Schroders

Schroder Oriental Income Fund Limited

Report and Accounts

For the year ended
31 August 2017

Money Observer Trust Awards 2014
Best Developing Markets Trust Regular Savings
Schroder Oriental Income

Investors Chronicle
Top 100 Funds 2015
Schroder Oriental Income

Investors Chronicle
Top 100 Funds 2016
Schroder Oriental Income

Citywire Investment Trust Awards '17
WINNER
International Income

Investment objective

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

Investment 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 8 and 9.

Equity-related investments which the Company may hold include investments in other collective investment undertakings (including real estate investment trusts and related stapled securities), warrants, 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

Total returns[1] for the year ended 31 August 2017

2016: 32.1%

Net asset value ("NAV") per share

2016: 32.8%

Share price

[1]Source: Morningstar. Total return calculations assume that any dividends paid out during the year were reinvested.

Other financial information

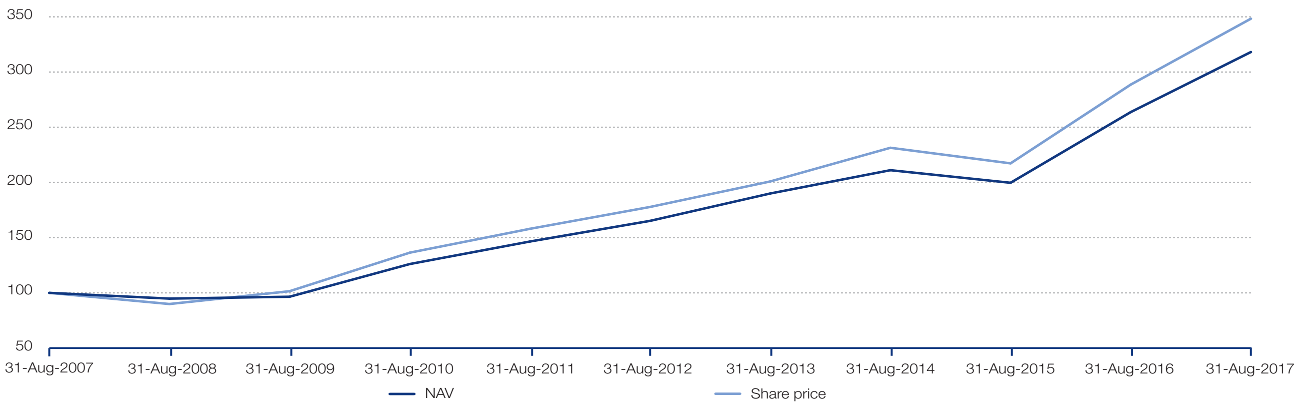
	31 August 2017	31 August 2016	% Change
Shareholders' funds (£'000)	635,466	528,662	+20.2
Shares in issue	245,703,024	237,541,574	+3.4
NAV per share (pence)	258.63	222.56	+16.2
Share price (pence)	261.00	224.50	+16.3
Share price premium to NAV per share (%)	0.9	0.9	
Gearing (%)[1]	2.0	0.4	

	Year ended 31 August 2017	Year ended 31 August 2016	% Change
Net revenue after taxation (£'000)	23,939	21,296	+12.4
Earnings per share (pence)	9.94	9.03	+10.1
Dividends per share (pence)	9.20	8.50	+8.2
Ongoing Charges (%)[2]	0.85	0.89	

[1]Gearing represents 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.

NAV per share and share price total returns for the 10 years to 31 August 2017



Source: Morningstar. Rebased to 100 at 31 August 2007. Showing financial year ends only.

Chairman's Statement

I am pleased to be able to report on another successful year for your Company. The NAV per share generated a total return of 20.6% in the financial year, building on the gain of over 32% the prior year. The share price followed suit, returning 20.7%, to reach an all-time high of £2.61 at the financial year end.

Some of these exceptional gains over the past two years reflect the depreciation of sterling against other currencies following the Brexit vote. However, Asian equity markets have also performed strongly. That said, the gains this year were of a different character to last year. This year the strength of Asian equity indices was driven by a much narrower range of fashionable "high growth" stocks, particularly in the e-commerce and technology sectors. The low yield of these types of stocks constrains how much a company with a mandate like yours can invest in them. The core strategy of your portfolio is to always seek out companies that generate strong, consistent and predictable earnings, which are attractively priced and which pay a regular and well covered dividend.

So it is no surprise that the Company has underperformed the wider Asian equity markets this year. Neither your Board nor the Manager makes any apology for this. The Company's track record over the past 12 years, where it has generated an annualised return of 13.3%, comfortably outperforming the Asian markets, demonstrates the value of the investment approach. The approach won't be flavour of the month all the time but therein lies opportunity for future gains when investors' focus returns once again to the value embedded in the companies that the Company owns. In the meantime, your Company waits and enjoys robust and growing dividends.

The Company's own dividend payments have also continued to grow strongly. With an underpin of revenue earnings per share rising by 10.1% to 9.94 pence this year, total dividends of 9.20 pence per share for the year ended 31 August 2017 represent growth of 8.2% since last year. Dividends have now increased for the 11th consecutive year and the Association of Investment Companies has listed the Company as a "Next Generation Dividend Hero".

The fact that the Company's shares have traded at a small premium to NAV for much of the year shows the value that shareholders place upon the Company's approach, consistency and dividend growth. Feedback from our shareholders regularly confirms that the Company has an important place in their portfolios in both global income and Asian equity contexts.

The Board recognises the value that shareholders place upon stability of the share price relative to the intrinsic value of the shares and, as a result, the Company has issued 8,161,450 new shares during the year at a slight premium to NAV. A further 3,855,000 shares have been issued since the financial year end. As well as assisting with the stability of the premium, this issuance has the additional benefit of further reducing the Ongoing Charges per share by spreading fixed costs more widely. For the latest financial year, Ongoing Charges reduced to 0.85%, from 0.89% last year. At the forthcoming Annual General Meeting ("AGM"), to be held on 15 December 2017, the Board is seeking to renew the existing authorities to issue shares on a non-pre-emptive basis and to buy back shares for cancellation or holding in treasury.

Also at the AGM, all continuing Directors will be presenting themselves for re-election, in accordance with the Board's policy of annual re-election. However, in line with our refreshment plans, Fergus Dunlop will not be offering himself for re-election, having served nine years as a Director. On behalf of the Board, I would like to thank Fergus for his invaluable contribution during this time.

Your Board is committed to progressive refreshment, balancing fresh perspectives with the benefits of continuity. A search is currently underway to replace Fergus and his retirement follows the appointment of Paul Meader in January 2016 succeeding Chris Sherwell. Another of the long serving directors will retire at the AGM in 2018. Through this process the Board has agreed that four directors is optimal to meet the Company's needs, although this number may vary during periods of refreshment.

Since the year end, your Board has undertaken its annual review of fees payable to the Manager. While the Board remains supportive of the structure of the fee arrangements, which it believes are well aligned to the interests of shareholders, it has reassessed the scale of the performance fee in providing value to shareholders as the Company grows. Consequently, I am pleased to report that the Manager has agreed to reduce the cap on the performance fee from 1.00% to 0.75% of the net assets of the Company calculated at the end of any one accounting period, effective from 1 September 2017. Full details of the performance fee calculation may be found on page 20.

Regulatory change continues apace, with the Manager's response bringing further financial benefits to the Company. The turn of 2017 will see the implementation of MIFID II. There are two consequences for the Company. Firstly, the Manager will issue a Key Information Document about the Company which will be maintained on its webpages. The second relates to the explicit charging for the costs of investment research. Schroders has, however, announced that it does not intend to continue to charge external research costs to its clients, including your Company, and will instead bear this expense itself from 1 January 2018. Your Board welcomes this development in managing the Company's costs for the benefit of shareholders.

Looking forward, whilst "income investing" may have fallen out of fashion temporarily, overall earnings growth in Asia is strong, driven by the first period of synchronised global economic growth since the financial crisis. The Manager's Review on pages 5 to 7 notes the value in the portfolio's holdings and how their higher cash flows are being reflected in higher dividends. As has been a general theme during the 12 years since inception of the Company, the Board believes that this will, in due course, be reflected in long-term capital gains, as well as enable us to meet the Company's record of increasing the Company's dividends each year. The

Chairman's Statement

Company's fortunes are, of course, always buffeted by the swings of sentiment in global equity markets. However, the Company's mandate towards solid, well managed companies with strong cash flows in one of the world's most dynamic and vibrant economic regions remains as relevant today as at its launch.

I look forward to reporting to you again in the half year report to be published next June.

Robert Sinclair

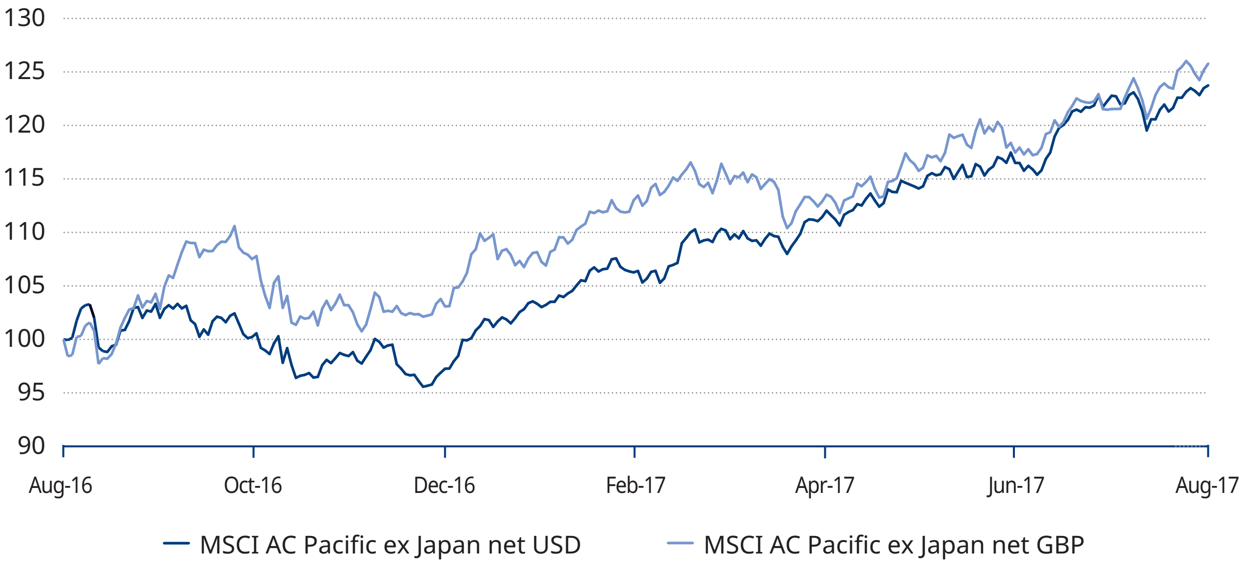
Chairman

23 November 2017

Manager's Review

The NAV per share of the Company recorded a total return of 20.6% over the 12 months to the end of August 2017.

Performance of the MSCI AC Pacific ex Japan Net Dividends Reinvested Index – 31 August 2016 to 31 August 2017



Source: Thomson Reuters as at 31 August 2017. Rebased to 100 at 31 August 2016.

It has been another strong year for Asian stock markets, registering a rise of just over a quarter in sterling terms. There was understandable uncertainty for the region in the wake of Mr Trump's victory in the US presidential election last November. However, the consequent fears over greater protectionism and heightened geopolitical tension proved to have only a brief impact on the region. From the beginning of 2017, a number of more positive developments came into play. These included increasing evidence of a co-ordinated recovery in the global economy, with leading indicators in the overwhelming majority of developed economies moving into positive territory, mirrored also by similar developments across Asia itself. After a number of years of stagnation, global trade flows have responded, with total trade in dollar terms reaching record highs.

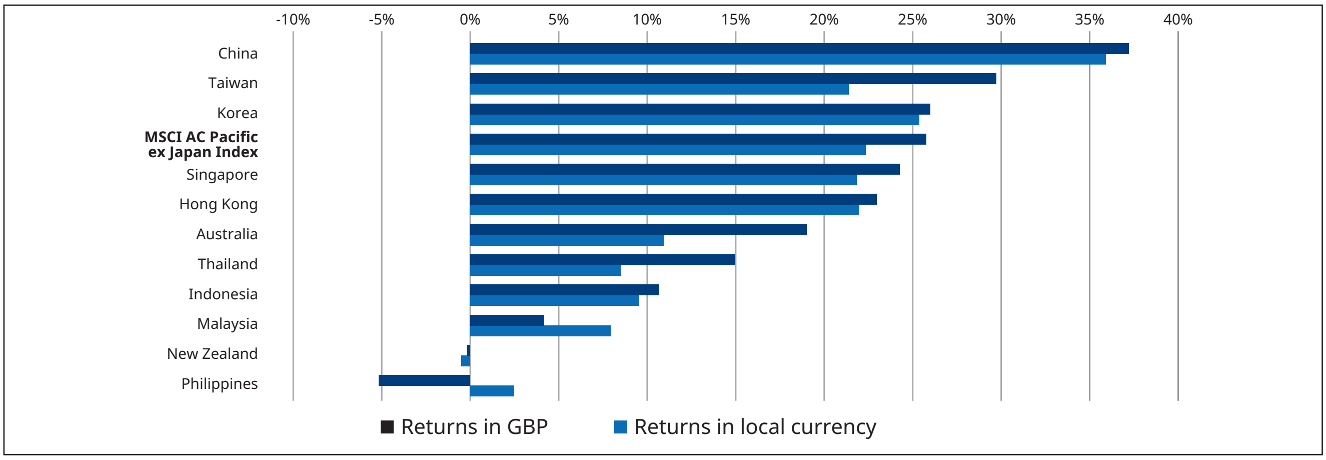
Supported by the benign environment, earnings estimates for Asian companies have been rising consistently over the year, with expectations for 2017 rising from around 10% growth to over 20% relative to 2016. This has been in contrast to the pattern of the previous three years, and has clearly been very supportive for investor sentiment. Free cash flow has also been rising sharply across the region as capital spending remains generally disciplined, underpinning healthy dividend growth.

The period saw a number of potentially troubling geo-political developments, most notably the increasingly belligerent stance of the Democratic People's Republic of Korea, further threatening to destabilise the always delicate relationship between China and the US. Investors have, thus far, been remarkably calm; indeed the market with arguably the greatest proximity to the epicentre, that of South Korea, ended the fiscal year within 5% of all-time highs.

China remained an important determinant of sentiment. Although the external environment was supportive to trade growth, the economy has not shown the same pick up in momentum evident elsewhere. To an extent, this has been a deliberate thrust of policy on the part of the Beijing authorities, reflecting confidence that the measure of stimulus taken in late 2015 could be withdrawn without undue threat to all-important "stability". Consequently, monetary stimulus was gradually reduced through the summer, augmented by policies to rein in the residential property market and greater regulatory scrutiny of unorthodox financing vehicles and off-balance sheet exposures in the banking sector.

Manager's Review

Country returns of the MSCI AC Pacific ex Japan Net Dividends Reinvested Index in GBP and local currency – 31 August 2016 to 31 August 2017



Source: Schroders, Factset.

In the event, the gentle tightening in China has done no harm to local market returns, although a large measure of the outperformance has been thanks to a strong showing from a relatively small number of large capitalisation internet stocks. Taiwan and Korea have been the other strong performers, with the higher export exposure favouring returns. In contrast, more domestically-oriented markets such as the emerging ASEAN markets did not perform well.

Positioning and performance

The Company has registered a very solid absolute return over the financial year, but has significantly lagged the returns on the reference index which rose 25.8%. The biggest single factor has been the underweighting and stock selection in China, and more particularly the very strong returns from large cap internet stocks which, with minimal, if any, dividend yield, are never likely to feature largely in an income portfolio. Furthermore, a number of markets with relatively low dividend yields (Korea being the most notable) performed well, and in distinct contrast to higher yielding markets such as Thailand and New Zealand.

Hong Kong, Australia, China, Taiwan and Singapore remain the main country exposures in the portfolio, with allocations between 5% and 10% in Thailand and Korea. Key sector exposures are financials, real estate, information technology, materials and telecoms. In terms of changes to the portfolio, we added to Australia, Korea and China, and to a lesser extent to Japan and Singapore, balanced by reductions in Taiwan, Hong Kong and the sale of our sole Indian holding.

Investment outlook

Over the last 12 months, investors have taken a relatively sanguine view of global equity markets. The stance has been rewarded and Asian equities have more than participated in this strength. The scale and extent of returns naturally raises the question of whether enough is enough, and at least a pause for breath, or a correction, is imminent.

Perhaps the first point to make is that many fundamental supports to equity markets remain in force. PMI data (Purchasing Managers' Indices) paints a picture of an impressively co-ordinated upturn in global growth, with 80% of countries solidly in expansion territory. Equity valuations relative to bonds remain in extremely attractive territory, and there have been few of the usual signals that surround a market peak such as narrowing market breadth, widening credit spreads or excess investment by corporates. This suggests that the outlook for the region's exporters remains relatively sound, although the pace of expansion is likely to moderate over coming quarters as comparisons get more demanding.

As regards the external environment for Asia, the extent of any tapering following on from recent Federal Reserve and European Central Bank announcements must be taken seriously. However, the $300bn projected withdrawal by the Federal Reserve over the next 12 months must be seen against a total central bank balance sheet expansion globally of $11trn since 2009, and in aggregate Central Bank balance sheets are likely to still grow until Q4 2018. The key will remain inflation expectations, and the risks here surround tightening labour markets (including a surge in Euro area companies reporting labour shortages) and the impact of supply curtailments in China.

As regards domestic conditions in Asia, the impact of the self-induced (and hopefully controlled) slowdown in Chinese growth will need to be closely monitored. Our calculation is that this can be smoothly managed, aided by the broadly helpful global environment in terms of liquidity (aided by a gently weaker US dollar) and robust trade flows. The October political transition in China has seen a smooth entrenchment of President Xi, but accompanied by the departure of a number of more pro-reform cadres. In all probability, the prospect of real reform has receded, with the exception of supply curtailments in a number of basic industries driven by the pressing need to tackle pollution. Credit growth will remain a key lever of State economic control. Although there must be an eventual end to the process, we believe it is too early to incorporate the serious long-term consequences of the debt build up given that China continues to enjoy a strong external balance and growth is gradually shifting towards services and the consumer.

As we reported at the half way stage, we also take heart from the fact that the corporate sector around the region is generally in robust health. Outside sectors and companies whose investment patterns are determined by state and government-led priorities, capital spending discipline remains impressive, resulting in a strong expansion in underlying cash flows and stronger balance sheets. We continue to see an encouraging flow of positive dividend news. It may be difficult for an income-oriented company such as this to access the high growth low yield areas of the market so much in favour over the last 18 months, but we see solid value across the income universe in Asia.

Portfolio by sector (gearing at 2.0%)

	Portfolio weight (%)
Banks	18.9
Real Estate	17.0
Information Technology	16.8
Materials	12.6
Telecommunications	12.2
Industrials	8.1
Consumer Discretionary	7.8
Energy	4.0
Other Financials	1.9
Consumer Staples	1.8
Utilities	0.5
Fixed Income	0.4
Health Care	–

Source: Schroders as at 31 August 2017.

Portfolio by country (gearing at 2.0%)

	Portfolio weight (%)
Hong Kong	25.6
Australia	17.9
China	14.7
Taiwan	13.1
Singapore	10.3
South Korea	8.7
Thailand	6.3
New Zealand	2.3
Japan	1.7
Indonesia	0.7
Malaysia	0.7
Philippines	–

Source: Schroders as at 31 August 2017.

Schroder Unit Trusts Limited
23 November 2017

Investment Portfolio
at 31 August 2017

Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 52.8% (2016: 51.4%) of total investments and derivative financial instruments.

	£'000	%
HONG KONG		
HSBC	**30,588**	**4.8**
Fortune Real Estate Investment Trust	**24,855**	**3.8**
Swire Pacific	**16,801**	**2.6**
HKT Trust and HKT	**12,387**	**1.9**
Standard Chartered	**12,053**	**1.8**
Kerry Properties	**10,815**	**1.7**
PCCW	9,681	1.5
Link REIT	7,488	1.1
BOC Hong Kong	7,127	1.1
Sun Hung Kai Properties	6,781	1.0
Texwinca	6,069	0.9
Prada	5,461	0.8
Pacific Textiles	4,623	0.7
CK Hutchison	4,048	0.6
Jardine Strategic[1]	2,644	0.4
Li & Fung	1,542	0.2
Giordano	1,163	0.2
TOTAL HONG KONG	164,126	25.1
AUSTRALIA		
National Australia Bank	**19,456**	**3.0**
BHP Billiton[2]	**18,197**	**2.8**
Transurban	**13,161**	**2.0**
Australia & NZ Banking	9,612	1.5
Iluka Resources	8,739	1.3
Woolworths	8,639	1.3
Mirvac	7,917	1.2
Amcor	7,827	1.2
Orica	7,294	1.1
Incitec Pivot	4,886	0.7
Brambles	4,817	0.7
Sydney Airport	4,560	0.7
TOTAL AUSTRALIA	115,105	17.5

	£'000	%
CHINA		
Hopewell[3]	**17,377**	**2.7**
Midea (LEPO) 22/6/2018	**15,053**	**2.3**
China Petroleum & Chemical[3]	**12,870**	**2.0**
Petrochina[3]	10,672	1.6
China Mobile[3]	8,909	1.4
Industrial & Commercial Bank of China[3]	8,668	1.3
Alibaba Group (ADR)	6,298	1.0
Sands China[3]	4,837	0.7
Mapletree Greater China Commercial Trust (REIT)	3,905	0.6
China Pacific Insurance[3]	3,585	0.5
361 Degrees International[3]	1,464	0.2
Glorious Sun Enterprise[3]	365	0.1
TOTAL CHINA	94,003	14.4
TAIWAN		
Taiwan Semiconductor Manufacturing	**31,101**	**4.8**
Far EasTone Telecommunications (including GDR)	**14,056**	**2.1**
Hon Hai Precision Industry	10,718	1.6
Asustek Computer	10,144	1.6
Novatek Microelectronics	9,270	1.4
Taiwan Mobile	4,677	0.7
FIH Mobile[3]	3,811	0.6
TOTAL TAIWAN	83,777	12.8
SINGAPORE		
Venture	**12,143**	**1.9**
Oversea-Chinese Banking	**11,105**	**1.7**
NetLink NBN Trust	9,431	1.4
Mapletree Commercial Trust (REIT)	5,681	0.9
Frasers Commercial Trust (REIT)	5,650	0.9
Comfortdelgro	5,594	0.9
Singapore Telecommunications	5,405	0.8
Soilbuild Business Space (REIT)	4,941	0.8
Far East Hospitality Trust (REIT)	2,405	0.4
Ascott Residence Trust (REIT)	2,291	0.4
TOTAL SINGAPORE	64,646	10.1

Investment Portfolio
at 31 August 2017

	£'000	%
SOUTH KOREA		
Samsung Electronics preference shares	**23,514**	**3.6**
LG Chemical preference shares	**19,225**	**2.9**
Hyundai Motor preference shares	7,541	1.2
Kia Motors	2,858	0.4
Amorepacific preference shares	2,841	0.4
TOTAL SOUTH KOREA	**55,979**	**8.5**
THAILAND		
Intouch	**13,647**	**2.1**
Bangkok Bank (including NVDR)	8,806	1.3
CPN Retail Growth Property Fund	7,979	1.2
BTS Rail Mass Transit Growth Infrastructure	6,560	1.0
Glow Energy	3,388	0.5
L.P.N Development	847	0.1
TOTAL THAILAND	**41,227**	**6.2**
NEW ZEALAND		
Fletcher Building	**14,854**	**2.3**
TOTAL NEW ZEALAND	**14,854**	**2.3**
JAPAN		
Sumitomo Mitsui Financial	6,542	1.0
Tokai Tokyo Securities	4,622	0.7
TOTAL JAPAN	**11,164**	**1.7**
MALAYSIA		
Bursa Malaysia	3,537	0.5
Alliance Financial	1,203	0.2
TOTAL MALAYSIA	**4,740**	**0.7**
INDONESIA		
United Tractor	2,023	0.3
TOTAL INDONESIA	**2,023**	**0.3**
TOTAL EQUITIES AND WARRANTS	**651,644**	**99.6**
FIXED INTEREST SECURITIES		
Indonesia Government Bond 8.375% 15/03/2024	2,569	0.4
TOTAL FIXED INTEREST SECURITIES	**2,569**	**0.4**
TOTAL INVESTMENTS[4]	**654,213**	**100.0**

[1]Listed in Singapore

[2]Listed in the UK

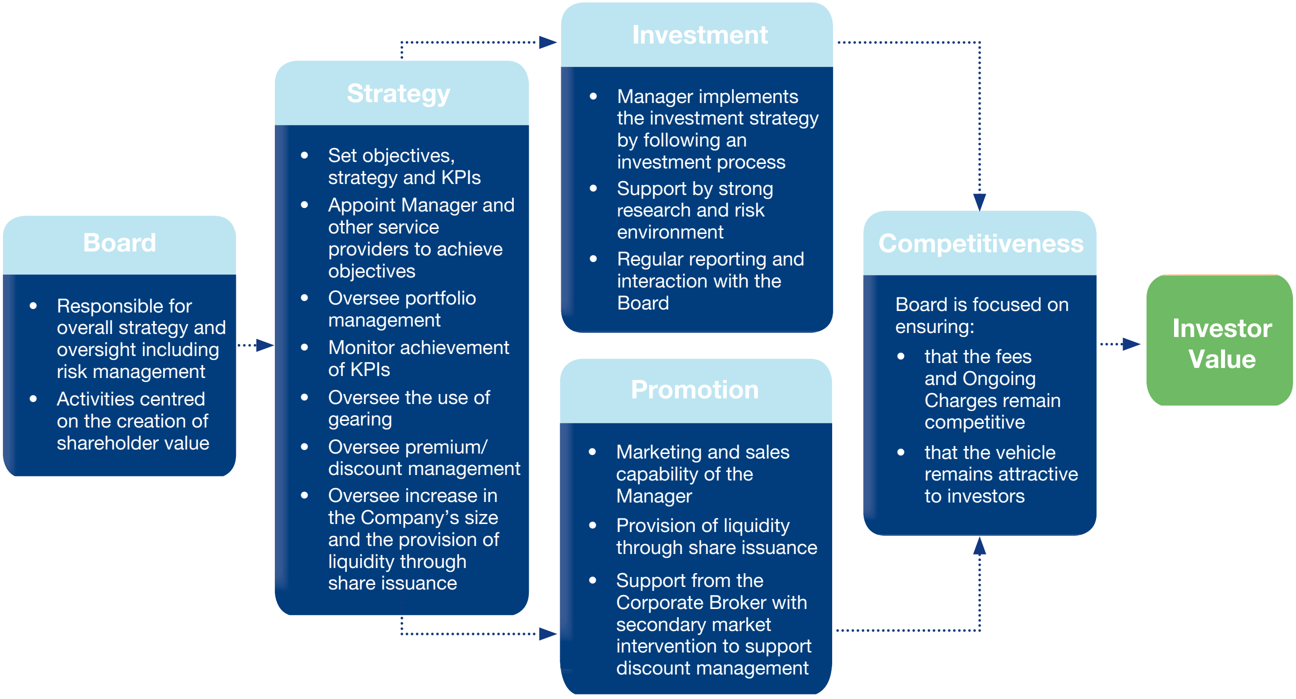
[3]Listed in Hong Kong

[4]Total investments comprises:	£'000	%
Equities, including LEPOs, ADRS, GDRs and NVDRs	590,544	90.3
Preference shares	53,121	8.1
Collective investment funds	7,979	1.2
Govennment bonds	2,569	0.4
Total investments	654,213	100.0

Strategic Report

Strategic Review

Business model



The Company carries on business as a Guernsey incorporated, Guernsey Financial Services Commission authorised, closed-ended investment company whose shares are traded on the London Stock Exchange.

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

The Company's business model may be demonstrated by the diagram above.

Investment objective and policy

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

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

Investment philosophy and process

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

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

Stock research

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

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

Stock selection/portfolio construction

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

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

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

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

The resulting portfolio is well-balanced, with a notable yield orientation, and well-diversified at both a country and sector level. The portfolio manager also sets, in conjunction with the Board, the gearing of the Company.

Investment restrictions and spread of investment risk

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

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

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

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

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

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

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

(vi) invest in physical commodities; or

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

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

No breaches of these investment restrictions took place during the year ended 31 August 2017.

The Investment Portfolio on pages 8 and 9 and the Manager's Review on pages 5 to 7 demonstrate that, as at 31 August 2017, the portfolio was invested in 11 countries and in 11 different industry sectors within such countries. There were 76 holdings in the portfolio at the year end. The Board therefore believes that the objective of spreading investment risk has been achieved.

Gearing

The Company's policy is to permit net borrowings (including foreign currency borrowings) of up to 25% of the Company's net assets (measured when new borrowings are incurred). It is intended that the Manager should have the flexibility to utilise this power to leverage the Company's portfolio in order to enhance returns where and to the extent that this is considered appropriate by the Directors. Full details of the gearing employed by the Company are set out in note 21 on pages 49 and 50.

Promotion

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

Promotion is focused via three channels:

– Discretionary fund managers. The Manager promotes the Company via both London and regional teams. This market is the largest channel by a significant margin.

– Execution-only investors. The Company promotes its shares via engaging with platforms and through its webpages. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager.

– Institutional investors.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendance at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with 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 to professional investors where appropriate.

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

Details of the Board's approach to share issuance and discount management may be found in the Chairman's Statement on page 3 and in the Explanation of Special Business at the AGM on page 51.

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objective, which is considered to be the most significant key performance indicator for the Company.

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

Corporate and social responsibility

Board gender diversity

As at 31 August 2017, the Board comprised four men. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skill set and experience.

Strategic Review

Responsible investment policy

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

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

The Board monitors the implementation of this policy through regular reporting by the Manager on its engagement activity, how it is integrated into the investment process, and the outcomes of the activity.

Anti-bribery and corruption policy

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

Greenhouse gas emissions

As the Company outsources its operations to third parties, it has no greenhouse gas emissions to report.

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 company and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit 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 review took place in November 2017.

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

The principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review, except in respect of cyber risk relating to the Company's service providers, which has now been extended beyond the custodian. Cyber risk relating to all of the Company's key service providers is considered an increased threat in light of the rising propensity and impact of cyber attacks on businesses and institutions. To address the risk, the Board is seeking enhanced reporting on cyber risk mitigation and management from its key service providers to ensure that it is managed and mitigated appropriately.

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

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

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

Risk assessment and internal controls

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 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 Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 20 on pages 44 to 49.

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 2017 and the potential impacts of the principal risks and uncertainties it faces for the review period.

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.

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 14 and 15. In particular the Directors have stress-tested a very severe fall in market prices. They have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period.

Based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

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

By Order of the Board

Schroder Investment Management Limited
Company Secretary

23 November 2017

Board of Directors

Robert Sinclair

Status: independent non-executive Chairman

Length of service: 12 years – appointed a Director and Chairman in June 2005
Experience: Mr Sinclair is the Managing Director of Artemis Trustees Limited. Mr Sinclair has over 44 years' experience in finance and accountancy of which 34 years have been spent in the Guernsey Financial Services industry. Mr Sinclair is a director of the following publicly listed companies: Chariot Oil & Gas Limited, EF Realisation Company Limited, Picton Property Income Limited and Rainbow Rare Earths Limited. He is also a director of a number of fund management companies. He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Chartered Accountants of Scotland. Mr Sinclair is a resident of Guernsey.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Nomination Committee)
Current remuneration: £35,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Fergus Dunlop

Status: independent non-executive Director

Length of service: 9 years – appointed a Director in April 2008
Experience: Mr Dunlop is also a Director of Princess Private Equity Holding Limited. He has 30 years' experience in investment companies in London, Frankfurt, Munich and the Channel Islands. Mr Dunlop joined Mercury Asset Management (now BlackRock) in London, where he managed their joint venture with Munich Reinsurance for nine years, and pioneered risk modelling of investment funds for international institutions, primarily German. He initiated the opening of MAM's German-regulated investment company in Frankfurt, to which he transferred, developing its institutional business. He was also a managing director and partner of an award-winning quantitative fund advisory business in Munich. Mr Dunlop is a resident of Guernsey.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £30,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Board of Directors

Paul Meader

Status: independent non-executive Director

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

Peter Rigg

Status: independent non-executive Director

Length of service: 12 years – appointed a Director in June 2005
Experience: Mr Rigg is the non-executive chairman of Polarcus, a Dubai-based, Norwegian-listed seismic survey company and of MXC Capital Ltd, an AIM listed technology investment company. Between 1989 and 1995, Mr Rigg worked for the CS First Boston Group in Hong Kong, where he held various roles, including acting as board representative of International Investment Trust Co., a leading Taipei-based fund management company; managing director and Hong Kong-based head of Asian equity capital markets; and managing director and head of investment banking for CS First Boston (Hong Kong) Limited. Prior to that, Mr Rigg worked for Credit Suisse First Boston Limited in London as director for Asian investment banking and as a solicitor in banking and private practice. Mr Rigg is a resident of Monaco.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Audit and Management Engagement Committees)
Current remuneration: £32,750 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Directors' Report

The Directors submit their Report and the audited financial statements of the Company for the year ended 31 August 2017.

Dividends and dividend policy

Having already paid interim dividends amounting to 5.00 pence per share, the Board has now declared a fourth interim dividend of 4.20 pence per share for the year ended 31 August 2017, which is payable on 30 November 2017 to shareholders on the Register on 17 November 2017. Thus, dividends for the year amount to 9.20 pence (2016: 8.50 pence) per share. This represents an increase of 8.2% over the rate of dividends payable in respect of the previous year.

Total dividends declared in respect of the year ended 31 August 2017 of £22,383,000 (2016: £20,124,000) would have resulted in retained revenue for the year of £1,556,000, but in accordance with accounting standards, the fourth interim dividend, amounting to £10,320,000, will not be accounted for until it has been paid.

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

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 17 and 18. All Directors held office throughout the year under review. Details of Directors' share interests in the Company are set out in the Directors' Remuneration Report on page 27.

Notwithstanding the provisions of the Company's Articles of Incorporation and the UK Corporate Governance Code in respect of the periodic re-election of Directors, the Board considers that shareholders should be given the opportunity to vote on the re-election of all of its members on an annual basis. Accordingly, all of the Directors will retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election, with the exception of Mr Dunlop, who having served for a period in excess of nine years, will retire at the AGM and will not offer himself for re-election.

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

The Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment. Directors who have served for more than nine years on the Board may therefore continue to offer themselves for re-election at the AGM. The Board has assessed the independence of the Directors, all of whom are considered to be independent in character and judgment.

The Board, having taken all relevant matters into account, considers that all Directors that are being proposed for re-election, continue to demonstrate commitment to their roles, provide valuable contributions to the deliberations of the Board, and remain free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of their re-election.

Share capital

As at the date of this Report, the Company had 249,558,024 ordinary shares of 1p each in issue (no shares were held in treasury). Accordingly, the total number of voting rights in the Company at the date of this Report is 249,558,024. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 42.

Substantial share interests

The Company has received notifications in accordance with the FCA Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Ordinary shares as at 31 August 2017	% total voting rights
Investec Wealth & Investment Limited	26,385,464	10.57
Brewin Dolphin Limited	14,571,888	5.84
Rathbone Investment Management	11,069,985	4.44
KB Financial Services Holdings Limited	9,927,288	3.98
Charles Stanley & Co Ltd	7,860,051	3.15
Cheviot Asset Management Limited	7,789,750	3.12

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

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

Directors' Report

agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate. The Manager has delegated investment management and administrative, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited ("SIM"). The Manager has in place appropriate professional indemnity insurance cover.

The Schroders Group manages £419.6 billion (as at 30 September 2017) 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 basic management fee of an amount equivalent to 0.75% per annum of the net assets of the Company, reducing to 0.70% per annum on net assets above £250 million. The fee is payable quarterly in arrears and calculated as at the last business day in February, May, August and November in each year while the agreement remains in force.

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

The performance fee is only payable in respect of any period to the extent that the closing adjusted NAV per ordinary share, taking account of the performance fee, exceeds the highest adjusted NAV per ordinary share (reduced to the level at which any cap as described below applied) in respect of which a performance fee was previously paid. Up until 31 August 2017, the total amount of any performance fee payable in respect of any one accounting period was capped at 1% of the net assets of the Company, calculated at the end of that period. With effect from 1 September 2017, the cap has been reduced to 0.75% of the net assets of the Company, calculated at the end of the relevant accounting period.

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

Any investment management fees payable to the Manager or to other subsidiaries of Schroders in respect of investments by the Company in collective investment schemes and investment trusts 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 2017.

The management and performance fees payable in respect of the year ended 31 August 2017 amounted to £4,193,000 (2016: £3,323,000) and £6,355,000 (2016: £5,287,000) 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 43.

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, further details of which are set out above, is in the best interests of shareholders as a whole.

Safekeeping and Cashflow Monitoring Agent

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority (the "Safekeeping and Cashflow Monitoring Agent"), has been appointed to carry out certain duties of a depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- 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.

The Safekeeping and Cashflow Monitoring Agent is liable to the Company for losses suffered by it as a result of the Safekeeping and Cashflow Monitoring Agent's negligence, wilful default, fraud or fraudulent misrepresentation.

The Company, the Manager and the Safekeeping and Cashflow Monitoring Agent may terminate the Depositary Services Agreement pursuant to which the Safekeeping and Cashflow Monitoring Agent provides these services at any time by giving 90 days' notice in writing. The Safekeeping and Cashflow Monitoring Agent may only be removed from office when a new Safekeeping and Cashflow Monitoring Agent is appointed by the Company.

Corporate Governance Statement

The Guernsey Financial Services Commission's Finance Sector Code of Corporate Governance (the "GFSC Code") came into effect on 1 January 2012 and provides a framework which applies to all companies in the regulated finance sector in Guernsey. The Company reports against the UK Corporate Governance Code, which meets the requirements of the GFSC Code.

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance that it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code. The FRC published a revised version of the UK Corporate Governance Code in April 2016 (the "Code"), which applies to accounting periods beginning on or after 17 June 2016, and the disclosures in this Statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

Directors' Report

Compliance statement

The UK Listing Authority requires all companies listed on the London Stock Exchange to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities on page 25 and the viability statement and going concern statement set out on page 16, indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The Board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment company. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the Chairman of the Audit Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 17. He has no conflicting relationships.

Role and operation of the Board

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

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

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

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

Training and development

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

Conflicts of interest

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

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Chairman of the Audit Committee. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in November 2017.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place in respect of the Directors throughout the year under review. The Company provides a Deed of Indemnity to each Director to the extent permitted by Guernsey law whereby the Company is able to indemnify such Director against any liability incurred in proceedings in which the Director is successful, and for costs in defending a claim brought against the Director for breach of duty where the Director acted honestly and reasonably. The Deeds of Indemnity were in place throughout the year under review for each Director and to the date of this Report as appropriate.

Directors' attendance at meetings

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of discount or premium of the Company's shares to underlying NAV per share; promotion of the Company; and services

Directors' Report

provided by third parties. Additional meetings of the Board are arranged as required.

The number of 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 Annual General Meeting.

Director	Board	Nomination Committee	Audit Committee	Management Engagement Committee
Robert Sinclair	4/4	4/4	2/2	1/1
Fergus Dunlop	4/4	4/4	2/2	1/1
Paul Meader	4/4	4/4	2/2	1/1
Peter Rigg	4/4	4/4	2/2	1/1
Christopher Sherwell[1]	1/1	1/1	N/A	N/A

[1]Retired as a Director 14 December 2016.

The Board is satisfied that the Chairman and each of the other Directors commits sufficient time to the affairs of the Company to fulfil their duties as a Director.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpages and the Annual and Half Year Reports, which aim to provide shareholders with a clear understanding of the Company's activities and its results.

The Chairmen of the Board and its Committees attend the AGM whenever possible and are available to respond to queries and concerns from shareholders.

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM whenever possible. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

The Company has adopted a policy which ensures that shareholder complaints and other shareholder communications addressed to the Company Secretary, the Chairman or the Board are, in each case, considered by the Chairman and the Board.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees. The roles and responsibilities of these Committees, together with details of work undertaken during the year under review, are outlined over the next few pages.

The Committees of the Board have defined terms of reference which are available on the webpage www.schroders.co.uk/orientalincome. Membership of the Committees is set out on pages 17 and 18.

Nomination Committee

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

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

Candidates are drawn from suggestions put forward either by the use of an external agency or by the Company. Candidates are then interviewed by members of the Committee, which makes a recommendation to the Board.

To discharge its duties the Committee met on four occasions during the year under review to consider its terms of reference, the balance of skills, independence and experience of the Board, and succession planning, including the profile of, and candidates for, a new Director. The Committee has engaged the services of an external search consultancy, Fletcher Jones Limited, in the selection of candidates for a new Director. Fletcher Jones Limited has no other connection with the Company.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other service providers. The members of the Management Engagement Committee, which is chaired by Mr Rigg, are set out on pages 17 and 18. The Board considers each member of the Committee to be independent.

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

By Order of the Board

Schroder Investment Management Limited
Company Secretary

23 November 2017

Report of the Audit Committee

The responsibilities and work carried out by the Audit Committee in the year under review are set out in this Report. The duties and responsibilities of the Committee may be found in its terms of reference, which are set out on the Company's webpage, www.schroders.co.uk/orientalincome. Membership of the Committee is as set out on pages 17 and 18. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial and sector experience.

The Audit Committee met on two occasions during the year ended 31 August 2017. The Committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager and Depositary;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditor;
- evaluating the Auditor's performance; and
- reviewing the principal risks faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 August 2017, the Audit Committee, having deliberated on the Company's principal risks and uncertainties, considered the following issues, which include those communicated by the Auditor during its reporting:

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 August 2017, 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 25.

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

Report of the Audit Committee

Effectiveness of the independent audit process

The Audit Committee evaluated the effectiveness of the independent audit firm and audit process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Manager on the audit process and the year end report from the Auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee also met the Auditor without representatives of the Manager present.

Representatives of the Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts is considered. Having reviewed the performance of the Auditor as described above, the Committee considered it appropriate to recommend the firm's re-appointment.

The Auditor is required to rotate the Audit Partner every five years. This is the first year that the current Audit Partner has conducted the audit of the Company's financial statements. Ernst & Young LLP has provided audit services to the Company from its incorporation in 2005 to date.

As referred to in last year's Report, the Audit Committee has elected to observe the provisions of the Statutory Auditors and Third Country Regulations 2016 (the "Regulations"), which, while not applicable to Guernsey-domiciled companies, allow the Company to comply with best practice. In line with the provisions of the Regulations, the Committee has put the audit contract up for competitive tender.

Independent Auditor

Ernst & Young LLP has indicated its willingness to continue in office. Accordingly, resolutions to re-appoint Ernst & Young LLP as Auditor to the Company, and to authorise the Directors to determine Ernst & Young's remuneration will be proposed at the AGM.

Provision of information to the Auditor

The Directors at the date of approval of this Report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Provision of non-audit services

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

No non-audit services were provided to the Company during the year (2016: nil).

Internal audit

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

Peter Rigg
Audit Committee Chairman

23 November 2017

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- make judgements and estimates that are reasonable and prudent.

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

Each of the Directors, whose names and functions are listed on pages 17 and 18, confirms that, to the best of their knowledge:

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

By order of the Board

Robert Sinclair
Chairman

23 November 2017

Directors' Remuneration Report

Introduction

The following remuneration policy is currently in force and is subject to a vote every three years. An ordinary resolution to approve the remuneration policy will be put to shareholders at the forthcoming AGM and the current policy provisions will apply until that date (no changes are proposed). In addition, 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 4 December 2014, 99.88% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' remuneration policy were in favour, while 0.12% were against. 13,157 votes were withheld.

At the AGM held on 14 December 2016, 99.83% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the report on remuneration for the year ended 31 August 2016 were in favour, while 0.17% were against. 2,607 votes were withheld.

Directors' remuneration policy

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

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's Articles of Incorporation (currently £200,000). Any increase in the level set out therein requires approval by the Board and the Company's shareholders.

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

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

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

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

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

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

Directors' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 31 August 2017.

Fees paid to Directors

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 31 August 2017 and the previous financial year:

	Salary/fees 2017 £	Salary/fees 2016 £
Robert Sinclair (Chairman)	**35,000**	35,000
Fergus Dunlop	**30,000**	30,000
Paul Meader[1]	**30,000**	20,000
Peter Rigg	**32,750**	32,750
Christopher Sherwell[2]	**8,650**	30,000
	136,400	147,750

[1]Appointed as a Director on 1 January 2016.
[2]Retired as a Director on 14 December 2016.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board in November 2017, when the Board agreed that Directors' fees should remain unchanged. The members of the Board at the time that remuneration levels were considered were as set out on pages 17 and 18. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Following the annual review, the Board agreed that Directors' fees should remain unchanged. Directors' fees were last increased from 1 September 2015.

Directors' Remuneration Report

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration paid to Directors to distributions made 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 2017 £'000	Year ended 31 August 2016 £'000	Change (%)
Remuneration payable to Directors	**136**	148	-8.1[1]
Distributions paid to shareholders – dividends	**21,131**	19,114	+10.6

[1]This reflects the number of Directors reducing back to four following the retirement of Christopher Sherwell in December 2016.

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.

Director	At 31 August 2017	At 31 August 2016
Robert Sinclair	**12,142**	12,142
Fergus Dunlop	**12,142**	12,142
Paul Meader	**11,000**	11,000
Peter Rigg	**23,142**	23,142

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

Robert Sinclair
Chairman

23 November 2017

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

Opinion

In our opinion:

– Schroder Oriental Income Fund Limited's financial statements (the "financial statements") give a true and fair view of the state of the Company's affairs as at 31 August 2017 and of the Company's profit for the year then ended;

– the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"); and

– the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of Schroder Oriental Income Fund Limited which comprise:

Statement of comprehensive income for the year ended 31 August 2017
Statement of changes in equity for the year then ended
Balance sheet as at 31 August 2017
Cash flow statement for the year then ended
Related notes 1 to 21 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISA (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISA (UK) require us to report to you whether we have anything material to add or draw attention to:

– the disclosures in the annual report set out on pages 14 and 15 that describe the principal risks and explain how they are being managed or mitigated;

– the Directors' confirmation set out on pages 14 and 15 of the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

– the Directors' statement set out on page 16 in the annual report 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 entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;

– whether the Directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or

– the Directors' explanation set out on page 16 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Overview of our audit approach

Key audit matters

– Investment valuation: mispricing of investments due to the use of inappropriate pricing inputs.
– Inaccurate or incomplete income recognition, including the misclassification of special dividend income between revenue and capital.

Audit scope

– We performed an audit of the complete financial information of Schroder Oriental Income Fund Limited.

Materiality

– Overall materiality of £6.4m which represents 1% of equity shareholders' funds.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Investment valuation: mispricing of investments due to the use of inappropriate pricing inputs Investments held at fair value through profit or loss: £654.2m (2016: £534.1m) Refer to the Report of the Audit Committee (page 23); accounting policies (page 37); and note 10 of the Financial Statements (page 41) The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and one of the most significant assessed risks of material misstatement. As the largest figure on the balance sheet, incorrect asset pricing could therefore have a significant impact on this value.	We walked through the valuation processes and understood the systems and controls implemented. We validated the prices and foreign currency exchange rates (for non-GBP investments) used to value each security as at the balance sheet date to an independent pricing source.	We reported that there were no matters identified during our audit work to indicate that investments are materially misstated.

Financial

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inaccurate or incomplete income recognition due to error or management override, including the misclassification of special dividend income between revenue and capital Income from investments: £28.6m (2016: £25.1m) Refer to the Report of the Audit Committee (page 23); accounting policies (page 37); and note 3 of the Financial Statements (page 39). Revenue comprises primarily dividend income generated by the investments held in listed securities. Management may seek to overstate revenue in order to report a higher return to investors. Investment income is the most significant component of the Company's revenue profit for the year and one of the most significant assessed risks of material misstatement.	We walked through the revenue recognition process and understood the systems and controls implemented. We assessed whether the revenue recognition policies were in compliance with IFRS. We agreed a sample of dividends received to independent sources and bank statements. We validated the classification of special dividends as capital or revenue according to their circumstances by reference to publically available information provided by the investee. We agreed a sample of dividend announcements relating to investments held in the year to dividends recognised for completeness.	We reported that there were no matters identified during our audit work to indicate that income from investments is materially misstated.

In the prior year, our auditor's report included a key audit matter in relation to the risk that performance fees may not be calculated correctly. We reassessed the basis for calculating performance fees in the current year and concluded that there is not a higher likelihood of material misstatement occurring in relation to this risk; nor did it have a great effect on the overall audit strategy, the allocation of resources or the direction of the audit team's efforts.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £6.4m (2016: £5.3m), which is 1% of the equity shareholders' funds of the Company (2016: 1% of the equity shareholders' funds of the Company). We believe that the equity shareholders' funds of the Company is the most important metric to shareholders and this is in line with the expectations of market participants for determining materiality for investment companies.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £4.8m (2016: £4.0m). We have set performance materiality at this percentage due to the low level of uncorrected and undetected audit differences in the prior years.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2016: £0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

– **Fair, balanced and understandable set out on page 25** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
– **Audit committee reporting set out on pages 23 and 24** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
– **Directors' statement of compliance with the UK Corporate Governance Code set out on page 21** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

– proper accounting records have not been kept by the Company; or
– the financial statements are not in agreement with the Company's accounting records and returns; or
– we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA (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.

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

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 auditor's report.

Christopher James Matthews, FCA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
23 November 2017

Notes:

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

Statement of Comprehensive Income
for the year ended 31 August 2017

	Note	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments at fair value through profit or loss	2	–	94,537	94,537	–	123,772	123,772
Net foreign currency losses		–	(963)	(963)	–	(8,116)	(8,116)
Income from investments	3	28,197	446	28,643	24,811	244	25,055
Other income	3	11	–	11	10	–	10
Total income		28,208	94,020	122,228	24,821	115,900	140,721
Management fee	4	(1,258)	(2,935)	(4,193)	(997)	(2,326)	(3,323)
Performance fee	4	–	(6,355)	(6,355)	–	(5,287)	(5,287)
Other administrative expenses	5	(775)	(5)	(780)	(685)	(5)	(690)
Profit before finance costs and taxation		26,175	84,725	110,900	23,139	108,282	131,421
Finance costs	6	(223)	(518)	(741)	(271)	(632)	(903)
Profit before taxation		25,952	84,207	110,159	22,868	107,650	130,518
Taxation	7	(2,013)	(36)	(2,049)	(1,572)	–	(1,572)
Net profit and total comprehensive income		23,939	84,171	108,110	21,296	107,650	128,946
Earnings per share	9	9.94p	34.97p	44.91p	9.03p	45.66p	54.69p

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

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

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

The notes on pages 37 to 50 form an integral part of these accounts.

Statement of Changes in Equity
for the year ended 31 August 2017

	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 2015	148,880	(6,286)	39	150,374	95,104	21,979	410,090
Issue of shares	1,371	–	–	–	–	–	1,371
Reissue of shares from treasury	–	6,286	–	–	1,083	–	7,369
Net profit	–	–	–	–	107,650	21,296	128,946
Dividends paid in the year	–	–	–	–	–	(19,114)	(19,114)
At 31 August 2016	150,251	–	39	150,374	203,837	24,161	528,662
Issue of shares	19,825	–	–	–	–	–	19,825
Net profit	–	–	–	–	84,171	23,939	108,110
Dividends paid in the year	–	–	–	–	–	(21,131)	(21,131)
At 31 August 2017	**170,076**	**–**	**39**	**150,374**	**288,008**	**26,969**	**635,466**

The notes on pages 37 to 50 form an integral part of these accounts.

Balance Sheet
at 31 August 2017

	Note	2017 £'000	2016 £'000
Non current assets			
Investments at fair value through profit or loss	10	**654,213**	534,093
Current assets			
Receivables	11	**2,908**	3,178
Cash and cash equivalents		**29,881**	33,859
		32,789	37,037
Total assets		**687,002**	571,130
Current liabilities	12		
Payables		**(51,536)**	(42,395)
Derivative financial instruments at fair value through profit or loss		**–**	(73)
		(51,536)	(42,468)
Net assets		**635,466**	528,662
Equity attributable to equity holders			
Share capital	13	**170,076**	150,251
Capital redemption reserve	14	**39**	39
Special reserve	14	**150,374**	150,374
Capital reserves	14	**288,008**	203,837
Revenue reserve	14	**26,969**	24,161
Total equity shareholders' funds		**635,466**	528,662
Net asset value per share	15	**258.63p**	222.56p

These accounts were approved and authorised for issue by the Board of Directors on 23 November 2017 and signed on its behalf by:

Director

The notes on pages 37 to 50 form an integral part of these accounts.

Registered in Guernsey

Company registration number: 43298

Financial

Cash Flow Statement
for the year ended 31 August 2017

	2017 £'000	2016 £'000
Operating activities		
Profit before finance costs and taxation	**110,900**	131,421
Add back net foreign currency losses	**963**	8,116
Less gains on investments at fair value through profit or loss	**(94,537)**	(123,772)
Net (purchases)/sales of investments at fair value through profit or loss	**(25,219)**	20,287
Less amortisation of discount on fixed interest securities	**–**	(7)
Decrease/(increase) in receivables	**296**	(188)
Increase in payables	**2,341**	5,497
Overseas taxation paid	**(2,074)**	(1,473)
Net cash (outflow)/inflow from operating activities before interest	**(7,330)**	39,881
Interest paid	**(739)**	(926)
Net cash (outflow)/inflow from operating activities	**(8,069)**	38,955
Financing activities		
Bank loans drawn down	**44,254**	91,095
Bank loans repaid	**(38,192)**	(106,141)
Reissue of shares from treasury	**–**	7,369
Issue of shares	**19,825**	1,371
Dividends paid	**(21,131)**	(19,114)
Net cash inflow/(outflow) from financing activities	**4,756**	(25,420)
(Decrease)/increase in cash and cash equivalents	**(3,313)**	13,535
Cash and cash equivalents at the start of the year	**33,859**	18,259
Effect of foreign exchange rates on cash and cash equivalents	**(665)**	2,065
Cash and cash equivalents at the end of the year	**29,881**	33,859

Dividends received during the year amounted to £27,608,000 (2016: £24,706,000) and bond and deposit interest receipts amounted to £1,005,000 (2016: £449,000).

The notes on pages 37 to 50 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31 August 2017

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared in accordance with the Companies (Guernsey) Law, 2008 and International Financial Reporting Standards, 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 ("IFRS").

Where consistent with the requirements of IFRS, the Directors have sought to prepare the accounts on a basis compliant with presentational guidance set out in the statement of recommended practice for investment trust companies (the "SORP") issued by the Association of Investment Companies in November 2014 and updated in January 2017.

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

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

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

(b) Presentation of the Statement of Comprehensive Income

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

(c) Investments at fair value through profit or loss

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

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

(d) Accounting for reserves

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

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

(e) Income

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

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

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

(f) Expenses

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

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

- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase or sale of investments are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 41.

(g) Finance costs

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

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

(h) Cash and cash equivalents

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

(i) Other financial assets and liabilities

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

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

(j) Taxation

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

(k) Foreign currency

The results and financial position are expressed in sterling. Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transaction. At each balance sheet date, monetary items and non monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at 1600 hours on the balance sheet date. Gains or losses arising on translation are included in net profit or loss for the year and presented as revenue or capital as appropriate.

(l) Repurchases of shares into treasury and subsequent reissues

The cost of repurchasing shares into treasury, including the related transaction costs is credited to "Share capital" and 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 extingushed and thereafter to capital reserves.

(m) New and amended accounting standards

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

IFRS 9 Financial Instruments (effective 1 January 2018, revised, early adoption permitted).

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

The Company's portfolio includes a relatively small exposure to bonds, which have contractual cash flows and the Board has determined that it will be appropriate to continue to classify these securities at fair value through profit or loss even though the Company will collect contractual cash flows while it holds these securities, as it is only incidental and not integral to achieving the investment objective, which is to provide investors with a total return. In further considering the business model, the Board is mindful that the Manager manages and evaluates the performance of the Company on a fair value basis and is compensated based on the fair value of assets managed rather than contractual cash flows collected.

(n) Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting judgments, estimates and assumptions which requires management to exercise its judgment in the process of applying the accounting policies. Management concludes that there are no significant accounting judgments, estimates and assumptions used in preparing the financial statements in accordance with IFRS.

Notes to the Accounts
for the year ended 31 August 2017

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

	2017 £'000	2016 £'000
Gains on sales of investments based on historic cost	**45,283**	27,104
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(22,631)**	(8,507)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**22,652**	18,597
Net movement in investment holding gains and losses	**71,885**	105,175
Gains on investments held at fair value through profit or loss	**94,537**	123,772

3. Income

	2017 £'000	2016 £'000
Income from investments:		
Overseas dividends	**27,393**	24,398
Interest on government bonds	**804**	413
	28,197	24,811
Other income:		
Deposit interest	**11**	10
Total income	**28,208**	24,821
Capital:		
Special dividend allocated to capital	**446**	244

4. Management and performance fee

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Management fee	**1,258**	**2,935**	**4,193**	997	2,326	3,323
Performance fee	**–**	**6,355**	**6,355**	–	5,287	5,287
	1,258	**9,290**	**10,548**	997	7,613	8,610

The basis for calculating the investment management fee and performance fee is set out in the Directors' Report on page 20.

5. Other administrative expenses

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Administration expenses	**463**	**5**	**468**	381	5	386
Directors' fees	**136**	**–**	**136**	148	–	148
Secretarial fee	**150**	**–**	**150**	131	–	131
Auditor's remuneration for audit services[1]	**26**	**–**	**26**	25	–	25
	775	**5**	**780**	685	5	690

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

Financial

Notes to the Accounts
for the year ended 31 August 2017

6. Finance costs

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Interest on bank loans and overdrafts	**223**	**518**	**741**	271	632	903

7. Taxation

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Irrecoverable overseas tax	**2,013**	**36**	**2,049**	1,572	–	1,572

The Company has been granted an exemption from Guernsey taxation under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989, for which it is charged an annual exemption fee of £1,200 (2016: £1,200).

8. Dividends

Dividends paid and declared

	2017 £'000	2016 £'000
2016 fourth interim dividend of 3.80p (2015: 3.40p)	**9,068**	8,017
First interim dividend of 1.60p (2016: 1.50p)	**3,818**	3,541
Second interim dividend of 1.70p (2016: 1.60p)	**4,074**	3,777
Third interim dividend of 1.70p (2016: 1.60p)	**4,171**	3,779
Total dividends paid in the year	**21,131**	19,114

	2017 £'000	2016 £'000
Fourth interim dividend declared of 4.20p (2016: 3.80p)	**10,320**	9,027

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 2016 differs from the amount actually paid due to shares issued after the balance sheet date but prior to the share register record date.

9. Earnings per share

	2017 £'000	2016 £'000
Net revenue profit	**23,939**	21,296
Net capital profit	**84,171**	107,650
Net total profit	**108,110**	128,946
Weighted average number of shares in issue during the year	**240,721,945**	235,746,033
Revenue earnings per share	**9.94p**	9.03p
Capital earnings per share	**34.97p**	45.66p
Total earnings per share	**44.91p**	54.69p

Notes to the Accounts
for the year ended 31 August 2017

10. Investments at fair value through profit or loss

	2017 £'000	2016 £'000
Opening book cost	426,586	420,249
Opening investment holding gains	107,507	10,839
Opening valuation	534,093	431,088
Amortisation of discount on fixed interest securities	–	7
Purchases at cost	237,368	155,209
Sales proceeds	(211,785)	(175,983)
Gains on sales of investments based on the carrying value at the previous balance sheet date	22,652	18,597
Net movement in investment holding gains and losses	71,885	105,175
Closing valuation	654,213	534,093
Closing book cost	497,452	426,586
Closing investment holding gains	156,761	107,507
Total investments at fair value through profit or loss	654,213	534,093

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

	2017 £'000	2016 £'000
On acquisitions	380	249
On disposals	398	360
	778	609

11. Receivables

	2017 £'000	2016 £'000
Dividends and interest receivable	2,894	3,163
Other receivables	14	15
	2,908	3,178

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

12. Current liabilities

Payables

	2017 £'000	2016 £'000
Bank loan	42,416	35,982
Securities purchased awaiting settlement	364	–
Other payables and accruals	8,756	6,413
	51,536	42,395

The bank loan comprises US$54.7 million (2016: Australian $62.9 million) drawn down on the Company's £50 million multi-currency credit facility with Scotiabank. The facility is unsecured, but 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 47.

Financial

The Directors consider that the carrying amount of payables approximates to their fair value.

Derivative financial instruments held at fair value through profit or loss	**2017 £'000**	**2016 £'000**
Forward foreign currency contract	–	73

13. Share capital

	2017 £'000	**2016 £'000**
Ordinary shares of 1p each, allotted, called-up and fully paid:		
Opening balance of 237,541,574 (2016: 233,071,574) shares	150,251	142,594
Issue of 8,161,450 (2016: 600,000) shares	19,825	1,371
Reissue of nil (2016: 3,870,000) shares from treasury	–	6,286
Closing balance of 245,703,024 (2016: 237,541,574) shares	170,076	150,251

No shares were held in treasury at the year end (2016: nil).

During the year a total of 8,161,450 shares, nominal value £81,615 were issued to the market to satisfy demand, at an average price of 242.91p per share, for a total consideration received of £19,825,000.

14. Reserves

					Capital reserves		
	Share capital £'000	**Treasury share reserve £'000**	**Capital redemp-tion reserve £'000**	**Special reserve £'000**	**Gains and losses on sales of investments £'000**	**Investment holding gains and losses £'000**	**Revenue reserve £'000**
At 31 August 2015	**148,880**	**(6,286)**	**39**	**150,374**	**84,998**	**10,106**	**21,979**
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	18,597	–	–
Movement in investment holding gains and losses	–	–	–	–	–	105,175	–
Transfer on disposal of investments	–	–	–	–	8,507	(8,507)	–
Realised exchange gains on cash and short-term deposits	–	–	–	–	2,065	–	–
Unrealised losses on open derivative contracts	–	–	–	–	–	(73)	–
Exchange losses on foreign currency credit facility	–	–	–	–	(7,986)	(2,122)	–
Issue of shares	1,371	–	–	–	–	–	–
Reissue of shares from treasury	–	6,286	–	–	1,083	–	–
Management fee, finance costs and other expenses charged to capital	–	–	–	–	(2,963)	–	–
Performance fee	–	–	–	–	(5,287)	–	–
Dividends allocated to capital	–	–	–	–	244	–	–
Dividends paid in the year	–	–	–	–	–	–	(19,114)
Net revenue profit for the year	–	–	–	–	–	–	21,296
At 31 August 2016	**150,251**	**–**	**39**	**150,374**	**99,258**	**104,579**	**24,161**

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

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.

15. Net asset value per share

	2017	2016
Net assets attributable to shareholders (£'000)	**635,466**	528,662
Shares in issue at the year end	**245,703,024**	237,541,574
Net asset value per share	**258.63p**	222.56p

16. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2016: 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 arrangements are given in the Directors' Report on page 20. The management fee payable in respect of the year amounted to £4,193,000 (2016: £3,323,000), of which £2,197,000 (2016: £944,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £150,000 (2016: £131,000) of which £75,000 (2016: £38,000) was outstanding at the year end. A performance fee is payable in respect of the year amounting to £6,355,000 (2016: £5,287,000) and the whole of this amount was outstanding at the year end (2016: same).

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 and of Directors' shareholdings in the Company are given in the Directors' Remuneration Report on pages 26 and 27. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2016: nil).

19. Disclosures regarding financial instruments measured at fair value

The Company's portfolio of investments, comprising investments in equities, equity linked securities and government bonds and any derivatives are carried in the balance sheet at fair value. Other financial instruments held by the Company 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 37, and note 1(i) on page 38.

At 31 August 2017, the Company's investment portfolio was categorised as follows:

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

	2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in equities, equity linked securities and government bonds	534,093	–	–	534,093
Derivative financial instrument – forward foreign currency contract	–	(73)	–	(73)
Total	534,093	(73)	–	534,020

There have been no transfers between Levels 1, 2 or 3 during the year (2016: nil).

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

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

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

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

– investments in equities and equity-related securities of companies in the Asia Pacific region which are held in accordance with the Company's investment objective;

– Indonesian government bonds;

- short-term receivables, payables and cash arising directly from its operations; and
- a multicurrency credit facility with Scotiabank, 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

Certain 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 has no formal policy of hedging currency risk, but 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. Further details on the management of currency risk are given in the Strategic Review on page 14.

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 have been included separately in the analysis so as to show the overall level of exposure.

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

	2016								
	Hong Kong dollars £'000	Australian dollars £'000	Singapore dollars £'000	Taiwan dollars £'000	Thai baht £'000	New Zealand dollars £'000	US dollars £'000	Other £'000	Total £'000
Government bonds	–	–	–	–	–	–	–	10,526	10,526
Current assets	4,622	7,983	6,350	105	687	–	12,238	385	32,370
Current liabilities	–	(35,982)	–	–	–	–	–	–	(35,982)
Derivative financial instruments held at fair value through profit or loss	(82,908)	–	–	–	–	–	82,835	–	(73)
Foreign currency exposure on net monetary items	(78,286)	(27,999)	6,350	105	687	–	95,073	10,911	6,841
Investments at fair value through profit or loss[1]	185,768	87,438	50,613	78,105	39,358	13,629	12,436	42,912	510,259
Total net foreign currency exposure	107,482	59,439	56,963	78,210	40,045	13,629	107,509	53,823	517,100

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

Notes to the Accounts
for the year ended 31 August 2017

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 financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's currency financial instruments held at each balance sheet date and assumes a 10% (2016: 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:

	2017 £'000	2016 £'000
Statement of Comprehensive Income – net profit		
Net capital profit	61,385	51,710
Net assets	61,385	51,710

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

	2017 £'000	2016 £'000
Statement of Comprehensive Income – net profit		
Net capital profit	(61,385)	(51,710)
Net assets	(61,385)	(51,710)

In the opinion of the Directors, the above sensitivity analysis with respect to financial assets and liabilities is broadly representative of the whole of the current and comparative year.

(ii) Interest rate risk

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

Management of interest rate risk

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

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

Interest rate exposure

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

	2017 £'000	2016 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	29,881	33,859
Other payables: drawings on the credit facility	(42,416)	(35,982)
Total exposure	(12,535)	(2,123)

Notes to the Accounts
for the year ended 31 August 2017

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2016: same).

During the year, the Company extended its 364 day multicurrency revolving credit facility with Scotiabank, which now expires on 25 April 2018. Amounts are normally drawn down on this facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At the year end, the Company had drawn down US$54.7 million (£42.4 milllion) on this facility at an interest rate of 1.89% per annum (2016: Australian $62.7 million (£36.0 million) at an interest rate of 2.22% per annum).

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

	2017 £'000	2016 £'000
Maximum interest rate exposure during the year – net debt	**(39,147)**	(40,108)
Minimum interest rate exposure during the year – net debt	**(12,315)**	(2,123)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2016: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2017		2016	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	**86**	**(86)**	115	(115)
Net capital profit	**(149)**	**149**	(126)	126
Net total profit	**(63)**	**63**	(11)	11
Net assets	**(63)**	**63**	(11)	11

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 Manager 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:

	2017 £'000	2016 £'000
Investments at fair value through profit or loss	**654,213**	534,093

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

Notes to the Accounts

for the year ended 31 August 2017

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 8 and 9. This shows that the portfolio principally comprises investments quoted on Asian stockmarkets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the net profit for the year and net assets to an increase or decrease of 10% (2016: 10%) in the fair values of the Company's investments. 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 investments, adjusting for changes in the management fee, but with all other variables held constant.

	2017		2016	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	**(137)**	**137**	(112)	112
Net capital profit	**65,101**	**(65,101)**	53,148	(53,148)
Net total profit for the year and net assets	**64,964**	**(64,964)**	53,036	(53,036)

(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 2017 £'000	Three months or less 2016 £'000
Other payables		
Bank loan – including interest	**42,485**	36,051
Securities purchased awaiting settlement	**364**	–
Other payables and accruals	**8,752**	6,411
Open forward currency contracts	**–**	73
	51,601	42,535

(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

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

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.

The Company's investment portfolio includes holdings in Indonesian government bonds. The government debt credit rating for Indonesia is BBB- with Fitch and Baa3 with Moody's, both with positive outlook.

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 Aa2 with Moody's. The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

Credit risk exposure

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

	2017		2016	
	Balance sheet £'000	**Maximum exposure £'000**	**Balance sheet £'000**	**Maximum exposure £'000**
Non current assets				
Government bonds	**2,569**	**2,569**	10,526	10,526
Current assets				
Receivables – dividends and interest	**2,894**	**2,894**	3,163	3,163
Cash and cash equivalents	**29,881**	**29,881**	33,859	33,859
	35,344	**35,344**	47,548	47,548

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:

	2017 £'000	**2016 £'000**
Debt		
Bank loan	**42,416**	35,982
Equity		
Share capital	**170,076**	150,251
Reserves	**465,390**	378,411
	635,466	528,662
Total debt and equity	**677,882**	564,644

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.

	2017 £'000	2016 £'000
Borrowings used for investment purposes, less cash	12,535	2,123
Net assets	635,466	528,662
Gearing	2.0%	0.4%

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 to net asset value per share;

– the opportunities for issues of new shares or to reissue shares from treasury; and

– the amount of dividend to be paid.

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Friday, 15 December 2017 at 10.00 a.m. The formal Notice of Meeting is set out on page 52.

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

Resolution 9 – authority to make market purchases of the Company's own shares (special resolution)

At the AGM on 14 December 2016, the Company was granted authority to make market purchases of up to 35,769,591 ordinary shares for cancellation or holding in treasury. No ordinary shares were bought back under this authority and the Company therefore has remaining authority to purchase up to 35,769,591 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 23 November 2017 (excluding treasury shares). The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue.

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

Resolution 10 – disapplication of pre-emption rights (extraordinary resolution)

As last year the Board is proposing an annual authority be given to Directors to disapply pre-emption rights when issuing shares.

The approval of this authority will allow the Company to continue to issue shares on the current basis and provide sufficient liquidity to meet demand for shares in the market. The Directors intend to issue ordinary shares pursuant to these authorities if investor demand for them is strong. However, the Directors will issue ordinary shares only when they believe it to be advantageous to the Company's existing shareholders to do so. The issue of ordinary shares will only be made at a premium to NAV per share.

If renewed, both the above authorities will expire at the conclusion of the AGM in 2018 unless renewed or revoked earlier.

Recommendation

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

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Schroder Oriental Income Fund Limited will be held on Friday, 15 December 2017 at 10.00 a.m. at 2nd Floor, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special and extraordinary resolutions respectively:

1. To receive the Directors' Report and the audited accounts for the year ended 31 August 2017.
2. To approve the Directors' annual report on Remuneration for the year ended 31 August 2017.
3. To approve the Directors' remuneration policy.
4. To re-elect Mr Robert Sinclair as a Director of the Company.
5. To re-elect Mr Paul Meader as a Director of the Company.
6. To re-elect Mr Peter Rigg as a Director of the Company.
7. To re-appoint Ernst & Young LLP as Auditor of the Company.
8. To authorise the Board to determine the remuneration of Ernst & Young LLP as Auditor of the Company.
9. To consider and, if thought fit, to pass the following resolution as a special resolution:

   "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 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 ("Shares"), provided that:

   (a) the maximum number of Shares hereby authorised to be purchased shall be 37,408,747, representing 14.99% of the issued Share capital as at 23 November 2017;

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

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

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

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

   (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."

10. 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 24,955,802 ordinary shares of 1p each in aggregate, representing 10% of the share capital in issue on 23 November 2017, 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 2018 save that the Board may allot ordinary shares for cash or sell treasury shares after the expiry of this authority in pursuance of an offer or agreement made by the Company before such expiry that would or might require ordinary shares to be allotted or treasury shares to be sold after such expiry.

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

   A proxy need not be a member. A form of proxy is enclosed for ordinary shareholders which should be completed and returned to the Company's registrar, care of Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 48 hours before the time fixed for the meeting. Completion of the proxy will not preclude an ordinary shareholder from attending and voting in person.
2. The biographies of each of the Directors offering themselves for re-election are set out on pages 17 and 18 of the Annual Report and Accounts for the year ended 31 August 2017.
3. As at 23 November 2017, the Company had 249,558,024 ordinary shares of 1p each in issue (no shares were held in treasury). Accordingly, the total number of voting rights in the Company on 23 November 2017 is 249,558,024.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

23 November 2017

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

Registered number: 43298

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/orientalincome. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, terms of reference of Committees and other governance arrangements. In addition, the webpages contain links to announcements made by the Company to the market and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its NAV per share on both a cum and ex-income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on the Company's webpages.

Association of Investment Companies

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

ISA status

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

Non-Mainstream Pooled Investments status

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

Financial calendar

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

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

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

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the website www.schroders.co.uk/its. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2017 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.1
Commitment method	2.0	1.1

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 website www.schroders.co.uk/its.

Publication of Key Information Document ("KID")

Pursuant to the Packaged Retail and Insurance Based Products Regulation, the Manager, as the Company's AIFM, will soon be required to publish a short KID on the Company. KIDs are designed to provide important information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID will be published via a Regulatory Information Service and made available on its webpages, www.schroders.co.uk/orientalincome, from 1 January 2018.

www.schroders.co.uk/orientalincome

Advisers

Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA
United Kingdom

Company Secretary and Administrator

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
United Kingdom
Telephone: 020 7658 6501

Registered Office

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

Lending Bank

Scotiabank Europe Plc
201 Bishopsgate
London EC2M 3NS
United Kingdom

Safekeeping and Cashflow Monitoring Agent

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

Independent Auditor

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

Registrar

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

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Computershare Investor Services (Guernsey) Limited at the address set out above.

Corporate Broker

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

Designated Manager

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

Shareholder enquiries

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

Dealing codes

ISIN: GB00B0CRWN59
SEDOL: B0CRWN5
Ticker: SOI

Global Intermediary Identification Number (GIIN)

1TVP6A.99999.SL.83

Legal Entity Identifier (LEI)

5493001U9X6P8SS0PK40

Schroders