. • The search firm sources a long list of potential candidates, who are assessed against the job specification. • Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. • Committee reviews the induction and training of new directors.	• Committee assesses each director annually. • Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs. • Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM. • Committee reviews directors' fees, taking into account comparative data and reports to shareholders in the remuneration report. • Any proposed changes to the remuneration policy for directors discussed and reported to shareholders.	• The Board's succession policy is that directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each director will be subject to annual re-election at AGMs. • Committee reviews the Board's current and future needs at least annually. Should any need be identified, the committee will initiate the selection process. • Committee oversees the handover process for retiring directors.

For application see page 36

Nomination and Remuneration Committee Report

Application during the year		
Selection and induction	**Board evaluation and directors' fees**	**Succession**
• Isabel Liu was appointed during the period under review. Details regarding her selection and induction process were reported in last year's committee report.	• During the year an external Board evaluation was undertaken by Valerie Stogdale of Stogdale St James. This firm was chosen after a formal panel selection process, which concluded that the reviewer is experienced, independent and objective. This review considered the performance of the Board, its Committees as well as the chairman. In addition, it considered the Board's existing skills matrix and the collective skills and experience of the directors. The board evaluation comprised a comprehensive questionnaire, plus one-on-one interviews with the whole board, the Company Secretary, Client Director, the portfolio managers and the Schroders' finance representative, along with some third-party providers. The review concluded that "The Board is high functioning, harmonious and diligent with valuable complementary skills and a balance of personality types". It also noted that "the Board's composition is very good in terms of diversity (gender and ethnicity) and technical, sector expertise and functional specialism." The evaluation reported positively on the performance of the chairman. While there were no significant findings, the evaluation inevitably identified opportunities for further improvement. The directors discussed the evaluation with Valerie Stogdale and agreed a list of minor actions, mainly on improving internal and external communication and engagement, which the Board will implement over the coming year. • The committee also reviewed each director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each director remained free from conflict and had sufficient time available to discharge each of their duties effectively. The committee considered each director's contributions, and noted that in addition to extensive experience as professionals and non-executive directors, each director had valuable skills and experience, as detailed in their biographies on pages 26 and 27.	• The committee reviewed the succession policy and agreed it was still fit for purpose.

Nomination and Remuneration Committee Report

Application during the year		
Selection and induction	**Board evaluation and directors' fees**	**Succession**
	All directors were considered to be independent in character and judgement. • Based on its assessment, the committee provided individual recommendations for each directors' re-election. • The committee reviewed directors' fees, using external benchmarking, and recommended an increase in directors' fees, as detailed in the remuneration report. The committee noted the new FCA Listing rule regarding diversity reporting and agreed to adopt the new reporting early.	

Recommendations made to, and approved by, the Board:

- That Isabel Liu be appointed to the Board with effect from 4 November 2021.
- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board, contribute towards the Company's long-term success, and remain free from conflicts with the Company and its directors, so should all be recommended for • re-election by shareholders at the AGM.
- That directors' fees be increased to the following levels effective from 1 September 2022: chairman £47,000, Audit and Risk chair: £42,000 and other directors: £37,000.
- That the Company should early adopt the new FCA Listing Rule regarding diversity reporting.

Directors' Remuneration Report

Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM to be held in 2024 and the current policy provisions will apply until that date. The below directors' annual report on remuneration 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 11 December 2020 when the policy was last voted on by shareholders, 99.69% 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 0.31% were against. 112,388 votes were withheld.

At the AGM held on 15 December 2021, 99.68% 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 2021 were in favour, while 0.3% were against. 59,439 votes were withheld.

Directors' remuneration policy

The determination of the directors' fees is a matter dealt with by the Nomination and Remuneration Committee and the Board.

It is the Nomination and Remuneration Committee'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 £300,000). 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 chair 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, although 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.

Implementation of policy

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' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 31 August 2022.

Directors' Remuneration Report

Remuneration Report for the year ended 31 August 2022

Fees paid to directors

The following amounts were paid by the Company to directors for their services in respect of the year ended 31 August 2022 and the preceding financial year. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 2, under the heading "Financial highlights".

Director	Fees 2022 £	Fees 2021 £	Taxable benefits[1] 2022 £	Taxable benefits[1] 2021 £	Total 2022 £	Total 2021 £	Change in annual fee over years ended 31 August 2022 %	2021 %	2020 %
Paul Meader[2]	**45,000**	42,242	**3,127**	–	**48,127**	42,242	13.9	20.7	0.0
Alexa Coates	**40,000**	40,000	**563**	–	**40,563**	40,000	1.4	0.0	0.0
Kate Cornish-Bowden	**35,000**	35,000	**467**	–	**35,467**	35,000	1.3	0.0	n/a
Isabel Liu[3]	**28,839**	–	**356**	–	**29,195**	–	n/a	n/a	n/a
Peter Rigg[4]	**–**	12,606	**–**	–	**–**	12,606	n/a	n/a	7.7
Nick Winsor	**35,000**	35,000	**467**	–	**35,467**	35,000	1.3	n/a	n/a
Total	**183,839**	164,848	**4,980**	–	**188,819**	164,848			

[1]Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

[2]Appointed as chairman on 11 December 2020.

[3]Appointed as a director on 4 November 2021.

[4]Retired as chairman and from the board on 11 December 2020.

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 July 2022. The members of the Board at the time that remuneration levels were considered were as set out on pages 26 to 27. 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 annual review, the Board agreed that fees should be increased with effect from 1 September 2022 to the following levels: chairman £47,000, Audit and Risk Committee chair £42,000 and other directors £37,000. Directors' fees were last increased from 1 September 2018. The Board will continue to review fee levels on an annual basis.

Expenditure by the Company on remuneration and distributions to shareholders

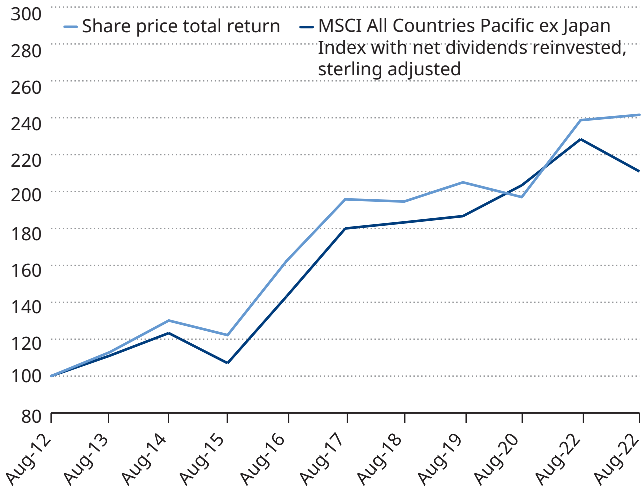
The table below compares the remuneration payable to directors to distributions paid to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000	Change %
Remuneration payable to Directors	**189**	165	+14.5[1]
Distributions paid to shareholders			
Dividends	**27,968**	27,690	
Share buybacks	**17,172**	6,402	
Total distributions paid to shareholders	**45,140**	34,092	+32.4

[1]This change reflects the increase from 4 to 5 directors from 4 November 2021.

Directors' Remuneration Report

10 year performance of the share price total return versus the MSCI All Countries Pacific ex Japan Index, with net dividends reinvested, in sterling terms[1]



[1]Source: Morningstar. Rebased to 100 at 31 August 2012. The MSCI All Countries Pacific ex Japan Index with net dividends reinvested, sterling adjusted, has been chosen as an appropriate comparison, as it comprises companies within the Company's primary investment objective.

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 2022	Ordinary shares of 1p each 31 August 2021
Paul Meader	**11,000**	11,000
Alexa Coates	**10,000**	10,000
Kate Cornish-Bowden	**24,780**	24,780
Nick Winsor	**20,000**	20,000
Isabel Liu	**8,918**	n/a

The information in the above table has been audited. There have been no changes since the year end.

Paul Meader
Chairman

3 November 2022

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

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") as adopted by the European Union 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 as adopted by the European Union, 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 26 and 27, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union and with The Companies (Guernsey) Law, 2008 (as amended) and in accordance with the requirements set out above, and give a true and fair view of the assets, liabilities, financial position and the net return of the Company;
- the Strategic Review 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.

So far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

On behalf of the Board

Paul Meader
Chairman

3 November 2022

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

Report on the audit of the financial statements

Opinion

In our opinion, Schroder Oriental Income Fund Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 (as amended).

We have audited the financial statements, included within the Annual Report, which comprise: Balance Sheet as at 31 August 2022; Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's ("FRC") Ethical Standard, as applicable to listed public interest entities in accordance with the requirements of the Crown Dependencies' Audit Rules and Guidance for market-traded companies, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Context

The financial statements of Schroder Oriental Income Fund Limited were previously audited by PricewaterhouseCoopers CI LLP. Following the recommendation of the Audit and Risk Committee, PricewaterhouseCoopers LLP were appointed by the Directors on 31 May 2022 to audit the financial statements for the year ended 31 August 2022 and subsequent financial periods.

Our audit approach

Overview

Audit scope

- The company is a standalone authorised, 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.
- The Board of directors and the Manager engages HSBC Bank plc (the "Custodian") to carry out duties of safekeeping and cashflow monitoring agent.
- We conducted our audit using information provided by the Manager and Schroder Investment Management Limited (the "Investment Manager"), as well as HSBC Securities Services ("HSS") to whom the Manager has delegated the provision of certain administrative 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 Investment Manager and HSS, and adopted a fully substantive testing approach using reports obtained from the Investment Manager and HSS.

Key audit matters

- Income from investments at fair value
- Valuation and existence of investments at fair value through profit or loss

Materiality

- Overall materiality: £7,241,000 based on approximately 1% of net assets.
- Performance materiality: £5,430,000

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the Key audit matter
Income from investments at fair value *Refer to the Audit and Risk Committee Report, the Statement of comprehensive income, Note 1 Accounting Policies and Note 3 Income.* We focused on the accuracy, occurrence and completeness both of net capital gains/losses on investments and of dividend income recognition. We assessed the presentation of income in the Statement of Comprehensive Income in accordance with the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP"). ISAs (UK) presume there is a risk of fraud in income recognition. We considered this risk to relate to the risk of overstating investment gains and the misclassification of dividend income as either capital or revenue due to the pressure management may feel to achieve a certain level of capital or income growth in line with the objective of the Company and in order to maintain the level of dividends paid to shareholders in line with the dividend policy.	We assessed the accounting policy for income recognition for compliance with International Financial Reporting Standards as adopted by the European Union and the AIC SORP and performed testing to confirm that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with International Financial Reporting Standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. **Dividend Income** We tested the accuracy of all dividend receipts by agreeing the dividend rates for investments to independent market data. We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all dividends during the year. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP by determining the reasons behind dividend distributions. **Gains/losses on investments at fair value through profit or loss** The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments, thereby we have assessed the accuracy of the gains/losses recorded. We have also verified the occurrence of the gains/losses through our testing of the existence of investments, as noted above. For realised gains/losses, we tested a sample of disposals by agreeing the proceeds to bank statements in order to verify the occurrence of the gain/loss. We re-performed the calculation of a sample of realised gains/losses in order to assess the accuracy of the gains/losses recorded. Based on the audit procedures performed and evidence obtained, we concluded that income from investments was not materially misstated.

Independent Auditors’ 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 at fair value through profit or loss *Refer to the Investment Portfolio, the Audit and Risk Committee Report, Note 1 Accounting Policies and Note 10 Investments at fair value through profit or loss.* The investment portfolio at 31 August 2022 comprised listed equity investments of £750 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.	We tested the valuation of all the listed investments by agreeing the prices used in the valuation to independent third party sources. We tested the existence of all listed investments by agreeing the holdings to an independent confirmation from the Custodian, as at 31 August 2022. No material misstatements were identified from this testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give 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.

In planning our audit, we made enquiries of the directors to understand the extent of the potential impact of climate change risk on the Company’s financial statements.

The directors concluded that the impact on the measurement and disclosures within the financial statements is not material because the Company’s investment portfolio is primarily made up of level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company’s investment activities.

We also considered the consistency of the climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£7,241,000.
How we determined it	approximately 1% of net assets
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. This benchmark provides an appropriate and consistent year on year basis for our audit.

We use performance materiality to reduce to an appropriately low level probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £5,430,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £362,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the directors' updated risk assessment and considering whether it addressed relevant threats, including the ongoing impact of COVID-19, rising inflation, Russia's invasion of Ukraine, and the subsequent economic uncertainty;
- evaluating the directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses and debt repayments, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers;
- assessing the premium/discount at which the Company's share price trades compared to the net asset value per share; and
- assessing the implication of significant reductions in Net Asset Value (NAV) as a result of market performance on the ongoing ability of the Company to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Accounts, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 related 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.

Auditors' 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 auditors' 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Section 262 of The Companies (Guernsey) Law, 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- discussions with the Manager and the Audit and Risk Committee, including specific enquiry of known or suspected instances of non-compliance with laws and regulation and fraud where applicable;
- reviewing relevant meeting minutes, including those of the Audit and Risk Committee;

– assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;

– identifying and testing journal entries, in particular any material or revenue-impacting manual journal entries posted as part of the Annual Report preparation process; and

– designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

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

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

– 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.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 31 May 2022 to audit the financial statements for the year ended 31 August 2022 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Colleen Local
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognised Auditor London
3 November 2022

Notes:

a. The maintenance and integrity of the Schroder Oriental Income Fund Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b. 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 2022

	Note	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments at fair value through profit or loss	2	**–**	**(7,810)**	**(7,810)**	–	121,017	121,017
Net foreign currency (losses)/gains		**–**	**(6,572)**	**(6,572)**	–	395	395
Income from investments	3	**39,047**	**1,448**	**40,495**	32,394	219	32,613
Other income	3	**24**	**–**	**24**	1	–	1
Total income/(loss)		**39,071**	**(12,934)**	**26,137**	32,395	121,631	154,026
Management fee	4	**(1,545)**	**(3,604)**	**(5,149)**	(1,584)	(3,697)	(5,281)
Performance fee	4	**–**	**–**	**–**	–	(5,636)	(5,636)
Other administrative expenses	5	**(1,114)**	**(4)**	**(1,118)**	(1,033)	(5)	(1,038)
Profit/(loss) before finance costs and taxation		**36,412**	**(16,542)**	**19,870**	29,778	112,293	142,071
Finance costs	6	**(161)**	**(376)**	**(537)**	(94)	(220)	(314)
Profit/(loss) before taxation		**36,251**	**(16,918)**	**19,333**	29,684	112,073	141,757
Taxation	7	**(2,146)**	**–**	**(2,146)**	(2,002)	–	(2,002)
Net profit/(loss) and total comprehensive income		**34,105**	**(16,918)**	**17,187**	27,682	112,073	139,755
Earnings/(loss) per share	9	**12.94p**	**(6.42)p**	**6.52p**	10.30p	41.70p	52.00p

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 set out in the statement of recommended practice for investment trust companies (the "SORP") issued by the Association of Investment Companies in July 2022.

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 52 to 66 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 August 2022

	Note	Share capital £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2020		234,347	(2,155)	39	150,374	233,856	30,238	646,699
Repurchase of ordinary shares into treasury		–	(7,345)	–	–	–	–	(7,345)
Net profit and total comprehensive income		–	–	–	–	112,073	27,682	139,755
Dividends paid in the year	8	–	–	–	–	–	(27,690)	(27,690)
At 31 August 2021		**234,347**	**(9,500)**	**39**	**150,374**	**345,929**	**30,230**	**751,419**
Repurchase of ordinary shares into treasury		**–**	**(16,491)**	**–**	**–**	**–**	**–**	**(16,491)**
Net (loss)/profit and total comprehensive income		**–**	**–**	**–**	**–**	**(16,918)**	**34,105**	**17,187**
Dividends paid in the year	8	**–**	**–**	**–**	**–**	**–**	**(27,968)**	**(27,968)**
At 31 August 2022		**234,347**	**(25,991)**	**39**	**150,374**	**329,011**	**36,367**	**724,147**

The notes on pages 52 to 66 form an integral part of these financial statements.

Financial

Balance Sheet
at 31 August 2022

	Note	2022 £'000	2021 £'000
Non current assets			
Investments at fair value through profit or loss	10	**750,372**	774,425
Current assets	11		
Receivables		**4,355**	6,881
Cash and cash equivalents		**14,155**	16,147
		18,510	23,028
Total assets		**768,882**	797,453
Current liabilities			
Payables	12	**(44,735)**	(46,034)
Net assets		**724,147**	751,419
Equity attributable to equity holders			
Share capital	13	**234,347**	234,347
Treasury share reserve	14	**(25,991)**	(9,500)
Capital redemption reserve	14	**39**	39
Special reserve	14	**150,374**	150,374
Capital reserves	14	**329,011**	345,929
Revenue reserve	14	**36,367**	30,230
Total equity shareholders' funds		**724,147**	751,419
Net asset value per share	15	**277.24p**	280.94p

The financial statements on pages 48 to 51 were approved by the Board of Directors on 3 November 2022 and signed on its behalf by:

Director

The notes on pages 52 to 66 form an integral part of these financial statements.

Registered in Guernsey as a public company limited by shares

Company registration number: 43298

Cash Flow Statement
for the year ended 31 August 2022

	2022 £'000	2021 £'000
Operating activities		
Profit before finance costs and taxation	**19,870**	142,071
Add back net foreign currency losses/(gains)	**6,572**	(395)
Losses/(gains) on investments at fair value through profit or loss	**7,810**	(121,017)
Net sales of investments at fair value through profit or loss	**16,211**	16,858
Decrease/(increase) in receivables	**1,032**	(1,719)
(Decrease)/increase in payables	**(5,676)**	5,753
Overseas taxation paid	**(2,229)**	(2,131)
Net cash inflow from operating activities before interest	**43,590**	39,420
Interest paid	**(509)**	(310)
Net cash inflow from operating activities	**43,081**	39,110
Financing activities		
Bank loans repaid	**–**	(5,304)
Repurchase of ordinary shares into treasury	**(17,172)**	(6,402)
Dividends paid	**(27,968)**	(27,690)
Net cash outflow from financing activities	**(45,140)**	(39,396)
Decrease in cash and cash equivalents	**(2,059)**	(286)
Cash and cash equivalents at the start of the year	**16,147**	17,028
Effect of foreign exchange rates on cash and cash equivalents	**67**	(595)
Cash and cash equivalents at the end of the year	**14,155**	16,147

Dividends received during the year amounted to £41,682,000 (2021: £30,823,000) and bond and deposit interest receipts amounted to £15,000 (2021: £1,000).

The notes on pages 52 to 66 form an integral part of these financial statements.

Financial

Notes to the Accounts
for the year ended 31 August 2022

1. Accounting Policies

(a) Basis of accounting

The financial statements have been prepared in accordance with the Companies Guernsey Law 2008 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.

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 July 2022.

The policies applied in these financial statements 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 financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating to 31 December 2023, which is at least 12 months from the date of approval of these financial statements. In forming this opinion, the directors have taken into consideration: the controls and monitoring processes in place; the Company's level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; and that the Company's assets comprise cash and readily realisable securities quoted in active markets. In forming this opinion, the directors have also considered any potential impact of the COVID-19 pandemic, climate change, inflation, high interest rates and the energy crisis on the viability of the Company. Further details of directors' considerations regarding this are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Emerging Risks and uncertainties heading on page 22.

The principal accounting polices adopted are set out below.

(b) Presentation of the Statement of Comprehensive Income

In order to better 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) Repurchases of shares into treasury and subsequent reissues

The cost of repurchasing shares into Treasury is debited to 'Treasury share reserve". The sales proceeds of Treasury shares reissued are credited back to Treasury share reserve until the debit balance on that reserve is extinguished and thereafter to capital reserves.

(f) 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.

(g) 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 57.

(h) 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.

(i) Other financial assets and liabilities

Cash and cash equivalents may comprise cash and demand deposits which are readily convertible to a known amount of cash 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.

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

(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 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.

(m) Significant accounting judgments, estimates and assumptions

Other than the directors' assessment of going concern, no significant judgements, estimates or assumptions have been required in the preparation of these financial statements in accordance with IFRS.

Notes to the Accounts
for the year ended 31 August 2022

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

	2022 £'000	2021 £'000
(Losses)/gains on sales of investments based on historic cost	(923)	62,577
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(2,532)	(33,768)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(3,455)	28,809
Net movement in investment holding gains and losses	(4,355)	92,208
(Losses)/gains on investments held at fair value through profit or loss	(7,810)	121,017

3. Income

	2022 £'000	2021 £'000
Income from investments:		
Overseas dividends	39,047	32,394
Other income:		
Deposit interest	24	1
Total income	39,071	32,395
Capital:		
Special dividend allocated to capital	1,448	219

4. Management and performance fee

	Revenue £'000	2022 Capital £'000	Total £'000	Revenue £'000	2021 Capital £'000	Total £'000
Management fee	1,545	3,604	5,149	1,584	3,697	5,281
Performance fee	–	–	–	–	5,636	5,636
	1,545	3,604	5,149	1,584	9,333	10,917

The basis for calculating the investment management fee and any performance fee is set out in the Directors' Report on page 28.

5. Other administrative expenses

	Revenue £'000	2022 Capital £'000	Total £'000	Revenue £'000	2021 Capital £'000	Total £'000
Administration expenses	721	4	725	643	5	648
Directors' fees	190	–	190	165	–	165
Secretarial fee	150	–	150	150	–	150
Auditors' remuneration for audit services[1]	53	–	53	75	–	75
	1,114	4	1,118	1,033	5	1,038

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

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for the year ended 31 August 2022

6. Finance costs

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Interest on bank loans and overdrafts	161	376	537	94	220	314

7. Taxation

(a) Analysis of tax charge for the year

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Irrecoverable overseas tax	2,146	–	2,146	2,002	–	2,002
Taxation for the year	2,146	–	2,146	2,002	–	2,002

The Company became resident in the United Kingdom for taxation purposes, with effect from 1 September 2020. The Company has no corporation tax liability for the year ended 31 August 2022 (2021: nil).

(b) Factors affecting tax charge for the year

The tax assessed for the year ended 31 August 2022 is lower (2021: lower) than the Company's applicable rate of corporation tax for that year of 19.0% (2021:19%). The factors affecting the tax charge for the year are as follows:

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Net return/(loss) before taxation	36,251	(16,918)	19,333	29,684	112,073	141,757
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2021:19%)	6,888	(3,215)	3,673	5,640	21,294	26,934
Effects of:						
Capital losses/(returns) on investments	–	2,732	2,732	–	(23,068)	(23,068)
Revenue not chargeable to corporation tax	(6,406)	(275)	(6,681)	(5,568)	(42)	(5,610)
Expenses disallowed	–	1	1	–	1	1
Unrelieved expenses	–	316	316	–	1,772	1,772
Marginal Tax Relief	(267)	267	–	–	–	–
Double Tax Relief	(215)	174	(41)	(72)	43	(29)
Irrecoverable overseas tax	2,146	–	2,146	2,002	–	2,002
Taxation for the year	2,146	–	2,146	2,002	–	2,002

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £2,745,000 (2021: £2,332,000) based on a main rate of corporation tax of 25%. In its 2020 budget, the UK government announced that the main rate of corporation tax would increase to 25% for the fiscal year beginning on 1 April 2023.

The deferred tax asset has arisen due to the excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

The Company was granted status as an investment trust company by HMRC effective from 1 September 2020, and intends to continue to meet the conditions required to retain that status. Therefore, no provision has been made for deferred UK capital gains tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts
for the year ended 31 August 2022

8. Dividends

(a) Dividends paid and declared

	2022 £'000	2021 £'000
2021 fourth interim dividend of 4.80p (2020: 4.60p)	**12,727**	12,404
First interim dividend of 1.90p (2021: 1.90p)	**5,013**	5,100
Second interim dividend of 1.90p (2021: 1.90p)	**4,997**	5,097
Third interim dividend of 2.00p (2021: 1.90p)	**5,231**	5,089
Total dividends paid in the year	**27,968**	27,690

	2022 £'000	2021 £'000
Fourth interim dividend declared of 5.60p (2021: 4.80p)	**14,627**	12,838

Under the Companies (Guernsey) Law 2008, 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 2021 differs from the amount actually paid due to shares repurchased and cancelled after the balance sheet date but prior to the share register record date.

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ("Section 1158")

The Company was granted status as an investment trust company by HMRC effective from 1 September 2020, and intends to continue to meet the minimum distribution requirements of Section 1158, in order to retain that status. Those requirements are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £34,105,000 (2021: £27,682,000).

	2022 £'000	2021 £'000
First interim dividend of 1.90p (2021: 1.90p)	**5,013**	5,100
Second interim dividend of 1.90p (2021: 1.90p)	**4,997**	5,097
Third interim dividend of 2.00p (2021: 1.90p)	**5,231**	5,089
Fourth interim dividend of 5.60p (2021: 4.80p)	**14,627**	12,838
Total dividends of 11.40p (2021: 10.50p)	**29,868**	28,124

9. Earnings/(loss) per share

	2022 £'000	2021 £'000
Revenue profit	**34,105**	27,682
Capital (loss)/profit	**(16,918)**	112,073
Total profit	**17,187**	139,755
Weighted average number of Ordinary shares in issue during the year	**263,653,736**	268,751,860
Revenue earnings per share	**12.94p**	10.30p
Capital (loss)/earnings per share	**(6.42)p**	41.70p
Total earnings per share	**6.52p**	52.00p

Notes to the Accounts
for the year ended 31 August 2022

10. Investments at fair value through profit or loss

	2022 £'000	2021 £'000
Opening book cost	**639,015**	595,213
Opening investment holding gains	**135,410**	76,971
Opening fair value	**774,425**	672,184
Analysis of transactions made during the year		
Purchases at cost	**130,731**	225,406
Sales proceeds	**(146,974)**	(244,182)
(Losses)/gains on investments held at fair value through profit or loss	**(7,810)**	121,017
Closing fair value	**750,372**	774,425
Closing book cost	**621,849**	639,015
Closing investment holding gains	**128,523**	135,410
Closing fair value	**750,372**	774,425

The Company received £146,974,000 (2021: £244,182,000) from disposal of investments in the year. The book cost of these investments when they were purchased was £147,897,000 (2021: £181,605,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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

	2022 £'000	2021 £'000
On acquisitions	**90**	198
On disposals	**247**	401
	337	599

11. Current assets

Receivables

	2022 £'000	2021 £'000
Dividends and interest receivable	**4,207**	5,212
Securities sold awaiting settlement	**2**	1,578
Other receivables	**146**	91
	4,355	6,881

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

Cash and cash equivalents

Cash and cash equivalents comprises bank balances and cash held by the Company, including short-term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short-term deposit at market rates of interest.

Notes to the Accounts
for the year ended 31 August 2022

12. Current liabilities

Payables

	2022 £'000	2021 £'000
Bank loan	42,970	36,331
Securities purchased awaiting settlement	–	1,608
Repurchase of ordinary shares into treasury awaiting settlement	262	943
Other payables and accruals	1,503	7,152
	44,735	46,034

The bank loan comprises US$50 million drawn down on the Company's £75 million multicurrency credit facility with Bank of Nova Scotia. 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(a)ii on page 63.

The bank loan at the prior year end comprised US$50 million drawn down on the Company's previous £100 million multicurrency credit facility with SMBC Bank International plc. This agreement expired in July 2022, and was replaced by a new agreement with the Bank of Nova Scotia. The previous loan was repaid directly by the new lender and thus the Company was not required to make any liquidity available.

13. Share capital

	2022 £'000	2021 £'000
Ordinary shares of 1p each, allotted, called-up and fully paid:		
Opening balance of 267,468,024 (2021: 270,268,024) shares, excluding shares held in treasury	224,847	232,192
Repurchase of 6,265,000 (2021: 2,800,000) shares into treasury	(16,491)	(7,345)
Subtotal of 261,203,024 (2021: 267,468,024) shares, excluding shares held in treasury	208,356	224,847
10,030,000 (2021: 3,765,000) shares held in treasury	25,991	9,500
Closing balance of 271,233,024 (2021: 271,233,024) shares	234,347	234,347

The ordinary shares rank pari passu, and each share carries one vote in the event of a poll at a general meeting. The Company has authority to issue an unlimited number of ordinary shares.

During the year, the Company purchased 6,265,000 of its own shares, nominal value £62,650 to hold in treasury for a total consideration of £16,491,000 representing 2.3% of the shares outstanding at the beginning of the year. The reason for these share purchases was to seek to manage the volatility of the share price discount to net asset value per share.

Notes to the Accounts

for the year ended 31 August 2022

14. Reserves

	Share capital £'000	Treasury share reserve £'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 2021	**234,347**	**(9,500)**	**39**	**150,374**	**205,800**	**140,129**	**30,230**
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(3,455)	–	–
Movement in investment holding gains and losses	–	–	–	–	–	(4,355)	–
Transfer on disposal of investments	–	–	–	–	2,532	(2,532)	–
Realised exchange gains on cash and short-term deposits	–	–	–	–	67	–	–
Exchange losses on foreign currency credit facility	–	–	–	–	–	(6,639)	–
Repurchase of ordinary shares into treasury	–	(16,491)	–	–	–	–	–
Management fee, finance costs and other expenses charged to capital	–	–	–	–	(3,984)	–	–
Dividends allocated to capital	–	–	–	–	1,448	–	–
Dividends paid in the year	–	–	–	–	–	–	(27,968)
Net revenue profit for the year	–	–	–	–	–	–	34,105
At 31 August 2022	**234,347**	**(25,991)**	**39**	**150,374**	**202,408**	**126,603**	**36,367**

	Share capital £'000	Treasury share reserve £'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 2020	234,347	(2,155)	39	150,374	152,791	81,065	30,238
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	28,809	–	–
Movement in investment holding gains and losses	–	–	–	–	–	92,208	–
Transfer on disposal of investments	–	–	–	–	33,768	(33,768)	–
Realised exchange losses on cash and short-term deposits	–	–	–	–	(597)	–	–
Realised gains on derivative contracts	–	–	–	–	2	–	–
Exchange gains on foreign currency credit facility	–	–	–	–	366	624	–
Repurchase of ordinary shares into treasury	–	(7,345)	–	–	–	–	–
Management fee, finance costs and other expenses charged to capital	–	–	–	–	(3,922)	–	–
Performance fee charged to capital	–	–	–	–	(5,636)	–	–
Dividends allocated to capital	–	–	–	–	219	–	–
Dividends paid in the year	–	–	–	–	–	–	(27,690)
Net revenue profit for the year	–	–	–	–	–	–	27,682
At 31 August 2021	234,347	(9,500)	39	150,374	205,800	140,129	30,230

Under the Companies (Guernsey) Law 2008, 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.

Notes to the Accounts
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15. Net asset value per share

	2022	2021
Net assets attributable to shareholders (£'000)	**724,147**	751,419
Shares in issue at the year end	**261,203,024**	267,468,024
Net asset value per share	**277.24p**	280.94p

16. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2021: 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 28. The management fee payable in respect of the year amounted to £5,149,000 (2021: £5,281,000), of which £1,276,000 (2021: £1,337,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £150,000 (2021: £150,000) of which £37,500 (2021: £37,500) was outstanding at the year end. No performance fee is payable is payable in respect of the year (2021: £5,636,000 was payable and outstanding at the year end).

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.

18. Related Party transactions

Details of the remuneration payable to Directors are given in the Directors' Remuneration Report on page 39 and details of Directors' shareholdings are given in the Directors' Remuneration Report on page 40. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2021: 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 52.

At 31 August 2022, the Company's investment portfolio was categorised as follows:

	2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in equities and equity linked securities	**730,624**	**19,748**	**–**	**750,372**
Total	**730,624**	**19,748**	**–**	**750,372**

Level 2 investments comprise one holding in Midea Group warrants 21/06/2023. There were no transfers between Levels 1, 2 or 3 during the year ended 31 August 2022.

	2021 Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in equities and equity-linked securities	769,397	–	5,028	774,425
Total	769,397	–	5,028	774,425

Level 3 investments comprise one holding in global depositary receipts which delisted during the year. There were no other transfers between Levels 1, 2 or 3 during the year ended 31 August 2021.

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
- a multicurrency credit facility with Bank of Nova Scotia, 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.

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	2022									
	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	**2**	**1,075**	**1,096**	**459**	**568**	**150**	**16**	**128**	**555**	**4,049**
Current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,977)**	**–**	**(42,977)**
Foreign currency exposure on net monetary items	**2**	**1,075**	**1,096**	**459**	**568**	**150**	**16**	**(42,849)**	**555**	**(38,928)**
Investments at fair value through profit or loss[1]	**9,982**	**153,099**	**100,532**	**116,588**	**148,905**	**14,878**	**4,671**	**19,749**	**135,370**	**703,774**
Total net foreign currency exposure	**9,984**	**154,174**	**101,628**	**117,047**	**149,473**	**15,028**	**4,687**	**(23,100)**	**135,925**	**664,846**

	2021									
	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	3	2,905	818	706	1,105	143	139	2,315	1,755	9,889
Current liabilities	–	(1,608)	–	–	–	–	–	(36,338)	–	(37,946)
Foreign currency exposure on net monetary items	3	1,297	818	706	1,105	143	139	(34,023)	1,755	(28,057)
Investments at fair value through profit or loss[1]	9,659	191,364	84,769	99,889	174,726	12,648	6,028	27,111	113,589	719,783
Total net foreign currency exposure	9,662	192,661	85,587	100,595	175,831	12,791	6,167	(6,912)	115,344	691,726

[1]Excluding any 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.

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% (2021: 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:

	2022 £'000	2021 £'000
Statement of Comprehensive Income – net profit		
Net revenue profit	**3,676**	3,030
Net capital profit	**(3,786)**	(2,806)
Net assets	**(110)**	224

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

	2022 £'000	2021 £'000
Statement of Comprehensive Income – net profit		
Net revenue profit	**(3,676)**	(3,030)
Net capital profit	**3,786**	2,806
Net assets	**110**	(224)

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 64.

(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.

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:

	2022 £'000	2021 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	**14,155**	16,147
Other payables: drawings on the credit facility	**(42,970)**	(36,331)
Total exposure	**(28,815)**	(20,184)

Cash deposits at call, earn interest based on the Sterling Overnight Interest Average (2021: LIBOR) rates.

The Company has arranged a £75 million credit facility with Bank of Nova Scotia, effective from 18 July 2022. Interest is payable at the aggregate of the compounded Risk Free Rate ("RFR") for the relevant currency and loan period, plus a margin. Amounts are normally drawn down on the facility for a one month period, at the end of which it may be rolled over or adjusted. At 31 August 2022, the Company had drawn down US$50.0 million (£43.0 million) for a one month period, at an interest rate of 3.19% per annum.

At 31 August 2021, the Company had drawn down US$50.0 million (£36.3 million) on the previous £100 million multicurrency revolving credit facility with SMBC International plc. This facility expired on 17 July 2022, and the loan was replaced by a new agreement with the Bank of Nova Scotia. The previous loan was repaid directly by the new lender and thus the Company was not required to make any liquidity available.

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 have fluctuated. The maximum and minimum net interest rate exposure during the year has been as follows:

	2022 £'000	2021 £'000
Maximum interest rate exposure during the year – net debt	**(32,379)**	(36,397)
Minimum interest rate exposure during the year – net debt	**(12,713)**	(19,874)

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Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.0% (2021: 1.0%) 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.

	2022		2021	
	1.0% increase in rate £'000	1.0% decrease in rate £'000	1.0% increase in rate £'000	1.0% decrease in rate £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	13	(13)	52	(52)
Net capital profit	(301)	301	(254)	254
Net total profit	(288)	288	(202)	202
Net assets	(288)	288	(202)	202

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' 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:

	2022 £'000	2021 £'000
Investments at fair value through profit or loss	750,372	774,425

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 10 and 11. This shows that the portfolio principally comprises investments quoted on Asian stock markets. 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 20% (2021: 20%) 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

	2022		2021	
	20% increase in fair value £'000	20% decrease in fair value £'000	20% increase in fair value £'000	20% decrease in fair value £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	(315)	315	(326)	326
Net capital profit	149,339	(149,339)	154,126	(154,126)
Net total profit for the year and net assets	149,024	(149,024)	153,800	(153,800)

(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 2022 £'000	Three months or less 2021 £'000
Other payables		
Bank loan - including interest	**43,086**	36,356
Other payables and accruals	**1,469**	7,145
	44,555	43,501

(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 almost entirely 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.

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 and open currency contracts.

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.

	2022 Balance sheet £'000	2022 Maximum exposure £'000	2021 Balance sheet £'000	2021 Maximum exposure £'000
Current assets				
Receivables – dividends and interest	**4,207**	**4,207**	5,212	5,212
Securities sold awaiting settlement	**2**	**2**	1,578	1,578
Cash and cash equivalents	**14,155**	**14,155**	16,147	16,147
	18,364	**18,364**	22,937	22,937

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:

	2022 £'000	2021 £'000
Debt		
Bank loan	**42,970**	36,331
Equity		
Share capital	**234,347**	234,347
Reserves	**489,800**	517,072
	724,147	751,419
Total debt and equity	**767,117**	787,750

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.

	2022 £'000	2021 £'000
Borrowings used for investment purposes, less cash	**28,815**	20,184
Net assets	**724,147**	751,419
Gearing	**4.0%**	2.7%

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, in excess of that which is required to be distributed.

22. Events after the reporting period

With effect from 1 September 2022, the Board has determined that the management fee and finance costs will be allocated 40% to revenue and 60% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio. Prior to this date, these expenses had been allocated 30% to revenue and 70% to capital.

Definitions of Terms and Alternative Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Numerical calculations are given where relevant. Some of the financial measures below are classified Alternative Performance Measures ("APMs") as defined by the European Securities and Markets Authority. Under this definition, APMs include a financial measure of historical financial performance or financial position, other than a financial measure defined or specified in the applicable financial reporting framework.

Net asset value ("NAV") per share

The NAV per share of 277.24p (2021: 280.94p) represents the net assets attributable to equity shareholders of £724,147,000 (2021: £751,419,000) divided by the number of shares in issue of 261,203,024 (2021: 267,468,024).

The change in the NAV amounted to -1.3% (2021: +17.4%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return

The combined effect of any dividends paid, together with the rise or fall in the NAV per share or share price. 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 the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the year ended 31 August 2022 is calculated as follows:

NAV at 31/8/21	280.94p
NAV at 31/8/22	277.24p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
4.8p	11/11/21	277.66p	1.0173	1.0173
1.9p	27/01/22	279.27p	1.0068	1.0242
1.9p	28/04/22	279.68p	1.0068	1.0312
2.0p	04/08/22	270.27p	1.0074	1.0388
NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage increase in the opening NAV				+2.5%

The NAV total return for the year ended 31 August 2021 is calculated as follows:

NAV at 31/8/20	239.28p
NAV at 31/8/21	280.94p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
4.6p	12/11/20	257.85p	1.0178	1.0178
1.9p	04/02/21	282.72p	1.0067	1.0247
1.9p	29/04/21	294.49p	1.0065	1.0313
1.9p	05/08/21	281.86p	1.0067	1.0382
NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage increase in the opening NAV				+21.9%

The share price total return for the year ended 31 August 2022 is calculated as follows:

Share price at 31/8/21	271.50p
Share price at 31/8/22	264.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
4.8p	11/11/21	262.50p	1.0183	1.0183
1.9p	27/01/22	270.00p	1.0070	1.0255
1.9p	28/04/22	262.00p	1.0073	1.0329
2.0p	04/08/22	255.00p	1.0078	1.0410
Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage increase in the opening share price				+1.2%

The share price total return for the year ended 31 August 2021 is calculated as follows:

Share price at 31/8/20	233.00p
Share price at 31/8/21	271.50p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
4.6p	12/11/20	245.50p	1.0187	1.0187
1.9p	04/02/21	271.00p	1.0070	1.0259
1.9p	29/04/21	289.00p	1.0066	1.0326
1.9p	05/08/21	276.50p	1.0069	1.0397
Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage increase in the opening share price				+21.2%

Definitions of Terms and Alternative Performance Measures

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. This metric is useful for investors to compare the price of a share in the Company with the value of the underlying assets attributable to it. A premium or discount is generally the consequence of supply and demand for the shares on the stock market. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 4.8% (2021: discount of 3.4%), as the closing share price at 264.00p (2021: 271.50p) was 4.8% (2021: 3.4%) lower than the closing NAV of 277.24p (2021: 280.94p).

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. An investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Therefore, gearing can enhance performance in rising markets but can also adversely impact performance in falling markets. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The gearing figure at the year end is calculated as follows:

	2022 £'000	2021 £'000
Borrowings used for investment purposes, less cash	28,815	20,184
Net assets	724,147	751,419
Gearing	4.0%	2.7%

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. Higher leverage figures are thus indicative of higher market risk. It is expressed as the ratio of the Company's exposure to its net asset value 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. The leverage ratios and limits at 31 August 2022 are presented on page 73 under Shareholder Information.

Ongoing Charges

The Ongoing Charges figure is an indication of the ongoing operating costs of the Company. It is calculated in accordance with the AIC's recommended methodology and represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable amounting to £6,267,000 (2021: £6,319,000), expressed as a percentage of the average daily net asset values during the year of £731,663,000 (2021: £739,772,000).

Annual General Meeting – Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Monday, 5 December 2022 at 4.30pm. The formal Notice of Meeting is set out on page 70.

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.

Ordinary business

Resolutions 1 to 9 are all ordinary resolutions.

Resolution 1 is a required resolution. Resolution 2 concerns the Directors' Remuneration Report, on pages 38 to 40. Resolutions 3 to 7 invite shareholders to re-elect each of the directors standing for re-election for another year, following the recommendations of the Nomination and Remuneration Committee, set out on pages 35 to 37 (their biographies are set out on pages 26 and 27). Resolutions 8 and 9 concern the re-appointment and remuneration of the Company's auditors, discussed in the Audit and Risk Committee report on pages 31 to 33.

Special business

Resolution 10 – approval of the Company's dividend policy (ordinary resolution)

In line with corporate governance best practice the Board is putting the Company's dividend policy to shareholders for approval. No change to the Company's dividend policy is proposed at this time.

Resolution 11 – authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 15 December 2021, the Company was granted authority to make market purchases of up to 39,744,939 ordinary shares for cancellation or holding in treasury. 4,800,000 ordinary shares were bought back under this authority and the Company therefore has remaining authority to purchase up to 34,944,939 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 2 November 2022 (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. If renewed, the authority to be given at the 2022 AGM will lapse at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Resolution 12 – disapplication of pre-emption rights (extraordinary resolution)

The directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

An extraordinary resolution will be proposed at the forthcoming AGM to authorise the directors to allot shares up to a maximum aggregate nominal amount of £259,418 (being 10% of the issued share capital as at 2 November 2022) and to give the directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £259,418 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM).

The directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it should not result in any dilution of NAV per share. If approved, both of these authorities will expire at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Recommendations

The Board considers that the resolutions relating to the above items of 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 5 December 2022 at 4.30 pm at **1 London Wall Place, London EC2Y 5AU** to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions. Resolution 11 will be proposed as a special resolution and resolution 12 will be proposed as an extraordinary resolution:

1. To receive the Directors' Report and the audited accounts for the year ended 31 August 2022.
2. To approve the Directors' Remuneration Report for the year ended 31 August 2022.
3. To approve the re-election of Paul Meader as a director of the Company.
4. To approve the re-election of Alexa Coates as a director of the Company.
5. To approve the re-election of Kate Cornish-Bowden as a director of the Company.
6. To approve the re-election of Isabel Liu as a director of the Company.
7. To approve the re-election of Nick Winsor as a director of the Company.
8. To re-appoint PricewaterhouseCoopers LLP as the Company's auditors.
9. To authorise the directors to determine the remuneration of PricewaterhouseCoopers LLP as auditors to the Company.
10. To approve the Company's dividend policy as set out on page 29 of the Annual Report and Accounts.
11. 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") at whatever discount the prevailing market price represents to the prevailing net asset value per share, provided that:

    (a) the maximum number of Shares hereby authorised to be purchased shall be 38,886,762, representing 14.99% of the issued share capital (ex treasury) as at 2 November 2022;

    (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of

      (i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase; and

      (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

    (c) the minimum price which may be paid for a share is 1p, being the nominal value per share;

    (d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company in 2023 (unless previously renewed, varied or revoked prior to such date);

    (e) the Company may make a contract to purchase Shares under the authority hereby conferred 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; and

    (f) Any Shares so purchased will be held in treasury or cancelled."
12. 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 25,941,802 ordinary shares of 1p each in aggregate, representing 10% of the share capital in issue (ex treasury) on 2 November 2022, 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 2023 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."

By order of the Board
For and on behalf of

Schroder Investment Management Limited
Company Secretary

3 November 2022

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

Registered number: 43298

Explanatory Notes to the Notice of Annual General Meeting

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.

   To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0370 707 4040 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

2. The biographies of each of the directors offering themselves for re-election are set out on pages 26 and 27 of the annual report and accounts for the year ended 31 August 2022.

3. As at 2 November 2022, the Company had 271,233,024 ordinary shares of 1p each in issue (11,815,000 shares were held in treasury). Accordingly, the total number of voting rights in the Company on 2 November 2022 is 259,418,024.

4. The Company's privacy policy is available on its webpages http://www.schroders.co.uk/orientalincome. Shareholders can contact Computershare for details of how Computershare processes their personal information as part of the AGM.

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

6. Pursuant to Regulation 41 of the Uncertificated Securities (Guernsey) Regulations 2009, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 2 working days (excluding non working days) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 34(1) of the Uncertificated Securities (Guernsey) Regulations 2009.

Notes

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. They contain details of the Company's share price and copies of the annual 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.

The Manager publishes monthly and quarterly updates on the Company and other Schroders investment trusts, which may be found under the "Literature" section 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 they are shares in an investment trust.

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 Company's webpages and within this report. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2022 these were:

Leverage exposure	Maximum exposure	Actual exposure
Gross method	200.0%	111.9%
Commitment method	200.0%	109.9%

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") by the AIFM

Pursuant to the Packaged Retail and Insurance Based Investment 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.

Shareholder Information

www.schroders.co.uk/orientalincome

Directors

Paul Meader
Alexa Coates
Kate Cornish-Bowden
Isabel Liu
Nick Winsor

Advisers

Alternative investment fund manager (the "Manager")

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

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
United Kingdom
Telephone: 020 7658 6596

Registered office

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

Safekeeping and cashflow monitoring agent (including custodian)

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

Lending bank

Bank of Nova Scotia
201 Bishopsgate
London EC2M 3NS
United Kingdom

Corporate broker

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

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

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.

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.

Schroders