

Schroders

Schroder AsiaPacific Fund plc

Half Year Report and Accounts

For the six months ended
31 March 2017





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Investment objective

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

Investment policy

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

The portfolio is predominantly invested in equities, but may also be invested in other financial instruments such as put options on indices and equities in the region. The Company does not use derivative contracts for speculative purposes. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange but would normally not make such an investment except where the Manager expects that the securities will shortly become listed on a stock exchange. In order to maximise potential returns, gearing may be employed by the Company from time to time. Where appropriate the Directors may authorise the hedging of the Company's currency exposure.

Financial Highlights

Total returns for six months ended 31 March 2017¹



NAV per share²



Share price²



Benchmark³

¹ Total return calculations assume that any dividends paid out during the period were reinvested.

² Source: Morningstar.

³ Source: Thomson Reuters. The Company's benchmark is the MSCI All Countries Asia excluding Japan Index (with net income reinvested), sterling adjusted. The Company has changed its benchmark with effect from the beginning of this financial year. Prior to that the benchmark was the MSCI All Countries Asia excluding Japan Index (with gross income reinvested), sterling adjusted. The new benchmark is deemed to be a more appropriate comparison and is the one which is used for management information purposes. The difference is not significant.

Other financial information

	31 March 2017	30 September 2016	% Change
Shareholders' funds (£'000)	726,055	658,321	+10.3
Ordinary shares in issue	167,570,716	167,795,716	(0.1)
NAV per share	433.28p	392.33p	+10.4
Share price	378.00p	343.00p	+10.2
Share price discount to NAV per share	12.8%	12.6%	
Gearing ¹	4.0%	0.4%	

¹ Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

Interim Management Report – Chairman’s Statement

Performance

I am pleased to report a total return of 11.8% for both the Company’s net asset value (“NAV”) and the share price during the six month period to 31 March 2017, comparing favourably with a total return of 10.4% for the benchmark, the MSCI All Countries Asia excluding Japan Index in sterling terms.

The strong rise in the Company’s NAV was due to a combination of outperformance of the benchmark, a fall in the value of sterling and a rise in markets. Further analysis of performance may be found in the Manager’s Review.

Gearing

Gearing stood at 0.4% at the beginning of the period and had increased to 4.0% as at 31 March 2017. Average gearing during the period was 1.7%. The level of gearing continues to operate within pre-agreed levels so that net gearing does not represent more than 20% of shareholders’ funds.

Discount management

Over the period, the average discount of the Company’s shares to NAV was 12.7%, wider than the longer-term maximum 10% target adopted by the Board. The Board continues to monitor the level of discount in light of that of its peer group and prevailing market conditions. Despite strong performance in regional markets, investor demand remained mixed and this was reflected in wide discounts generally across the peer group. A total of 225,000 shares were purchased for cancellation during the period.

Management fee

During the period the Board undertook its annual review of the management fee and, following discussion with the Manager, agreed a change in the structure and level of the fee in order to reduce the level of the Company’s operating expenses for shareholders.

The fee structure will remain tiered but in three rather than four levels, with a reduction in charges, as follows:

The fee will continue to be charged on the value of the Company’s assets under management, net of current liabilities other than short term borrowings.

A fee of 0.90% will be charged on the first £300 million, reducing to 0.80% on assets between £300 million and £600 million and further reducing to 0.75% on assets above £600 million.

Based on the NAV at 31 March 2017, this change would reduce the annual fee from £6,370,000 to £6,197,000.

The reduction in management fee will be effective from 1 April 2017.

Board changes

As disclosed in my last annual statement, Anthony Fenn, the Senior Independent Director, will retire at the Company’s next Annual General Meeting. The Board has commenced the search for Anthony’s successor, for appointment later this year.

Outlook

Geo-political developments dominate the news but we are reassured by the continuing success of the companies in the portfolio. Their growth is in many cases at lower levels than in their heyday, but across the region they look competitive. Short-term growth of dividends in aggregate looks assured, and valuations do not seem expensive. Even allowing for the fall in sterling over the last year, there are good reasons why the Company’s share price has been at all-time highs.

This is not to deny the challenges facing the region, as discussed in the Manager’s Review. The Board continues to believe, however, in the virtues of a conservatively-run investment portfolio of high quality companies, particularly when – as now – corporate cash flow is rising strongly.

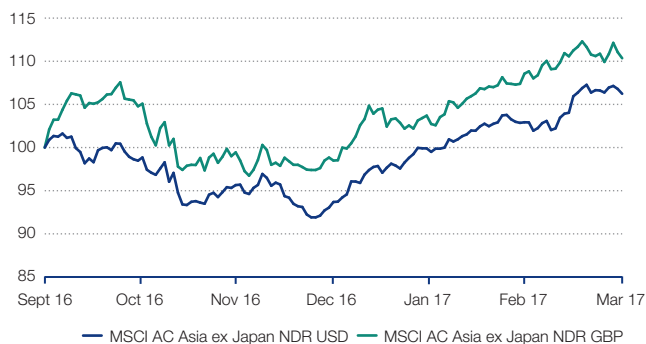
Nicholas Smith
Chairman

21 June 2017

Interim Management Report – Manager’s Review

The net asset value per share of the Company recorded a total return of 11.8% over the six months to end March 2017. This was ahead of the performance of the benchmark, the MSCI All Countries Asia excluding Japan Index in sterling terms, which was up 10.4% over the same period.

Benchmark performance – 6 months to 31 March 2017



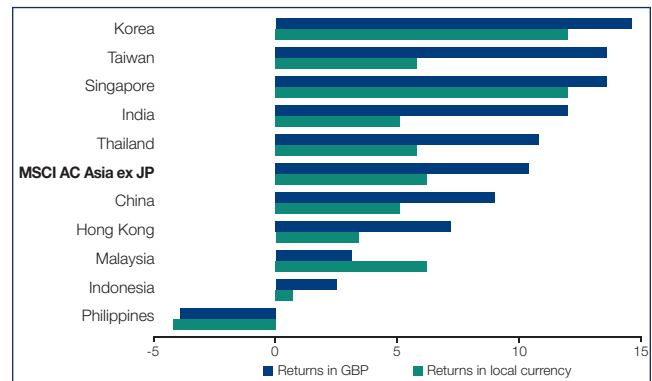
Source: Thomson Reuters as at 31 March 2017. Net dividends reinvested.

Asian equity markets put in a solid performance over the first six months of the Company’s financial year. However, there has been considerable volatility. Markets were somewhat subdued in October/November digesting the strong progress in the summer, and reflecting concern that rising US interest rates and a stronger dollar presaged a tightening of monetary conditions. These incipient concerns seemed confirmed by the US presidential election result, which triggered expectations of an “America First” policy of deregulation, tax reform, infrastructure spending, and a more protectionist trade policy.

Needless to say, Asian markets did not react well, with more trade-exposed markets, sectors and companies performing particularly badly. Interest rate sensitive stocks such as real estate also weakened, although more strongly capitalised banks in the region did well on anticipation that rising interest rates would materially enhance their profitability.

The correction proved relatively short-lived. The reality of the US constitution has meant that substantive action on the Trump economic programme has been minimal, and a number of pre-election pledges proved subject to revision post-inauguration. Meanwhile, there were other supports to the Asian stock markets, including signs of recovery in global trade, strong data out of China including leading indicators, producer prices and corporate profits, and an earnings season which saw generally upward revisions to investor expectations, the first time for a number of years that has been the case.

Country returns – 6 months to 31 March 2017



Source: FactSet. MSCI returns, net dividends reinvested.

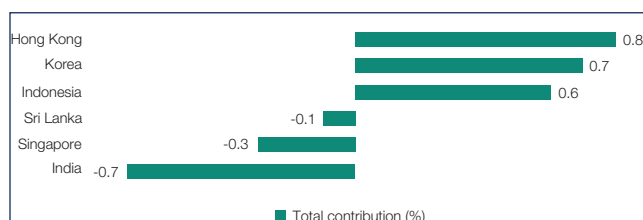
Sterling weakness has continued to have a material impact on returns, with all the regional currencies rising against the pound apart from the Malaysian ringgit. In terms of overall returns, ASEAN emerging markets performed relatively poorly, reflecting to varying degrees political noise and somewhat becalmed economies. It is striking that markets perceived as more exposed to a global economic recovery led the way such as Singapore, Korea and Taiwan, although for the latter currency strength impacted exporter returns.

Performance and portfolio activity

The Company’s performance was ahead of the Index. The main contributors were stock selection in Hong Kong, Korea, Indonesia and China, with lesser contributions from Thailand and Taiwan. The only significant market where stock selection was below par was India, where the Company had insufficient exposure to more economically-sensitive industrial and material names. Country allocation was a very small negative factor, primarily because of the overweighting in Hong Kong, which underperformed. In sector terms, selection in consumer cyclicals, industrials and real estate were the main positives, along with the overweighting in information technology and underweights in consumer staples and utilities.

Interim Management Report – Manager’s Review

Country attribution – 6 months to 31 March 2017



Source : FactSet PA.

In terms of positioning changes, we added to Korea, reflecting better earnings momentum and still attractive valuations, and made more modest additions to Singapore and Malaysia; the latter through the bond market as we deemed the currency as oversold but equity valuations unattractive. Funding the changes came from a modest increase in gearing and reductions in India and Hong Kong due to individual stocks reaching our price targets. In sector terms, we added to banks, funded from reductions in telecoms and industrials.

Outlook and policy

Recent weeks have seen a distinct moderation in the optimism about economic growth that dominated the second half of 2016. Bond yields have retraced much of their rise, commodity prices have softened, and defensive sectors have recovered some of the ground lost in 2016. However, the global economy looks in reasonable shape. Excessive hopes for US growth may be disappointed (partly because the scope to stimulate an economy near full capacity is by its nature limited), but there is no reason to expect a sharp downturn, while other developed economies such as Japan and Europe appear to be on a broad recovery tack.

Less investor focus in general has been given to the importance of China in stabilising global growth. The influence is clear in the strong export numbers in the Asian region (Taiwan: +13% year-on-year in March; Korea: +14%) and in the buoyancy (until very recently) of commodity prices. For all the talk of fiscal packages and monetary measures in the developed world, the net new stimulus has been almost wholly from China over the last 18 months. In engineering a strong recovery, China has done it by the text book: lower interest rates, real estate stimulus, public investment and continued supply of credit (with credit continuing to grow over twice nominal GDP) leading to an impressive recovery in the secondary industry and a swing in producer prices from -6% year-on-year at the end of 2015, to +7.6% in March.

Recently the Chinese authorities have signalled a less pro-growth stance (marginal tweaks up in policy interest rates, cooling measures for large cities’ real estate markets), but the priority will be to maintain a satisfactory level of growth – not too hot, not too cold, to use a cliché.

The long-term resolution of China’s addiction to credit (lower growth, debt work-outs etc) has still to be faced, but on a medium-term time horizon China should be a broadly supportive influence to global and regional activity.

Trade protectionism remains a salient risk for the Asian markets, although this comes at a time when more cyclical supports are healthy, including a slow repair from the crisis conditions of 2015 for a number of emerging markets (Russia, South Africa, Latin America, Middle East) and steady recovery in Europe, which is at least as important a destination for exports as the United States. External balances in terms of current accounts, trade balances and foreign exchange reserves remain healthy, and provide some cushion should there be tighter global monetary conditions or a stronger dollar than we currently envisage. Domestic demand drivers (outside China) remain muted, however. It probably awaits a more concerted push on infrastructure spending in places like India and emerging ASEAN for this to change. Most governments have more fiscal room to manoeuvre than they did, so it is political will that forms the main impediment.

Country weights

Market	Net asset value weighting (%)		Benchmark Index weight (%) 31 March 2017
	31 March 2017	30 September 2016	
China	24.8	24.2	31.4
Hong Kong	20.7	23.5	12.1
Korea	16.9	12.7	17.6
Taiwan	13.9	14.7	14.3
India	8.9	12.1	10.3
Thailand	3.9	3.5	2.6
Singapore	3.9	1.5	4.6
Indonesia	3.2	2.7	2.9
Australia/New Zealand	2.5	2.5	-
Malaysia	1.2	-	2.8
Philippines	1.2	1.4	1.4
Other ¹	2.5	1.6	-
Other net liabilities	(3.6)	(0.4)	-
Total	100.0	100.0	100.0

Source: Schroders, 31 March 2017. ¹Sri Lanka, Vietnam, UK.

Interim Management Report – Manager’s Review

Geo-political risk is somewhat elevated for other reasons, most notably the increasingly disruptive actions of the Democratic People’s Republic of Korea in pursuit of a credible nuclear deterrent. With the possible return of a more interventionist US foreign policy, tensions are high as at the time of writing. Much hangs on the personal relationship between presidents Xi and Trump given that it is China that has the power to influence the North Korean regime should it choose to exert it.

At a company level, we take heart from the fact that companies we favour have been disciplined in terms of capital spending over recent years, and have used the opportunity to strengthen balance sheets and concentrate on raising value-added rather than pursuing expansion for the sake of it, which is usually at the expense of shareholder returns. A by-product of this is that corporate free cash flow is growing considerably faster than reported earnings.

Schroder Investment Management Limited

21 June 2017

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategy and competitiveness risk; investment management risk; financial and currency risk; accounting, legal and regulatory risk; custodian and depositary risk; and service provider risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 15 and 16 of the Company's published Annual Report and Accounts for the year ended 30 September 2016.

These risks and uncertainties have not materially changed during the six months ended 31 March 2017, with the exception of cyber risk relating to the Company's key service providers. The Board considers that this has increased in light of the rising frequency and success of cyber attacks on businesses and institutions. In order to ensure that this risk is managed and mitigated appropriately, the Board is seeking enhanced reporting on cyber risk controls from its key service providers.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 17 of the published Annual Report and Accounts for the year ended 30 September 2016, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 March 2017.

Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules.

Interim Management Statement

Investment Portfolio as at 31 March 2017

	£'000	%
China		
Alibaba (ADR)	38,617	5.1
Tencent Holdings ¹	32,130	4.3
China Pacific Insurance ¹	18,033	2.4
Hangzhou HIK-Vision (LEPO)	12,784	1.7
Petrochina H shares ¹	10,066	1.3
NetEase (ADR)	9,598	1.3
China Petroleum & Chemical H shares ¹	9,530	1.3
Midea (LEPO)	8,699	1.2
China Lodging (ADR)	7,801	1.0
Sina ²	7,683	1.0
Industrial and Commercial Bank of China H shares ¹	7,417	1.0
Sands China ¹	7,040	1.0
New Oriental Education (ADR)	3,916	0.5
Baidu (ADR)	3,812	0.5
Belle International ¹	1,689	0.2
Hollysis Automation Technologies ²	1,520	0.2
Total China	180,335	24.0
Hong Kong		
AIA	28,108	3.7
Jardine Strategic ³	20,218	2.7
Fortune Real Estate Investment Trust	14,256	1.9
Swire Properties	13,958	1.9
Techtronic Industries	13,784	1.8
Kerry Properties	13,658	1.8
Hongkong Land ³	10,350	1.4
Standard Chartered	9,158	1.2
Johnson Electric	8,209	1.1
HKT Trust and HKT	7,837	1.0
Hopewell	4,942	0.7
PCCW	4,376	0.6
Chow Sang Sang	1,518	0.2
Total Hong Kong	150,372	20.0

	£'000	%
Korea		
Samsung Electronics	39,400	5.2
Hyundai Motor Company	18,327	2.4
Naver	15,923	2.1
LG Chemical	15,327	2.0
Medy-Tox	7,828	1.0
NCSOFT	6,202	0.8
Samsung Electronics preference shares	5,704	0.8
Samsung SDI	4,865	0.6
Amorepacific Group preference shares	4,445	0.6
Kia Motors	4,345	0.6
Total Korea	122,366	16.1
Taiwan		
Taiwan Semiconductor	47,789	6.4
Hon Hai Precision Industries	21,272	2.8
Far Eastone Telecomm	10,642	1.4
Asustek Computers	9,117	1.2
Delta Electronics Industrial	7,083	0.9
Maga Financial	5,343	0.7
Total Taiwan	101,246	13.4
India		
Gujarat Pipavav Port	12,879	1.7
Apollo Hospitals Enterprise	10,309	1.4
Maruti Suzuki India	9,987	1.3
HDFC Bank	9,711	1.3
Zee Entertainment Enterprises	8,861	1.2
Container Corporation of India	5,044	0.7
Eicher Motors	4,810	0.6
Multi Commodity Exchange of India	2,880	0.4
Total India	64,481	8.6
Thailand		
Intouch	10,567	1.4
Bangkok Bank (NVDR)	10,414	1.4
LPN Development	5,676	0.8
Bangkok Bank	1,608	0.2
Total Thailand	28,265	3.8

Interim Management Statement

Investment Portfolio as at 31 March 2017

	£'000	%
Singapore		
Overseas Chinese Banking	14,987	2.0
Singapore Telecommunications	13,022	1.7
Total Singapore	28,009	3.7
Australia		
BHP Billiton	13,415	1.8
Iluka Resources	4,584	0.6
Total Australia	17,999	2.4
Indonesia		
Bank Mandiri	11,983	1.6
United Tractor	4,233	0.6
Total Indonesia	16,216	2.2
Philippines		
Holcim Philippines	4,248	0.6
Ayala Land	4,207	0.6
Total Philippines	8,455	1.2
United Kingdom		
Schroder Small Cap Discovery Fund Z Acc	7,420	1.0
Total United Kingdom	7,420	1.0
Vietnam		
Dragon Capital Vietnam Enterprise Investments	6,188	0.8
Total Vietnam	6,188	0.8
Sri Lanka		
John Keells	4,461	0.6
Total Sri Lanka	4,461	0.6

	£'000	%
Government Bonds		
Indonesia (Govt) 7% 15/05/2022	3,540	0.5
Indonesia (Govt) 8.375% 15/03/2024	3,516	0.5
Malaysia (Govt) 3.759% 15/03/2019	4,471	0.6
Malaysia Govt 3.882% 10/03/2022	2,237	0.3
Malaysia Govt 3.8% 17/08/2023	2,242	0.3
Total Government Bonds	16,006	2.2
Total Investments⁴	751,819	100.0
¹ Listed in Hong Kong.		
² Listed in the USA.		
³ Listed in Singapore.		
⁴ Total investments comprises the following:		
Equities, including ADRs, LEPOs and NVDRs	712,056	94.6
Government bonds	16,006	2.2
Collective investment funds	13,608	1.8
Preference shares	10,149	1.4
Total investments	751,819	100.0

Investments are classified by the investment manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 55.40% (30 September 2016: 57.3% and 31 March 2016: 56.0%) of total investments.

Income Statement

	(Unaudited) For the six months ended 31 March 2017			(Unaudited) For the six months ended 31 March 2016			(Audited) For the year ended 30 September 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	-	75,516	75,516	-	52,416	52,416	-	186,860	186,860
Gains on derivative contracts	-	-	-	-	133	133	-	163	163
Net foreign currency losses	-	(374)	(374)	-	(861)	(861)	-	(3,664)	(3,664)
Income from investments	5,238	-	5,238	3,802	-	3,802	15,232	220	15,452
Other interest receivable and similar income	1	-	1	1	-	1	1	-	1
Gross return	5,239	75,142	80,381	3,803	51,688	55,491	15,233	183,579	198,812
Investment management fee	(2,979)	-	(2,979)	(2,330)	-	(2,330)	(5,006)	-	(5,006)
Administrative expenses	(430)	-	(430)	(448)	-	(448)	(855)	-	(855)
Net return before finance costs and taxation	1,830	75,142	76,972	1,025	51,688	52,713	9,372	183,579	192,951
Finance costs	(137)	-	(137)	(149)	-	(149)	(304)	-	(304)
Net return on ordinary activities before taxation	1,693	75,142	76,835	876	51,688	52,564	9,068	183,579	192,647
Taxation (note 3)	(309)	(11)	(320)	(234)	(82)	(316)	(1,028)	(162)	(1,190)
Net return on ordinary activities after taxation	1,384	75,131	76,515	642	51,606	52,248	8,040	183,417	191,457
Return per share (note 4)	0.83p	44.83p	45.66p	0.38p	30.56p	30.94p	4.77p	108.78p	113.55p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the period.

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

Statement of Changes in Equity

For the six months ended 31 March 2017 (unaudited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2016	16,780	100,956	3,364	8,704	32,396	487,957	8,164	658,321
Repurchase and cancellation of the Company's own Ordinary shares	(23)	-	23	-	(821)	-	-	(821)
Net return on ordinary activities after taxation	-	-	-	-	-	75,131	1,384	76,515
Dividend paid in the period (note 5)	-	-	-	-	-	-	(7,960)	(7,960)
At 31 March 2017	16,757	100,956	3,387	8,704	31,575	563,088	1,588	726,055

For the six months ended 31 March 2016 (unaudited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2015	16,923	100,956	3,221	8,704	36,301	304,540	7,225	477,870
Repurchase and cancellation of the Company's own Ordinary shares	(35)	-	35	-	(944)	-	-	(944)
Net return on ordinary activities after taxation	-	-	-	-	-	51,606	642	52,248
Dividend paid in the period (note 5)	-	-	-	-	-	-	(7,101)	(7,101)
At 31 March 2016	16,888	100,956	3,256	8,704	35,357	356,146	766	522,073

For the year ended 30 September 2016 (audited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2015	16,923	100,956	3,221	8,704	36,301	304,540	7,225	477,870
Repurchase and cancellation of the Company's own Ordinary shares	(143)	-	143	-	(3,905)	-	-	(3,905)
Net return on ordinary activities after taxation	-	-	-	-	-	183,417	8,040	191,457
Dividend paid in the year (note 5)	-	-	-	-	-	-	(7,101)	(7,101)
At 30 September 2016	16,780	100,956	3,364	8,704	32,396	487,957	8,164	658,321

Statement of Financial Position at 31 March 2017

	(Unaudited) 31 March 2017 £'000	(Unaudited) 31 March 2016 £'000	(Audited) 30 September 2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	751,819	547,275	661,405
Current assets			
Debtors	10,621	1,870	1,654
Cash at bank and in hand	16,850	4,170	18,196
	27,471	6,040	19,850
Current liabilities			
Creditors: amounts falling due within one year	(53,235)	(31,110)	(22,934)
Derivative financial instruments held at fair value through profit or loss	-	(132)	-
	(53,235)	(31,242)	(22,934)
Net current liabilities	(25,764)	(25,202)	(3,084)
Total assets less current liabilities	726,055	522,073	658,321
Net assets	726,055	522,073	658,321
Capital and reserves			
Called-up share capital (note 6)	16,757	16,888	16,780
Share premium	100,956	100,956	100,956
Capital redemption reserve	3,387	3,256	3,364
Warrant exercise reserve	8,704	8,704	8,704
Share purchase reserve	31,575	35,357	32,396
Capital reserves	563,088	356,146	487,957
Revenue reserve	1,588	766	8,164
Total equity shareholders' funds	726,055	522,073	658,321
Net asset value per share (note 7)	433.28p	309.15p	392.33p

Registered in England and Wales

Company Registration Number: 3104981

Notes to the Accounts

1. Financial Statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's independent auditors.

The figures and financial information for the year ended 30 September 2016 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in November 2014 and updated in January 2017.

All of the Company's operations are of a continuing nature.

The accounting policies applied in these accounts are consistent with those applied in the accounts for the year ended 30 September 2016.

3. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The taxation charge comprises irrecoverable overseas withholding tax on dividends receivable, and overseas capital gains tax.

4. Return per share

	(Unaudited) Six months ended 31 March 2017	(Unaudited) Six months ended 31 March 2016	(Audited) Year ended 30 September 2016
Revenue return (£'000)	1,384	642	8,040
Capital return (£'000)	75,131	51,606	183,417
Total return (£'000)	76,515	52,248	191,457
Weighted average number of Ordinary shares in issue during the period	167,592,941	168,873,716	168,605,440
Revenue return per share	0.83p	0.38p	4.77p
Capital return per share	44.83p	30.56p	108.78p
Total return per share	45.66p	30.94p	113.55p

5. Dividends paid

	(Unaudited) Six months ended 31 March 2017 £'000	(Unaudited) Six months ended 31 March 2016 £'000	(Audited) Year ended 30 September 2016 £'000
2016 final dividend paid of 4.75p (2015: 4.20p)	7,960	7,101	7,101

No interim dividend has been declared in respect of the six months ended 31 March 2017 (2016: nil).

Notes to the Accounts continued

6. Called-up share capital

	(Unaudited) Six months ended 31 March 2017	(Unaudited) Six months ended 31 March 2016	(Audited) Year ended 30 September 2016
Ordinary shares of 10p each, allotted, called-up and fully paid:			
Opening balance of shares in issue	167,795,716	169,225,716	169,225,716
Shares repurchased and cancelled	(225,000)	(352,000)	(1,430,000)
Closing balance of shares in issue	167,570,716	168,873,716	167,795,716

7. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 31 March 2017 of 167,570,716 (31 March 2016: 168,873,716 and 30 September 2016: 167,795,716).

8. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 March 2017, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 March 2016 and 30 September 2016: same).

9. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any significant events which have not been reflected in the financial statements.

Directors

Nicholas Smith (Chairman)
Keith Craig
Anthony Fenn
Rosemary Morgan
James Williams

Advisers

Alternative Investment Fund Manager ("Manager")

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Investment Manager and Company Secretary

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Lending Bank

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Corporate Broker

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Shareholder Helpline
0800 032 0641*
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*Calls to this number are free of charge from UK
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Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Independent Auditors

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Certain pre-sale, regular and periodic disclosures and the Company's leverage policy and details of limits on leverage required by the AIFM Directive may be found on the website www.schroders.co.uk/its.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website www.schroders.co.uk/its.

Dealing Codes

ISIN Number: GB0007918872
SEDOL Number: 0791887
Ticker: SDP

Global Intermediary Identification Number (GIIN)

SWLQRM.99999.SL.826

Legal Entity Identifier (LEI)

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