Schroders

Schroder Asian Total Return Investment Company plc

Report and Accounts for the year ended 31 December 2017

Investment objective

The Company seeks to provide a high rate of total return through investment in equities and equity-related securities of companies trading in the Asia Pacific region (excluding Japan). The Company seeks to offer a degree of capital preservation through tactical use of derivative instruments.

Investment policy

The Company invests principally in a diversified portfolio of 40-70 companies operating primarily in Asia, including Australasia but excluding Japan. It is intended that the Company will have a bias to investing in small and mid cap companies.

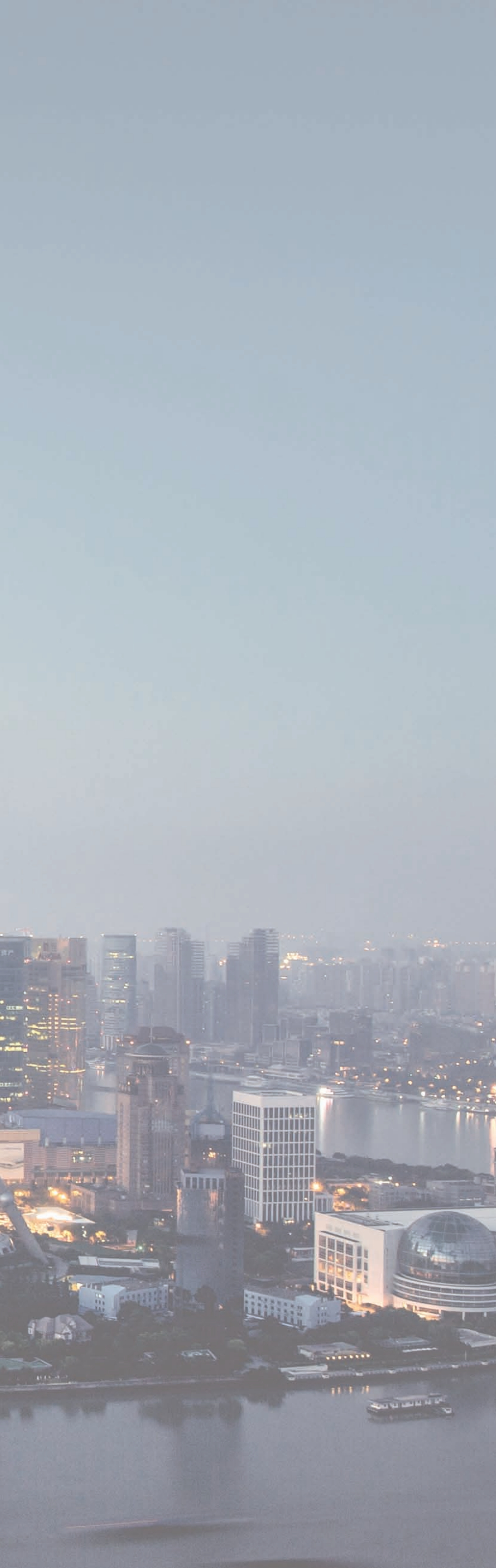
Investments may be made in companies listed on the stock markets of countries located in the region and/or listed elsewhere but controlled from within the region and/or with a material exposure to the region. The Company will focus on investing in companies with sound balance sheets, professional management and capital allocation policies that are aligned with the interests of minority shareholders.

The use of derivatives to protect the capital value of the portfolio or for efficient portfolio management is fundamental to the strategy of the Company's Portfolio Managers. Such derivatives may include listed futures, call options, long puts, OTC instruments and instruments to hedge currency exposure with Board approval. The Board will monitor the effectiveness of the underlying process and the use of derivatives.

In order to obtain further exposure to equity indices or individual stocks, the Company may enter into contracts for difference where the underlying investments are not delivered and settlement is made in cash. In extreme circumstances, and subject to Board approval, the majority, or even all, of the Company's assets could be held in cash or near cash instruments, with appropriate diversification of cash held on deposit.

The Company may use gearing to enhance performance but net gearing will not exceed 30% of net asset value.

The Company does not tie its portfolio construction to the constituents of any benchmark; instead, the size of stock positions are set on an absolute basis reflecting where the best potential risk adjusted returns are to be found.



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Financial Highlights and Long-Term Performance Record

Definitions of terms and performance measures are provided on page 56.

Total returns[1]

+34.8%	+43.9%	+25.1%	+29.9%
2016: +28.0%	2016: +37.0%	2016: +27.3%	2016: +27.0%
Net asset value ("NAV") per share	**Share price**	**Reference Index[2]**	**Peer group NAV per share[3]**

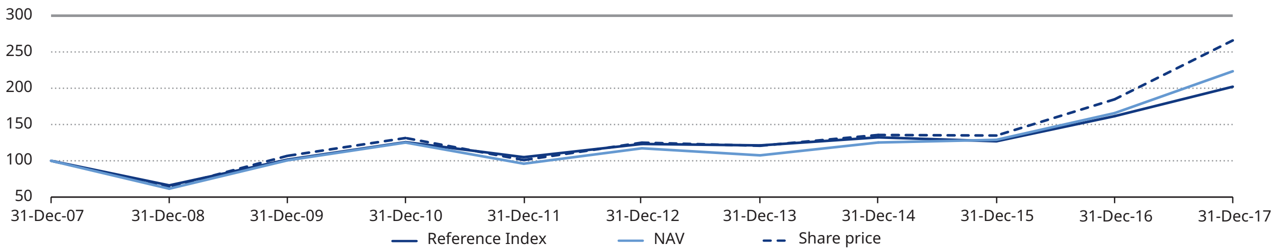
[1]Source: Morningstar.
[2]Source: Thomson Reuters.
[3]The arithmetic average of the performance of a group of nine investment trust peers.

Other financial information

	31/12/2017	31/12/2016	% Change
Shareholders' funds (£'000)	294,426	195,017	+51.0
Fully diluted NAV per share (pence)	354.8	267.1	+32.8
Share price (pence)	362.0	255.5	+41.7
Share price premium/(discount) (%)	2.0	(4.3)	
Gearing (%)	4.5	7.0	

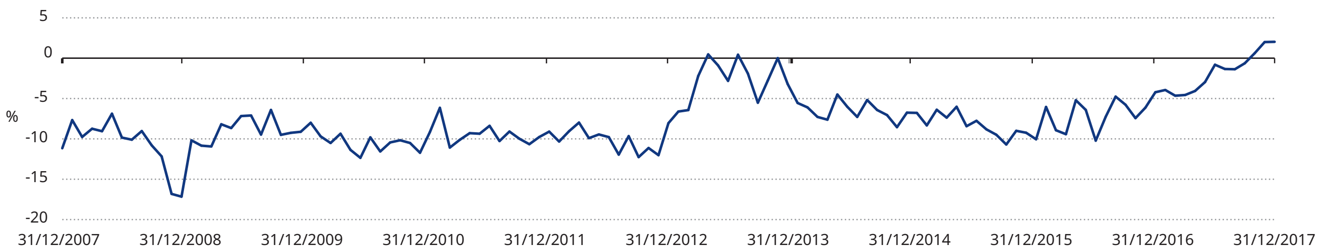
	Year ended 31/12/2017	Year ended 31/12/2016	% Change
Net revenue return after taxation (£'000)	4,183	3,940	+6.2
Fully diluted revenue return per share (pence)	5.48	5.40	+1.5
Dividend per ordinary share (pence)	4.80	4.50	+6.7
Ongoing Charges (%)	1.0	1.0	

10 year NAV per share, share price and Reference Index total returns[1]



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2007.

10 year share price (discount)/premium to NAV per share[1]



[1]Source: Morningstar

Chairman's Statement

Performance

I am delighted to report on another year of excellent absolute and relative returns from our investments during the year ended 31 December 2017. The Company produced a net asset value ("NAV") total return of 34.8%, outperforming the total return of 25.1% from the Reference Index and a total return of 29.9% from the average peer group NAV. The share price produced a total return of 43.9%, and moved to a premium of 2.0% at the year end. Excellent stock picking offset the cost of our hedging instruments.

Further comment on performance and investment policy may be found in the Portfolio Managers' review.

Dividend

The revenue return from the portfolio for the year increased marginally when compared to the previous year, from 5.40p per share in 2016 to 5.48p per share for the year under review.

The Board has recommended a final dividend of 4.80p per share for the year ended 31 December 2017, an increase of 6.7% over the final divided of 4.50p per share paid in respect of the previous financial year.

In order to provide shareholders with the opportunity to vote on the quantum of the dividend, the Board is proposing that it will be payable as a final dividend, subject to shareholder approval at the Annual General Meeting ("AGM"). The dividend will be paid on 16 May 2018 to shareholders on the register on 6 April 2018.

Promotion and share issuance

The Board has long held the view that the key to narrowing the discount in investment trusts is a mix of a differentiated investment process, excellent performance, and active marketing of both. The Board and our Portfolio Managers have been focused on widening the appreciation of our offering among investors and this has been reflected in healthy demand for our shares from new and existing shareholders.

The result is that the Company's average discount during the year of 2.2% was markedly narrower than the peer group average of 8.7%. Indeed, since October 2017, the Company's shares have traded at a premium to net asset value. The Board utilised the authority granted by shareholders at the AGM on 26 April 2017 to reissue shares held in treasury to provide liquidity to the market. From the date of the 2017 AGM up to October 2017, 1,570,000 shares were reissued largely at a discount, and from then on the Company's shares began trading at a premium to NAV. Following this, a further 5,707,914 shares were reissued at a premium to NAV, fully utilising the authority granted by shareholders.

Since the year end, shareholders have granted authority to the Board to issue a further 10% of the Company's share capital and an additional 1,575,000 ordinary shares have been reissued from treasury at a premium since that time. A resolution to renew the authorities will be proposed at the AGM, details of which can be found on page 52.

Previously the Board had been given permission by shareholders to reissue 3% of its shares held in treasury at a discount of less than 4%. The Directors now take the view that having established and maintained a premium to NAV for several months, it would be wrong to seek a further mandate to reissue shares from treasury at a discount, while the shares are trading at a premium.

If the company repurchases substantial numbers of shares at a discount in the future and believes it is in the shareholders' interests to have the authority to issue shares at a discount, then the Board will seek permission to do so.

Should the need arise, the Company will continue to implement a discount management policy, which continues to target a discount to NAV of no more than 5% in normal market conditions. 120,000 shares were purchased by the Company in the early part of the year to be held in treasury, in support of the discount policy. The Board believes that overall liquidity and the relative discount to the Company's peers has also to be considered in any decision to buy back shares.

Gearing and the use of derivatives

Gearing continues to be utilised by the Portfolio Managers. The Company may use gearing to enhance performance but net gearing will not exceed 30% of NAV. The Board has agreed a disciplined framework for gearing to increase market exposure, based on a number of valuation indicators. Gearing stood at 4.5% at the end of the year, compared to 7.0% at the beginning of the year. Shareholders should be aware that the use of borrowings must be seen in the context of the use of derivative hedging instruments to reduce the volatility of the portfolio.

Reduction in management fee cap

One of the responsibilities of the Board is to continue to review the management fee arrangements in place with the Manager and to ensure that they remain in the best interests of shareholders.

The continued strong performance during the year triggered the payment of a performance fee amounting to £4,177,000. The total management fees, including the performance fee, were capped at 2.0% of net assets, in accordance with the agreement with the Manager. The Board has reviewed the fee arrangements and, while it remains satisfied that the individual elements of the fees paid to the Manager remain competitive, it believes that the overall amount of fees should be reduced.

Chairman's Statement

It has been agreed, therefore, that for years ending 31 December 2018 onwards, the overall cap on management fees will be reduced from 2% to 1.5% of net assets. The Board believes that the potential for significantly lower management fees in circumstances where performance remains strong will help to ensure that the Company remains competitive in its peer group.

Management arrangements

During the year, Robin Parbrook has re-located from Hong Kong to London. The Board is satisfied that this move should have no adverse implications for the Company and indeed brings Robin closer to our predominantly UK-based shareholders. His co-manager King Fuei Lee remains based in Singapore.

Board succession and refreshment

The Board continues to consider its ongoing refreshment in line with the policy set out in my statement last year. I am pleased to welcome Sarah MacAulay to the Board following her appointment on 2 March 2018. Ms MacAulay's biographical details can be found on page 18 of this Report. Ms MacAulay brings significant investment management expertise and experience to the Board. In accordance with the Company's Articles of Association, a resolution to elect her as a Director of the Company will be proposed at the forthcoming AGM.

Christopher Keljik and Alexandra Mackesy will retire from the Board at the AGM and will not seek re-election. I would like to take this opportunity to thank Mr Keljik and Mrs Mackesy for their invaluable contribution to the Board during their 10 years and 9 years of tenure, respectively. Caroline Hitch will succeed Mr Keljik as the Senior Independent Director.

Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on Wednesday, 9 May 2018 at 31 Gresham Street, London EC2V 7QA, the offices of Schroders, and shareholders are encouraged to attend. One of the Portfolio Managers will attend to give a presentation on the Company's investment strategy and prospects for Asia. The AGM will be followed by a buffet lunch.

Outlook

Following a year of strong absolute performance in 2017, achieved in spite of the protective hedging which underpins the investment policy, it is possible that markets may prove more challenging this year. Should this be the case, we remain confident that the derivative protection integrated into the investment strategy will be of comfort for those looking for long-term exposure to Asia with lower volatility than the Reference Index.

David Brief
Chairman

27 March 2018

Portfolio Managers' Review

Robin Parbrook

King Fuei Lee

Market background

Total returns, year to 31 December 2017

MSCI Indices	Local currency %	Sterling %
Australia	11.0	9.6
China	55.1	40.8
Hong Kong	37.2	24.3
India	30.5	26.7
Indonesia	25.1	13.5
Korea	30.6	34.5
Malaysia	12.8	14.2
New Zealand	9.5	2.0
Pakistan	–22.0	–29.3
Philippines	25.1	13.8
Singapore	25.1	23.4
Taiwan	17.8	16.5
Thailand	22.4	22.9
Reference Index	**30.2**	**25.1**

Source: MSCI, net income reinvested.

Asian equities delivered strong absolute returns over the year as investor sentiment was boosted by signs of a pick-up in global economic growth and positive revisions to corporate earnings. Despite uncertainties at the end of 2016 over the potential trade and foreign policy implications from the new administration of US President Donald Trump, Asian stock markets shrugged off initial jitters to deliver one of the strongest returns in the last 10 years.

Across the region, the Chinese stock market delivered the strongest gains with technology and internet stocks leading the rally. Shares of internet heavyweights Tencent and Alibaba continued to reach record highs bolstered by strong earnings delivery and solid growth outlook. The Hong Kong stock market also benefited from positive sentiment as consumer stocks advanced on the back of a stronger than expected domestic economy in China.

Strength in the technology sector helped drive the Korean and Taiwanese stock markets higher. Korean chipmakers rallied as Samsung Electronics and SK Hynix posted record operating profits amid a boom in the memory chip market driven by cloud centre demand and new applications like A.I. which led to very tight supply. In Taiwan, Apple supply chain and component stocks extended gains on hopes of a new iPhone 'super-cycle', though reports of weaker than expected sell-through led to profit taking towards the year end.

Performance analysis

2017 performance attribution

£, %	Contribution to return	Comments
Australia	+2.1	CSL, Resmed
China	+21.6	Tencent, Alibaba, China Lodging, New Oriental Education, Sunny Optical
Hong Kong	+5.5	Techtronic Industries, AIA, Johnson Electric
India	+4.4	HDFC Bank, Indusind Bank, Phoenix Mills
Indonesia	–0.3	PT Waskita Beton Precast, PT Sumber Alfaria Trijaya
Korea	+2.6	Samsung Electronics, Mando
Philippines	–	Ayala Land
Singapore	+0.8	Venture Corp, OCBC
Taiwan	+4.2	Taiwan Semiconductor Manufacturing, Chroma ATE, Largan Precision
Thailand	+0.6	Kasikornbank
Derivatives	–4.2	Puts and short futures on regional market indices
Currency forwards	–0.4	Hedging the Australian dollar exposure
Cost of gearing	–0.1	
Performance fees	–1.8	
Costs	–1.0	
Residual	0.8	
Total return	+34.8	

Source: Schroders/Morningstar.

Portfolio Managers' Review

ASEAN markets were up but trailed the region as high valuations and relatively weak earnings growth weighed on sentiment. The Australian market index was a laggard, dragged down by the heavily weighted financial sector as tighter regulations and slowing home loan growth weighed on the longer term outlook for the major banks.

Overall, global risk appetite saw a marked pick up in 2017 despite continued uncertainties on the political and economic front, as strong earnings revisions helped power Asian equities to a return of 30.2% in local currency terms. This translates to a gain of 25.1% in sterling terms.

The NAV produced a total return of 34.8% over the year, compared to the Reference Index, which produced a total return of 25.1%.

Chinese stocks were the biggest contributors to returns, with internet, consumer discretionary and healthcare names performing positively. Internet stocks saw a strong re-rating on the back of a global tech rally and on expectations of continued expansion of China's growing online economy. Share prices of Tencent, Alibaba and Sina surged to record highs amid consistent upgrades to earnings forecasts and a robust growth outlook.

Principal contributors	£ Return (%)	Contribution to return (%)
Tencent	+94.3	3.4
Alibaba	+79.4	2.9
China Lodging Group	+156.0	2.4
Samsung Electronics	+47.0	1.8
HDFC Bank	+53.9	1.7

Principal detractors	£ Return (%)	Contribution to return (%)
Brambles	–17.3	–0.6
RFM Corp.	–20.3	–0.2
Waskita Beton Precast	–10.2	–0.2
iFAST Corporation	–29.8	–0.1
Sumber Alfaria Trijaya	–10.8	–0.1

Source: Schroders

Other key contributors were consumer names China Lodging and New Oriental Education, as well as healthcare stocks Hutchison China Meditech and Wuxi Biologics, which performed strongly as the market gained greater confidence in their new drug pipelines. The portfolio's holdings in Chinese A-share companies Hangzhou Hikvision and Midea also outperformed with their share prices supported by strong Northbound flows ahead of the MSCI's inclusion of China A-shares in its benchmark indices.

Across other markets, technology stocks advanced led by Korean IT conglomerate Samsung Electronics with overall profits boosted significantly by an upswing in the memory market. The announcement of a shareholder return programme with enhancements in dividend payouts and share buybacks further supported sentiment towards the stock.

In Taiwan, Apple supply chain stocks rallied in the lead up to the launch of the new iPhone X, though gave back gains following concerns that demand might not be as strong as initially expected. A top performer was Chroma ATE, a manufacturer of test equipment for the semiconductor industry, which surged after reporting solid Q3 earnings with high order visibility and positive outlook for 2018.

Among the laggards, Australian logistics company Brambles corrected after the group announced a profit downgrade due to revenue and cost pressures in its North American business. With its business in the other regions remaining strong, we expect the cyclical pressures in the US to pass soon, and for Brambles to resume its steady growth trajectory again. Sluggish growth for some of the ASEAN consumer staples names also weighed on returns with RFM Corp and Sumber Alfaria Trijaya underperforming following weak earnings results against a muted consumption backdrop. We have since sold out of our positions in ASEAN consumer names.

Capital protection (in the form of put options on the Australian, Hong Kong, China H-share, Korean and Taiwan markets), was a drag given strong rising markets. For the currency hedge on the Australian dollar, we have closed out the position as we see limited downside at current levels. Adjusting for the derivative protection, net exposure was approximately 80.2% (90.0% delta-adjusted) at the end of December 2017.

Portfolio positioning and key transactions

Following the strong rally in technology and internet stocks, we trimmed our exposure into strength, exiting positions in AAC Technologies and Vanguard International Semiconductor, and reducing our holdings in Sunny Optical and Largan Precision. We also took some profits in Alibaba, Tencent and Sina, which are trading close to or above our fair value estimates. We maintain significant positions, however, given our long term view that the big internet platform companies with all the data flows are likely to dominate the sector.

We pared our remaining exposure to telecom stocks, selling out of positions in HKT Trust and Far EasTone Telecommunications due to the challenging earnings outlook. With governments in several countries still keen to encourage competition and keep pricing down, we increasingly view this sector as a value trap. In Hong Kong, we exited our position in Sunlight REIT given full valuations, as well as CK Hutchison due to worries about the lack of clarity on overall group strategy.

Proceeds from the sales were reinvested into stocks where we still see good value and which offer solid long-term total return potential. We added to stocks in Hong Kong which have lagged the broader market rally, including property names Hang Lung Properties and Swire Properties, and ASM Pacific Technology following a pullback in the share price after a slight miss in 1H17 results. We also increased our exposure to banks, topping up positions in OCBC, HSBC and Dah Sing Bank, given undemanding valuations and favourable gearing of the stocks to rising interest rates.

Within the China onshore A-share market, we continue to find selected opportunities in private sector companies where a combination of scale and technological innovation has allowed them to move up the value curve. We increased our exposure to Midea, one of China's largest manufacturers of home appliances, and initiated a new position in Zhejiang Sanhua, a

Portfolio Managers' Review

global manufacturer of controls and components for air conditioners. We also bought into China Yangtze Power, a Chinese utilities company, which is a defensive play with strong cash flow generation, stable return on equity and a good dividend payout.

In India where we are turning increasingly cautious due to high valuations and structural problems in the economy, we have continued to reduce positions. We sold out of healthcare stock Apollo Hospitals and media group Zee Entertainment following earnings disappointment. The only positions we are comfortable holding in India are in the best private sector banks where their good use of technology, combined with the huge advantage of competing against public sector banks, means they should be able to grow market share for many years ahead.

Across other markets, we added to Crown Resorts and Lendlease Group in Australia on the back of an improving earnings outlook. In ASEAN, we continued to trim exposure with sales in Waskita Beton Precast, RFM Corp, Ayala Land and GMA Network, as well as Singapore names Comfortdelgro and iFAST given near-term headwinds and rich valuations.

As at 31 December 2017, 13.2% of the portfolio was held in companies with a market capitalisation of less than US$3billion (2016: 24.7%). The decrease was due to sales of small cap positions in ASEAN and Hong Kong.

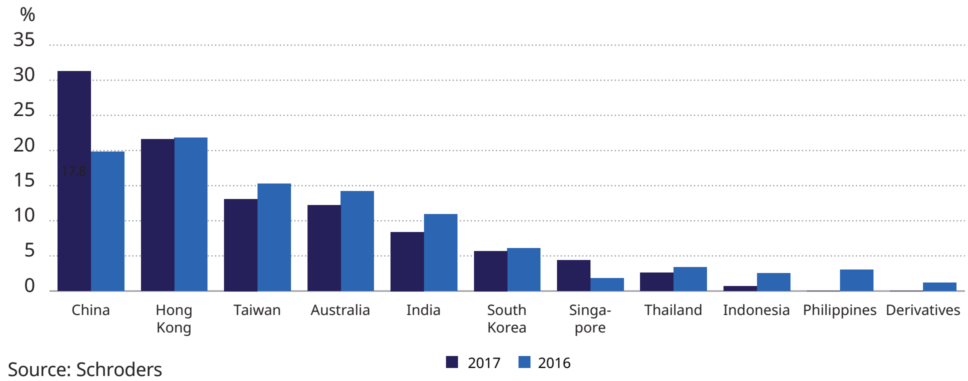
Ten largest positions

Holding	As at 31 December 2016 (% of portfolio)
Taiwan Semiconductor Manufacturing	4.1
Jardine Strategic	4.0
Tencent	3.7
Alibaba	3.0
Samsung Electronics	2.8
Techtronic Industries	2.6
Hon Hai Precision	2.5
Brambles	2.4
China Lodging Group	2.2
AIA	2.2

Holding	As at 31 December 2017 (% of portfolio)
Tencent	5.0
Samsung Electronics	4.7
Alibaba	4.2
Taiwan Semiconductor Manufacturing	3.9
HDFC Bank	3.8
Jardine Strategic	3.0
AIA	2.9
Midea	2.7
Techtronic Industries	2.5
Swire Properties	2.3

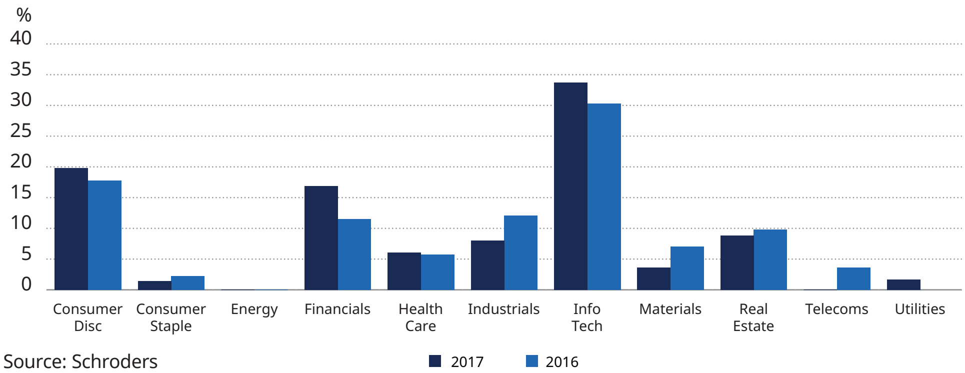
Source: Schroders

Geographical analysis



Source: Schroders

Sector distribution



Source: Schroders

Portfolio Managers' Review

Investment trends and outlook

After one of the strongest calendar year returns on record, Asian markets started to trade off at the end of January 2018 with a fairly indiscriminate, broad-based sell-off. This seems to have pricked what increasingly looked like an incipient bubble in Asia and, whilst painful in absolute terms, comes with an element of relief as irrational markets are never good for the long-term health of an asset class.

The key question now is have we moved into a bear market and are the conditions in place for another financial crisis and more serious market correction? With US interest rates now set to rise, and the US bond market vulnerable given an ill-timed fiscal stimulus and already rising inflationary pressures, we expect further volatility in markets. What is impossible to predict is, as interest rates rise, will there be significant financial dislocations and will we get a much larger market correction? Ten years of effectively zero percent interest rates is bound to mean there are distortions in the system and plenty of leverage where there shouldn't be.

As credit markets continue to tighten, we expect casualties to come. The worst of the distortions look likely to be in the debt markets where high yield debt and emerging market debt rose to unsustainable levels buoyed by hot money flows. We also suspect a lot of leveraged private equity deals may surprise as weak cash flows on dowdy consumer staples brands being disrupted, or highly leveraged care home deals with debt secured on depreciating property come unstuck. The financial deleveraging that should have happened post the Global Financial Crisis failed to materialise and this is why we think even a small rise in interest rates has the potential to result in material market turmoil.

For Asian equities themselves we are a bit less worried. Market valuations are above trend but not in bubble territory. Debt levels, whilst they have risen, especially in China, are not at the levels we have in the West, and unlike the 1997/98 financial crisis period, Asia does not have significant offshore short-term US borrowings that could trigger a crisis as overseas lenders panic. All in all, in Asia at least we don't see the ingredients for a major crisis. The economic outlook looks positive and the earnings picture mostly reassuring.

Having said this, markets are clearly not cheap, and there are parts of the market that look very materially overvalued to us, whether this be selected internet names, consumer stocks in ASEAN and India, healthcare, or most Korean and Taiwanese domestic stocks. With consensus earnings expectations for 2018 also having been ratcheted up, the risk to your Portfolio Managers is that earnings actually disappoint given the high expectations.

Looking at the portfolio's models, the long-term country models are now neutral to cautious on all markets except Australia and China, so we have taken profits since the year end on our put options in Taiwan and Korea and switched stock positions there to alpha transfer (i.e. we have hedged out the market risk via the sale of index futures). The tactical model is bordering on neutral to negative depending on the behaviour of equity and bond market volatility, but if we assume bond market volatility continues, it is flagging caution. Our bottom-up value indicator is clearly flagging caution with only 35% of stocks we cover offering upside to fair value.

On the flip side, a significant part of the Asian market looks reasonably valued. We are happy with banks in Hong Kong and Singapore, Chinese and Hong Kong industrials, technology hardware in the right space and selected Hong Kong and Australian domestic names that have lagged the market.

In a nutshell we think caution is warranted and we expect higher levels of market volatility to continue. We do not see the current conditions triggering a market meltdown in Asia but we do see them as a trigger for an overdue reality check. We are likely to maintain the overall current level of hedging in the portfolio but may rearrange how this is achieved. Stock wise we are starting to add to a couple of names in China that look oversold but otherwise are happy to hold our firepower as we believe there is choppy trading to come as credit markets tighten.

Robin Parbrook, King Fuei Lee
For Schroder Investment Management Limited

27 March 2018

Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Investment Portfolio as at 31 December 2017

Investments are classified by the investment manager in the country of their main business operations. Stocks in bold are the 20 largest exposures to companies, which by value account for 54.6% (2016: 48.8%) of total investments and derivative financial instruments.

	£'000	%
China		
Tencent Holdings[1]	**15,553**	**5.0**
Alibaba (ADR)[4]	**12,842**	**4.2**
Midea Group (UBS) 22/06/18[2]	**8,351**	**2.7**
China Lodging Group (ADR)[4]	**6,802**	**2.2**
New Oriental Education and Technology (ADR)[4]	**6,512**	**2.1**
Hangzhou Hikvision Digital (UBS) 07/05/18[2]	**5,779**	**1.9**
Nexteer Automotive[1]	**5,573**	**1.8**
Shenzou International Group[1]	5,360	1.7
China Yangtze Power (UBS) 13/09/18[2]	5,261	1.7
WuXi Biologics[1]	4,553	1.5
Haitian International Holdings[1]	4,129	1.3
NetEase (ADR)[4]	3,265	1.0
Hutchison China MediTech (ADR)[4]	**3,262**	**1.0**
Hutchison China MediTech[3]	**3,069**	**1.0**
Sina[4]	2,811	0.9
Sunny Optical[1]	2,541	0.8
Zhejiang Sanhua (UBS) 17/12/18[2]	1,599	0.5
Total China	**97,262**	**31.3**
Hong Kong		
Jardine Strategic[5]	**9,155**	**3.0**
AIA	**8,996**	**2.9**
Techtronic Industries	**7,762**	**2.5**
Swire Properties	**7,319**	**2.3**
ASM Pacific Technology	**5,679**	**1.8**
Hongkong Land[5]	5,015	1.6
Johnson Electric Holdings	4,404	1.4
HSBC	3,813	1.2
Dah Sing Banking	3,663	1.2
Chow Sang Sang	3,356	1.1
Hang Lung Properties	3,045	1.0
Pacific Textiles Holding	2,721	0.9
Convenience Retail Asia	2,215	0.7
Total Hong Kong	**67,143**	**21.6**

	£'000	%
Taiwan		
Taiwan Semiconductor Manufacturing	**12,054**	**3.9**
Hon Hai Precision Industries	**6,454**	**2.1**
Chroma ATE	**5,827**	**1.9**
Largan Precision	3,994	1.3
Getac Technology	3,847	1.2
Merida Industry	2,588	0.8
Nien Made Enterprise	2,347	0.8
Giant Manufacturing	1,956	0.6
Voltronic Power Technology	1,420	0.5
Total Taiwan	**40,487**	**13.1**
Australia		
BHP Billiton	**6,170**	**2.0**
Incitec Pivot	5,064	1.6
Crown	4,484	1.4
Medibank Private	4,428	1.4
CSL	4,151	1.3
Brambles	4,103	1.3
Resmed	3,951	1.3
Lendlease	3,373	1.1
ASX	2,636	0.8
Total Australia	**38,360**	**12.2**
India		
HDFC Bank (ADR)[4]	**11,862**	**3.8**
Cognizant Technology Solutions[4]	4,491	1.4
Phoenix Mills (Merrill Lynch) 18/06/18[2]	4,187	1.3
Schroder International Selection Fund – Indian Opportunities	2,988	1.0
Indusind Bank LEPO 11/06/19	2,938	0.9
Total India	**26,466**	**8.4**
South Korea		
Samsung Electronics	**14,656**	**4.7**
Mando	3,245	1.0
Total South Korea	**17,901**	**5.7**

Investment Portfolio as at 31 December 2017

	£'000	%
Singapore		
Oversea-Chinese Banking	**5,571**	**1.8**
Mapletree Commercial Trust	4,136	1.3
Venture	4,108	1.3
Total Singapore	**13,815**	**4.4**
Thailand		
Aeon Thana Sinsap	4,158	1.3
Kasikornbank	3,988	1.3
Total Thailand	**8,146**	**2.6**
Indonesia		
Sumber Alfaria Trijaya	2,218	0.7
Total Indonesia	**2,218**	**0.7**
Total Investments[6]	**311,798**	**100.0**
Derivative Financial Instruments		
Index Put Options		
TWSE Put Option 10800 January 2018	130	–
TWSE Put Option 10700 February 2018	150	0.1
TWSE Put Option 10500 March 2018	115	–
Hang Seng Index Put Option 28600 January 2018	55	–
Hang Seng Index Put Option 29200 Febuary 2018	102	–
S And P ASX 200 Put Option 5975 February 2018	42	–
Total Index Put Options[7]	**594**	**0.1**
Index Futures		
SGX MSCI Singapore Index ETS Future January 2018	(28)	–
FTX TAIEX Future January 2018	(192)	(0.1)
Total Index Futures	**(220)**	**(0.1)**
Total Investments and Derivative Financial Instruments	**312,172**	**100.0**

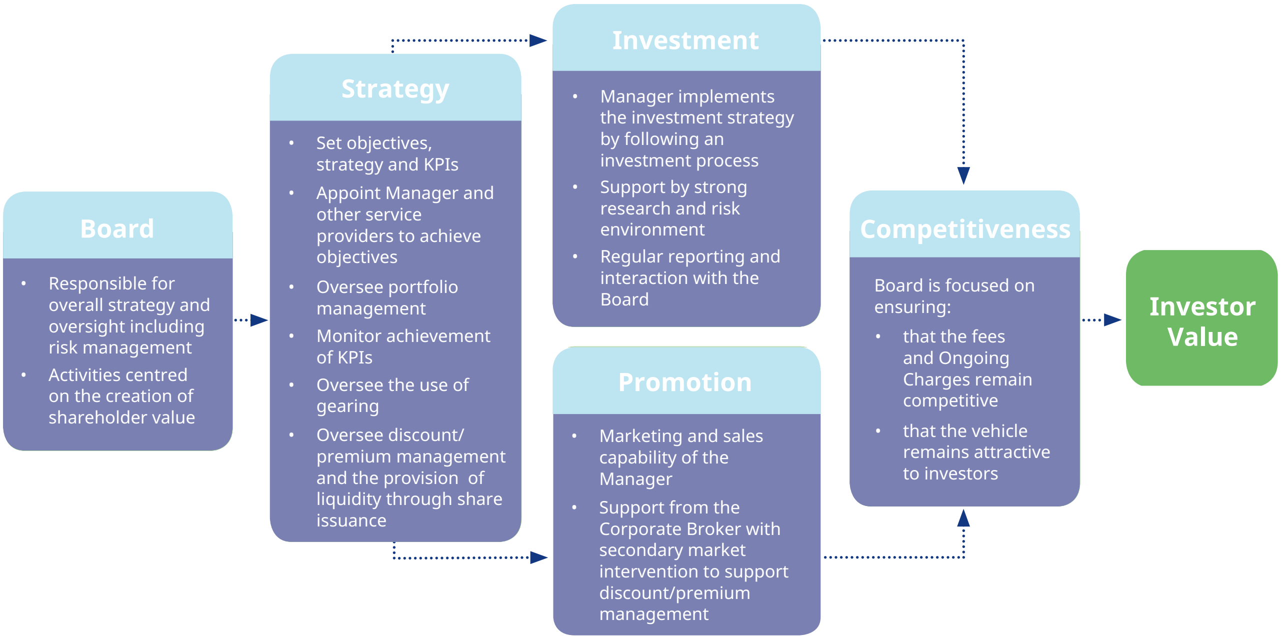
[1]Listed in Hong Kong.
[2]Participatory notes.
[3]Listed in the UK.
[4]Listed in the USA.
[5]Listed in Singapore.
[6]Total investments comprise the following:

	£'000
Equities	236,150
American Depositary Receipts (ADR)	44,545
Participatory notes	25,177
Collective investment funds	2,988
Low exercise price options (LEPO)	2,938
Total investments	311,798

[7]The combined effect of the options gives downside protection to 14.2% of total investments.

Strategic Review

Business model



The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010, by way of a one-off application, and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a "close company" for taxation purposes.

It is not intended that the Company should have a limited life but the Directors consider it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at three yearly intervals. The next continuation vote will be proposed at the Annual General Meeting in 2019.

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, hedging, cash, derivatives and other financial instruments as appropriate.

Investment approach

The Company's strategy has its foundations in the conviction that while there are many excellent companies in Asia, there is also a large percentage of stocks quoted in Asia that are fundamentally challenged and benchmark conscious investment is therefore flawed. Furthermore, the Asian stockmarkets have proved to be exceptionally volatile over the past thirty years. The strategy aims to invest in a portfolio of 40-70 well managed companies, chosen without reference to a benchmark and whose success, profitability, shareholder focus and shareholder returns come from the significant potential of North and South East Asia, India and Australasia (the "region"). It aims to add a degree of capital protection over the full market cycle through hedging market exposure - thus providing attractive stock returns and lower volatility than the wider Asian markets in the longer term.

The Company invests principally in equity and equity-related securities of companies operating primarily in the region, wherever they may be listed, with exposure to small and mid cap companies. Volatility reduction and offering a degree of capital preservation is achieved through the strategic and tactical use of derivatives (principally futures and options on markets and forward foreign currency contracts) to hedge market risk with inputs from the use of quantitative models and a top-down overlay to stock selection. The Company may also seek to do this by significantly disinvesting from markets and holding high levels of cash.

Investment process – an overview

Key attributes of the investment process are as follows:

- Stock selection is unconstrained and driven by proprietary research and investment conviction
- Focus on stocks for absolute return potential, or stocks with significant alpha generation potential
- Decreases overall volatility and risks associated with investing in the Asian region through the use of derivatives for hedging
- A disciplined and repeatable investment process with strong risk controls

The Company's Portfolio Managers, Robin Parbrook in London and King Fuei Lee in Singapore, seek strong fundamentals and value through the bottom-up analysis of companies that look likely to grow shareholder value in the long term. The Portfolio Managers believe that Asian markets are not efficient, are subject to irrational sentiments and many of the best investment ideas are not well researched or understood by investors. This results in the Company having exposure to small and mid cap stocks.

The Company's investment idea generation process has a strong valuation discipline and uses a combination of quantitative screens (using valuation, momentum and quality ratios), and analyst stock ideas which tend to result in the fund exhibiting a tilt towards quality and value.

The Portfolio Managers are supported by an experienced team of 39 research analysts, based in Asia, with an average of 15 years of experience. They also have access to the management of Asian companies – with over 4,200 meetings taking place throughout the Asia Pacific ex Japan region (in 2016); the thoroughness and depth of local investment research resources provides valuable insight into companies and their key issues, a competitive advantage in conducting fundamental bottom-up analysis.

The Portfolio Managers have wide scope in stock selection and are not constrained in terms of the portfolio's exposures by geography or sector. The portfolio is constructed by way of bottom-up stock selection without reference to index weightings. Individual stock positions are sized on an absolute basis around the Portfolio Managers' views on which investments offer the best potential risk adjusted returns and their level of conviction for each company they decide to invest in. By being indifferent to market indices and their constituents, the Company's unconstrained portfolio construction allows for significant participation in sectors and parts of the market in the Asian region that offer attractive growth and investment opportunities. Conversely, the Portfolio Managers are also free to move to more defensive holdings if market conditions prove to be challenging. Considerations around diversification and liquidity provide a risk management overlay to this unconstrained approach to portfolio construction.

The Portfolio Managers may at different junctures identify significant stock level opportunities or attractive entry levels as indicated by prevailing market valuations, and may exercise discretion in capitalising on these opportunities by increasing market exposure through bank borrowing or the use of contracts for difference within limits agreed by the Board.

The Company's strategy also aims to reduce volatility and offer a degree of capital preservation, and this is implemented through the strategic and tactical use of derivatives (principally futures and options on market indices and forward foreign currency contracts) to hedge market risks inherent in the fund's underlying equity holdings. Here the Portfolio Managers use quantitative models and a top-down overlay analysing economic and market trends to assess near and medium term market risks and its resultant impact on the fund's equity holdings, and decide on the level of hedging desired.

If the Portfolio Managers judge markets to be significantly overpriced or are facing material risks of a substantial correction, they may also choose to exit selected equity holdings and go into cash or cash equivalents to provide further downside protection.

Investment restrictions and spread of risk

In accordance with its investment objective, the Company invests in a diversified portfolio with the aim of spreading investment risk which is monitored by the Manager.

The key restrictions imposed on the Manager are that:

(a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company or group of companies;

(b) subject to the approval of the Board, the Company may invest in collective vehicles. If it was to do so, however, no more than 10% of the Company's total net assets, at the date of acquisition, may be invested in UK listed closed-ended investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other UK listed closed-ended investment companies;

(c) the Company will not invest more than 15% of its gross assets in UK listed closed-ended investment companies;

(d) no more than 50% of the Company's total net assets may be invested in equities listed on a single stock exchange; and

(e) the Manager will not invest in unlisted equities other than with the approval of the Board or when entitlements are received or immediately prior to a listing.

The Investment Portfolio on pages 9 and 10 demonstrates that, as at 31 December 2017, the Company held 61 investments spread over a range of industry sectors. The largest investment, Tencent Holdings, represented 5.0% of total investments. The Board therefore believes that the objective of spreading investment risk has been achieved.

Strategic Review

Promotion

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

Details of the Board's approach to discount/premium management and share issuance may be found in the Chairman's Statement on page 3 and in the Explanation of Special Business at the AGM on page 52.

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. Comment on performance against the investment objective can be found in the Chairman's Statement. The Board also monitors the performance of the Company against the peer group average.

The performance objective is also reflected in the Manager's fee which rewards performance above an absolute hurdle. Further details of the fees paid to the Manager may be found in the Directors' Report on page 20.

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 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 diversity

As at 31 December 2017, the Board comprised three men and two women. 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 selected relative to a number of different criteria, including diversity of gender.

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.

Corporate responsibility

The Company is committed to carrying out its business in a responsible manner and has appropriate policies in place relating to the key areas of corporate responsibility, including in respect of anti-bribery and corruption and the prevention of the facilitation of tax evasion.

Key Information Document

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

Greenhouse gas emissions

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

Strategic Review

Principal risks and uncertainties

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

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

The principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review, 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 is 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 fee levels.
Investment management The Manager's investment strategy, 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 the 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.
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 or substantial currency fluctuation could have an adverse impact on the market value of the Company's underlying investments.	Risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager. Derivative strategy employed by the Manager subject to review by the Board. Board considers overall hedging policy on a regular basis.

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 monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 30% of net asset value. Board oversight of the Manager's use of derivatives.
Accounting, legal and regulatory In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act 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, principally the Manager, Depositary and Registrar. 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 audited internal controls reports from key service providers, including confirmation of business continuity arrangements and follow up of remedial actions as required 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 and Risk Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the Audit and Risk Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 21 to the accounts on pages 46 to 51.

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 December 2017 and the potential impact 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 and in particular the impact of a significant fall in regional equity markets on the value of the Company's investment portfolio. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.

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.

In reaching this decision, the Board has taken into account the Company's next continuation vote, on the assumption that it will be passed in 2019.

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

27 March 2018

Board of Directors

David Brief

Status: independent non-executive Chairman

Length of service: 10 years – appointed a Director in November 2007 and Chairman in April 2015
Experience: Mr Brief has worked in investment management since 1979. He was Chief Investment Officer of BAE Systems Pension Fund Investment Management Limited from 2001 to 2011, having previously been Chief Investment Officer at both TRW (Lucas) and Courtaulds Pension Scheme. He is a non-executive director of The City of London Investment Trust plc. He was formerly an independent adviser to the British Coal Staff Superannuation Scheme, Rio Tinto Pension Schemes, and J Sainsbury Pension Scheme.
Committee membership: Management Engagement and Nominations Committees (Chairman)
Current remuneration: £40,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Caroline Hitch

Status: independent non-executive Director

Length of service: 3 years – appointed a Director in February 2015
Experience: Ms Hitch has worked in the financial services industry since the early 1980s, mostly with the HSBC group. Her experience includes Head of Wealth Portfolio Management at HSBC Global Asset Management (UK) Ltd. with investment management responsibility for their flagship multi asset retail funds. Prior roles took her to various locations including Hong Kong. Ms Hitch is a non-executive director of Standard Life Equity Income Trust plc and CQS New City High Yield Ltd.
Committee membership: Audit and Risk, Management Engagement and Nominations 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

Mike Holt

Status: independent non-executive Director and Chairman of the Audit and Risk Committee

Length of service: 3 years – appointed a Director in July 2014 and Chairman of the Audit and Risk Committee in October 2014
Experience: Mr Holt was CFO of Low & Bonar PLC, an international performance materials group, from 2010 until 2017 and was Group Finance Director of Vp plc from 2004 to 2010. Prior to 2004, he held a number of senior financial positions with Rolls-Royce Group plc in the UK, the USA and Hong Kong. He is a Fellow of The Institute of Chartered Accountants in England & Wales and an associate member of The Association of Corporate Treasurers.
Committee membership: Audit and Risk (Chairman), Management Engagement and Nominations Committees
Current remuneration: £35,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Board of Directors

Christopher Keljik, OBE

Status: senior independent non-executive Director

Length of service: 10 years – appointed a Director in November 2007 and Senior Independent Director in April 2014
Experience: Mr Keljik is currently a non-executive director of Sanditon Investment Trust plc. He was previously a group executive director of Standard Chartered plc; the senior independent director of Foreign & Colonial Investment Trust plc and Millennium & Copthorne Hotels plc; and a non-executive director of Jardine Lloyd Thompson Group plc. He is a Fellow of the Institute of Chartered Accountants in England & Wales.
Committee membership: Audit and Risk, Management Engagement and Nominations 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

Sarah MacAulay

Status: independent non-executive Director

Length of service: appointed a Director in March 2018
Experience: Ms MacAulay is a non-executive director of JPMorgan Multi-Asset Trust plc and Aberdeen New Thai Investment Trust plc. She is also a Trustee of Glendower School Trust, an educational charitable Trust. She was formerly a director of Baring Asset Management (Asia) Ltd, head of Asian equities at Kleinwort Benson Investment Management and Eagle Star Investment Management.
Committee membership: Audit and Risk, Management Engagement and Nominations 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

Alexandra Mackesy

Status: independent non-executive Director

Length of service: 9 years – appointed a Director in November 2008
Experience: Mrs Mackesy is a non-executive director of The Scottish Oriental Smaller Companies Trust Plc and Murray International Trust plc. She was a former non-executive director of RENN Universal Growth plc and Empiric Student Property plc. Since 2000, she has worked as a part-time consultant in Asia. Prior to this, she held posts in Hong Kong with Credit Suisse as Director, Head of Hong Kong and China Equity Research, JP Morgan as Director, Asian Equity Research and with SBC Warburg/SG Warburg as Director, Hong Kong Equity Research.
Committee membership: Audit and Risk, Management Engagement and Nominations 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

Directors' Report

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

Revenue and dividend

The net revenue return for the year, after finance costs and taxation, was £4,183,000 (2016: £3,940,000), equivalent to a revenue return per ordinary share of 5.48 pence (2016: 5.40 pence).

For the year ended 31 December 2017, the Directors have recommended a final dividend of 4.80 pence per ordinary share which, subject to approval by shareholders at the forthcoming Annual General Meeting, will be paid on 16 May 2018 to shareholders on the register on 6 April 2018.

Directors and their interests

The Directors of the Company at the date of this Report and their biographical details can be found on pages 17 and 18. All Directors held office throughout the year under review with the exception of Ms Sarah MacAulay who was appointed as a Director on 2 March 2018. Details of Directors' share interests in the Company are set out in the Directors' Remuneration Report on page 27.

In accordance with the Company's Articles of Association, Ms MacAulay will seek election at the forthcoming Annual General Meeting ("AGM"), this being the first AGM since her appointment.

Notwithstanding the provisions of the Company's Articles of Association and the UK Corporate Governance Code in respect of the periodic re-election of Directors, the Board considers that shareholders should be given the opportunity to vote on the re-election of all of its members on an annual basis. Accordingly, Mr Brief, Ms Hitch and Mr Holt will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Mr Keljik and Mrs Mackesy will retire at the forthcoming AGM and will not seek re-election and Ms Hitch will become the Senior Independent Director on this date, subject to her re-election at the AGM.

Proposed re-election as a Director is not automatic and follows a formal process of evaluation of each Director's performance and 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. The Board also recommends that shareholders vote in favour of the election of Ms MacAulay.

Share capital

As at the date of this Report, the Company had 84,562,055 ordinary shares of 5p in issue. A total of 642,757 shares were held in treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 84,562,055. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 43.

Substantial share interests

As at the date of this Report, the Company has received notifications in accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Ordinary shares as at 31 December 2017	% of total voting rights
Old Mutual	11,341,474	13.67
F&C Asset Management plc	3,547,705	4.28
Investec Wealth & Investment Limited	2,743,593	3.31

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 six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this Report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate. The Manager has delegated investment management, accounting, administration 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 cover.

The Schroders Group manages £447 billion (as at 31 December 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.

Under the terms of the AIFM agreement, the Manager is entitled to a fee at a rate of 0.65% of gross assets less cash and cash equivalents.

A performance fee is payable amounting to 10% of any outperformance of the NAV over an annual hurdle of 7%, provided that the closing NAV per share exceeds the "high water mark" NAV at the date the last performance fee was paid. The sum of the base fee and any performance fee payable is capped at 2% of the closing net assets.

With effect from 1 January 2018, the sum of the base fee and any performance fee payable will be capped at 1.5% of the closing net assets.

If the Company invests in funds managed or advised by the Manager, any fees earned by the Manager from those investments are rebated to the Company.

The management fee payable in respect of the year ended 31 December 2017 amounted to £1,711,000 (2016: £1,267,000). A performance fee amounting to £4,177,000 (2016: £2,650,000) is payable for the year. The Manager is also entitled to a fee for providing administrative, accounting and company secretarial services to the Company. For these services in the year ended 31 December 2017, the Manager received a fee of £75,000 (2016: same).

Details of all amounts payable to the Manager are set out in note 18 to the accounts on page 45.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth of resource to deliver above average returns over the longer term. Therefore, 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.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, carries out certain duties of a Depositary specified in the AIFM Directive including, in relation to the Company:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Corporate Governance Statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council 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 ("FRC") and is available to download from www.frc.org.uk.

Compliance statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 25 and 16 respectively, indicates how the Company has complied with the principles of good governance of the Code 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.

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.

Directors' Report

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 trust 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 provided on a regular basis 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 Senior Independent Director. 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 the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in December 2017.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the Directors throughout the year. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. This is a qualifying third party indemnity. This indemnity was in place throughout the year under review and to the date of this report.

Directors' attendance at meetings

Five 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 premium or discount of the Company's shares to underlying NAV per share and promotion of the Company; and an evaluation of service providers. Additional meetings of the Board are arranged as required.

The number of meetings of the Board and its Committees held during the year under review, and the attendance of individual Directors, is shown below. Whenever possible all Directors attend the Annual General Meeting.

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee
David Brief	5/5	1/1	N/A	1/1
Caroline Hitch	5/5	1/1	2/2	1/1
Mike Holt	5/5	1/1	2/2	1/1
Christopher Keljik	4/5	0/1	1/2	1/1
Alexandra Mackesy	5/5	1/1	2/2	1/1

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.

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, as well as the Senior Independent Director, attend the Annual General Meeting ("AGM") and are available to respond to queries and concerns from shareholders.

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 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, is outlined on page 22.

Directors' Report

The Committees of the Board have defined terms of reference, setting out the Committees' duties and responsibilities, which are available on the Company's webpage www.schroders.com/satric. Membership of the Committees is set out on pages 17 and 18 of this Report.

Nominations Committee

The Nominations Committee is responsible for succession planning, bearing in mind the balance of skills, knowledge, experience and diversity of the Board, and will recommend to the Board when changes to its composition are required. The Nominations Committee aims to maintain a balance of relevant skills, experience and length of service of the Directors serving on the Board, taking diversity, including gender, into account.

To discharge its duties, the Nominations Committee met once during the year under review to discuss Board succession. The Chairman of the Board acts as Chairman of the Nominations Committee but does not participate when the Chairman's performance, re-election or successor is being considered.

Before the appointment of a new Director, the Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, the Board also recognises the importance of diversity. The Board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as 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 to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are sourced through an external agency and interviewed by members of the Committee, which makes a recommendation to the Board. In respect of the appointment of Ms MacAulay, the Committee utilised the services of Cornforth Consulting in the selection of suitable candidates for a new Director. Cornforth Consulting 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. All Directors are members of the Committee which is chaired by the Chairman of the Board. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met once during the year under review and considered the performance and suitability of the Manager, the terms and conditions of the AIFM agreement, the performance and suitability of other service providers and the Committee's terms of reference.

Audit and Risk Committee

The role and activities of the Audit and Risk Committee are set out overleaf in the Audit and Risk Committee Report which is incorporated into and forms part of the Directors' Report.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

27 March 2018

Report of the Audit and Risk Committee

This Report sets out the responsibilities and work carried out by the Audit and Risk Committee during the year under review.

During the period, the Board changed the name of the Audit Committee to give greater pre-eminence to its focus on risk.

The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Audit and Risk Committee met twice during the year under review. The Audit and Risk 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 Auditors;
- evaluating the Auditors' performance; and
- reviewing the principal risks and uncertainties 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 December 2017, the Audit and Risk Committee, having deliberated on the Company's principal risk and uncertainties, considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting:

Issue considered	How the issue was addressed
– Valuation and existence of holdings	– Review of portfolio holdings and assurance reports on controls from the Manager and Depositary.
– Recognition of investment income	– Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
– Calculation of the investment management fee and performance fee	– Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.
– Overall accuracy of the Annual Report and Accounts	– Consideration of the draft Annual Report and Accounts and the letter from the Manager in support of the letter of representation to the Auditors.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager, Depositary and Registrar, including assurance reports on these controls.
– Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	– Consideration of the Manager's report confirming compliance.

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

Report of the Audit and Risk Committee

Effectiveness of the independent audit process

The Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditors' performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Manager on the audit process and the year end report from the Auditors, 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 Auditors without representatives of the Manager present.

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

The Auditors are required to rotate the Senior Statutory Auditor every five years. This is the third year that the Senior Statutory Auditor has conducted the audit of the Company's financial statements.

PricewaterhouseCoopers LLP has provided audit services to the Company from its incorporation in 1987 to date. The Statutory Auditors and Third Country Regulations 2016 (the "Regulations") were published on 17 June 2016 and take effect for financial periods commencing on or after that date. The Audit and Risk Committee has reviewed the impact of the Regulations on the Company's current policies, noting that they include mandatory periodic rotation of the Auditors and re-tendering of the audit contract. PricewaterhouseCoopers LLP must be replaced as the Company's Auditors before the audit in 2020. Having consulted major Shareholders, the Committee will tender for audit services in 2019 but recommends the re-appointment of PwC for the 2018 audit. The tender process will be overseen by the Committee, which will invite a number of audit firms to participate before making a recommendation to the Board for approval. PricewaterhouseCoopers LLP is prevented from taking part in the process under the Regulations.

There are no contractual obligations restricting the choice of external auditors.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the Directors to determine their remuneration, will be proposed at the AGM.

Provision of information to the Independent Auditors

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

Provision of non-audit services

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

The Auditors have not provided any non-audit services 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 Committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the Directors annually review whether an internal audit function is needed.

Mike Holt
Audit and Risk Committee Chairman

27 March 2018

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors 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.

The Manager is responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that 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 performance position, business model and strategy.

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

- the Company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Directors' 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.

On behalf of the Board

David Brief
Chairman

27 March 2018

Governance

Directors' Remuneration Report

Introduction

This Report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM to be held in 2020. In addition, the below Directors' Remuneration Report is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the AGM held on 26 April 2017, 99.70% 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 0.30% were against. 11,405 votes were withheld.

At the AGM held on 26 April 2017, 99.84% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Report for the year ended 31 December 2016 were in favour, while 0.16% were against. 28,707 votes were withheld.

Directors' Remuneration Policy

The determination of the Directors' fees is a matter dealt with by 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 Association. This aggregate level of Directors' fees is currently set at £250,000 per financial year and any increase in this level requires approval by the Board and the Company's shareholders.

The Chairman of the Board and the Chairman of the Audit and Risk Committee each receive fees at a higher rate than the other Directors to reflect their additional responsibilities. Directors' fees 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 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 Directors' Remuneration Report sets out how the Directors' remuneration policy was implemented during the year ended 31 December 2017.

Fees paid to Directors

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

	Salary/fees 2017 £	2016 £
David Brief (Chairman)	**40,000**	35,000
Caroline Hitch	**30,000**	25,000
Mike Holt	**35,000**	28,500
Christopher Keljik	**30,000**	25,000
Alexandra Mackesy	**30,000**	25,000
Total	**165,000**	138,500

The information in the above table has been audited.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board in December 2017. The members of the Board at the time that remuneration levels were considered were as set out on pages 17 and 18 (except Ms MacAulay, who was appointed in March 2018). Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration. Following this review, it was determined that Directors' fees would remain unchanged. The last change to Directors' fees was effective from 1 January 2017.

Directors' Remuneration Report

The Board is minded to consider fee increases on a three-year cycle. Fees will however continue to be reviewed on an annual basis.

Expenditure by the Company on remuneration and distributions to shareholders

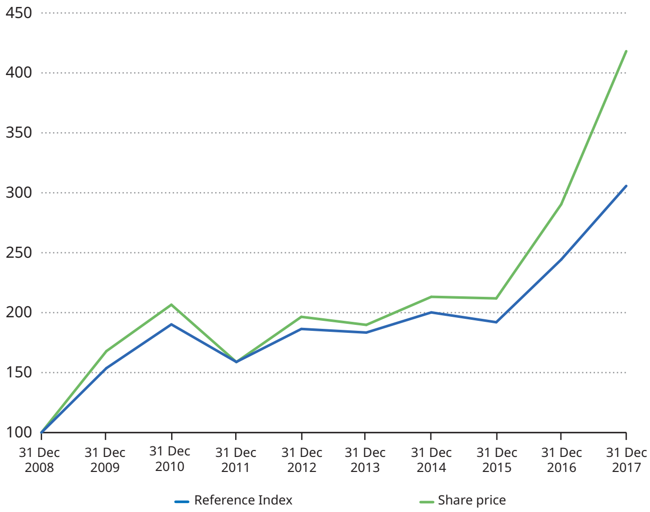
The table below compares the remuneration payable to Directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000	Change (%)
Remuneration payable to Directors	**165**	139	18.7
Distributions to shareholders:			
Dividends	**3,273**	2,772	18.1
Share buy-backs	**334**	503	(33.6)
	3,607	3,275	10.1

Performance graph

A graph showing the Company's share price total return compared with the Reference Index over the last nine years is set out below. The Reference Index has been selected as an appropriate comparison based on the composition of the Company's investment portfolio.

Nine year share price and Reference Index total returns[1,2]



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2008.

[2]Definitions of terms and performance measures are given on page 56.

Directors' share interests

The Company's Articles of Association 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.

	At 31 December 2017[1]	At 31 December 2016[1]
David Brief	**36,171**	36,171
Caroline Hitch	**10,000**	10,000
Mike Holt	**10,000**	10,000
Christopher Keljik	**127,304**	121,116
Alexandra Mackesy	**5,290**	5,290

[1]Ordinary shares of 5p each.

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

The information in the above table has been audited (see Independent Auditors' Report on pages 28 to 33).

The Portfolio Managers and their family and connected persons' interests in the Company were approximately 375,000 ordinary shares as at the date of this Report.

On behalf of the Board

David Brief
Chairman

27 March 2018

Governance

Independent Auditors' Report to the Members of Schroder Asian Total Return Investment Company plc

Report on the audit of the financial statements

Opinion

In our opinion, Schroder Asian Total Return Investment Company plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of changes in equity, the cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

Materiality

- Overall materiality: £2.94 million (2016: £1.95 million), based on 1% of net assets.

Audit scope

- The Company is a standalone Investment Trust Company and engages Schroder Unit Trusts Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from HSBC Securities Services ("HSS") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the internal controls in place at both the Manager and the Administrator, identified and tested those controls on which we wished to place reliance and then performed substantive testing using reports obtained from the Administrator.

Key audit matters

- Income from investments.
- Valuation and existence of investments.
- Performance fee.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Independent Auditors' Report to the Members of Schroder Asian Total Return Investment Company plc

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules and section 1158 of the Corporation Tax Act 2010. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries with management and testing the Company's compliance with section 1158 in the current year. We also tested the tax disclosures in Note 7. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Income from investments Refer to page 23 (Report of the Audit and Risk Committee), page 37 (Accounting Policies) and page 39 (Notes to the Accounts). ISAs (UK) presume there is a risk of fraud in income recognition. We considered this risk to specifically relate to the risk of overstating investment gains and the misclassification of dividend income as either income or capital if one is particularly underperforming in line with the total return objective of the Company. We focused on the valuation of investments with respect to gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP").	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No misstatements were identified by our testing which required reporting to those charged with governance. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all dividends during the year. Our testing did not identify any unrecorded dividends.

Independent Auditors' Report to the Members of Schroder Asian Total Return Investment Company plc

Key audit matter	How our audit addressed the key audit matter
	We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the classification of income and capital special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.
Valuation and existence of investments Refer to page 23 (Report of the Audit and Risk Committee), page 37 (Accounting Policies) and page 42 (Notes to the Accounts). The investment portfolio at 31 December 2017 comprised listed equity investments, collective investment funds, low exercise price options, participatory notes and American Depositary Receipts of £312 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.	We tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We agreed the existence of investments to independent third party sources by agreeing the holdings of investments to an independent confirmation from the Custodian, HSBC Bank plc as at 31 December 2017. No differences were identified.
Performance fee Refer to page 23 (Report of the Audit and Risk Committee), page 37 (Accounting Policies) and page 39 (Notes to the accounts). A performance fee is payable for the year of £4.18m. We focused on this area because the performance fee is calculated using a methodology as set out in the Investment Management Agreement between the Company and the Manager.	We tested the calculation of the performance fee to ensure that it complies with the methodology as set out in the Investment Management Agreement, and agreed the inputs, including the Net Asset Value, to the calculation to independent third party sources, where applicable. No misstatements were identified by our testing which required reporting to those charged with governance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to HSS who maintains the Company's accounting records and who has implemented controls over those accounting records.

As part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and HSS to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and HSS in accordance with generally accepted assurance standards for such work. Following this assessment, we then identified those relevant controls at HSS on which we could place reliance to provide audit evidence. We then applied professional judgement to determine the extent of substantive testing required over each balance in the financial statements.

Materiality

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

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

Overall materiality	£2.94 million (2016: £1.95 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

Independent Auditors' Report to the Members of Schroder Asian Total Return Investment Company plc

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £147,000 (2016: £97,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06).

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06).

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

– The Directors' confirmation on page 14 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

– The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

– The Directors' explanation on page 16 of the Annual Report as to how they have assessed the prospects of the Company, 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 Company will be able to continue in operation and meet its liabilities

Independent Auditors' Report to the Members of Schroder Asian Total Return Investment Company plc

as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules).

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 25, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 23 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06).

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Members of Schroder Asian Total Return Investment Company plc

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members in 1987 to audit the financial statements for the year ended 31 December 1987 and subsequent financial periods. The period of total uninterrupted engagement is 31 years, covering the years ended 31 December 1987 to 31 December 2017.

Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 March 2018

Income Statement for the year ended 31 December 2017

	Note	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments held at fair value through profit or loss	2	–	78,351	78,351	–	46,666	46,666
Net losses on derivative contracts		–	(8,866)	(8,866)	–	(485)	(485)
Net foreign currency gains/(losses)		–	1,665	1,665	–	(2,289)	(2,289)
Income from investments	3	5,483	30	5,513	4,765	–	4,765
Other interest receivable and similar income	3	11	–	11	34	–	34
Gross return		5,494	71,180	76,674	4,799	43,892	48,691
Investment management fee	4	(428)	(1,283)	(1,711)	(317)	(950)	(1,267)
Performance fee	4	–	(4,177)	(4,177)	–	(2,650)	(2,650)
Administrative expenses	5	(646)	–	(646)	(564)	–	(564)
Net return before finance costs and taxation		4,420	65,720	70,140	3,918	40,292	44,210
Finance costs	6	(78)	(235)	(313)	(42)	(126)	(168)
Net return on ordinary activities before taxation		4,342	65,485	69,827	3,876	40,166	44,042
Taxation on ordinary activities	7	(159)	–	(159)	64	–	64
Net return on ordinary activities after taxation		4,183	65,485	69,668	3,940	40,166	44,106
Return per share – basic and diluted	9	5.48p	85.78p	91.26p	5.40p	55.07p	60.47p

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 items of other comprehensive income, and therefore the net return on ordinary activities after taxation 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 51 form an integral part of these accounts.

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

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2015	4,260	5	11,646	29,182	98,120	10,973	154,186
Repurchase of the Company's own shares into treasury	–	–	–	–	(503)	–	(503)
Net return on ordinary activities	–	–	–	–	40,166	3,940	44,106
Dividend paid in the year	–	–	–	–	–	(2,772)	(2,772)
At 31 December 2016	4,260	5	11,646	29,182	137,783	12,141	195,017
Repurchase of the Company's own shares into treasury	–	–	–	–	(334)	–	(334)
Reissue of shares out of treasury	–	12,340	–	–	21,008	–	33,348
Net return on ordinary activities	–	–	–	–	65,485	4,183	69,668
Dividend paid in the year	–	–	–	–	–	(3,273)	(3,273)
At 31 December 2017	**4,260**	**12,345**	**11,646**	**29,182**	**223,942**	**13,051**	**294,426**

The notes on pages 37 to 51 form an integral part of these accounts.

Statement of Financial Position at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**311,798**	207,947
Current assets	11		
Debtors		**269**	1,255
Cash at bank and in hand		**2,315**	7,310
Derivative financial instruments held at fair value through profit or loss		**594**	2,681
		3,178	11,246
Current liabilities	12		
Creditors: amounts falling due within one year		**(20,330)**	(24,176)
Derivative financial instruments held at fair value through profit or loss		**(220)**	–
		(20,550)	(24,176)
Net current liabilities		**(17,372)**	(12,930)
Total assets less current liabilities		**294,426**	195,017
Net assets		**294,426**	195,017
Capital and reserves			
Called-up share capital	13	**4,260**	4,260
Share premium	14	**12,345**	5
Capital redemption reserve	14	**11,646**	11,646
Special reserve	14	**29,182**	29,182
Capital reserves	14	**223,942**	137,783
Revenue reserve	14	**13,051**	12,141
Total equity shareholders' funds		**294,426**	195,017
Net asset value per share:	15		
Undiluted		**354.79p**	268.07p
Diluted		**354.79p**	267.09p

The accounts were approved and authorised for issue by the Board of Directors on 27 March 2018 and signed on its behalf by:

David Brief
Chairman

The notes on pages 37 to 51 form an integral part of these accounts.

Registered in England and Wales as a public company limited by shares

Company registration number: 02153093

Financial

Cash Flow Statement for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	16	**572**	3,037
Servicing of finance			
Interest paid		**(310)**	(161)
Net cash outflow from servicing of finance		**(310)**	(161)
Investment activities			
Purchases of investments		**(111,024)**	(61,360)
Sales of investments		**86,511**	54,721
Cash flows on derivative instruments		**(6,558)**	(2,839)
Net cash outflow from investment activities		**(31,071)**	(9,478)
Dividends paid		**(3,273)**	(2,772)
Net cash outflow before financing		**(34,082)**	(9,374)
Financing			
Bank loan (repaid)/drawn down		**(3,905)**	10,776
Reissue of shares out of treasury		**33,348**	–
Repurchase of the Company's own shares into treasury		**(334)**	(503)
Net cash inflow from financing		**29,109**	10,273
Net cash (outflow)/inflow in the year	17	**(4,973)**	899

The notes on pages 37 to 51 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") 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 accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments held at fair value through profit or loss.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 December 2016.

(b) Valuation of investments

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 strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". Investments are included initially at fair value which is taken to be their cost. Subsequently, investments are valued at fair value, which are quoted bid prices at 2400 hours on the accounting date, for investments traded in active markets. Participatory notes are valued using the quoted bid prices of the underlying securities.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments are included in the Income Statement 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 are included in the Income Statement 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 Income Statement and in capital reserves.

The cost of repurchasing the Company's own shares for cancellation or to hold in treasury, including the related stamp duty and transactions costs is charged to a distributable capital reserve.

(d) Income

Dividends receivable 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.

Dividends from overseas companies are included gross of any withholding tax.

Where the Company has elected to receive dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

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

(e) Expenses

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

- The management fee is allocated 25% to revenue and 75% 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 of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. 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 42.

Notes to the Accounts

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method in accordance with FRS 102.

Finance costs are allocated 25% to revenue and 75% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Other financial instruments

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Cash at bank and in hand 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.

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

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

(h) Taxation

The tax charge for the year includes a provision for all amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to capital.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of any related irrecoverable VAT.

(j) Foreign currency

In accordance with FRS 102, the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency and the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and equity investments, denominated in foreign currencies at the year end, are translated at the rates of exchange prevailing at the year end.

(k) Dividends payable

In accordance with FRS 102, the final dividend is included in the accounts in the year in which it is approved by shareholders.

(l) Repurchases of shares into treasury and subsequent reissues

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs, is dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in treasury are subsequently cancelled, the nominal value of those shares is transferred out of "called-up share capital" and into "capital redemption reserve".

The sales proceeds of treasury shares reissued are treated as a realised profit up to the amount of the purchase price of those shares and is transferred to capital reserves. The excess of the sales proceeds over the purchase price is transferred to "share premium".

Notes to the Accounts

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	25,397	6,607
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(15,803)	797
Gains on sales of investments based on the carrying value at the previous balance sheet date	9,594	7,404
Net movement in investment holding gains and losses	68,757	39,262
Gains on investments held at fair value through profit or loss	78,351	46,666

3. Income

	2017 £'000	2016 £'000
Income from investments:		
Overseas dividends	5,483	4,712
Stock dividends	–	53
	5,483	4,765
Other interest receivable and similar income		
Securities lending fees	5	30
Deposit interest	6	4
	11	34
	5,494	4,799
Capital:		
Special dividend allocated to capital	30	–

4. Investment management and performance fees

		2017			2016	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	428	1,283	1,711	317	950	1,267
Performance fee	–	4,177	4,177	–	2,650	2,650
	428	5,460	5,888	317	3,600	3,917

The bases for calculating the investment management and performance fees are set out in the Report of the Directors on page 20 and details of all amounts payable to the Manager are given in note 18 on page 45.

5. Administrative expenses

	2017 £'000	2016 £'000
Administration expenses	300	261
Directors' fees[1]	165	139
Custody fees	80	63
Secretarial fee	75	75
Auditors' remuneration for audit services	26	26
	646	564

[1]Details of all amounts payable to Directors are given in the Directors' Remuneration Report on page 26.

Financial

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	**78**	**235**	**313**	42	126	168

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Irrecoverable overseas tax	**342**	**–**	**342**	253	–	253
Taiwanese withholding tax recovered	**(183)**	**–**	**(183)**	(317)	–	(317)
Taxation on ordinary activities	**159**	**–**	**159**	(64)	–	(64)

The Company has no corporation tax liability for the year ended 31 December 2017 (2016: nil).

(b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK was reduced from 20% to 19%, effective from 1 April 2017. Accordingly, the Company's profits for this accounting year would be taxed at a rate of 19.25% (2016: 20.00%). However the corporation tax charge for the year is nil (2016: nil), as dividends and capital gains are not subject to corporation tax. The tax charge comprises irrecoverable withholding tax deducted at source from dividends receivable, less certain amounts of Taiwanese withholding tax which have been recovered during the year.

The table below shows how taxable income is reduced to zero by reconciling the expected corporation tax due on the net return on ordinary activities before taxation based on current tax rates, to the actual tax charge for the year.

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net return on ordinary activities before taxation	**4,342**	**65,485**	**69,827**	3,876	40,166	44,042
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.25% (2016: 20.00%)	**836**	**12,606**	**13,442**	775	8,033	8,808
Effects of:						
Capital returns on investments	**–**	**(13,696)**	**(13,696)**	–	(8,778)	(8,778)
Income not subject to taxation	**(998)**	**(6)**	**(1,004)**	(885)	–	(885)
Overseas withholding tax	**342**	**–**	**342**	253	–	253
Taiwanese withholding tax recovered	**(183)**	**–**	**(183)**	(317)	–	(317)
Relief for overseas tax expensed	**(5)**	**–**	**(5)**	–	–	–
Unrelieved expenses	**167**	**1,096**	**1,263**	110	745	855
Taxation on ordinary activities	**159**	**–**	**159**	(64)	–	(64)

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £6,527,000 (2016: £5,412,000) based on a prospective corporation tax rate of 17% (2016: 17%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

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

Notes to the Accounts

Given the Company's intention to meet the conditions required to retain its status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

Dividends paid and declared

	2017 £'000	2016 £'000
2016 final dividend of 4.50p (2015: 3.80p), paid out of revenue profits[1]	**3,273**	2,772

	2017 £'000	2016 £'000
2017 final dividend proposed of 4.80p (2016: 4.50p), to be paid out of revenue profits[2]	**3,983**	3,274

[1]The 2016 final dividend amounted to £3,274,000. However the amount actually paid was £3,273,000 as shares were repurchased into treasury after the accounting date but prior to the dividend Record Date.
[2]The proposed final dividend amounting to £3,983,000 (2016: £3,274,000) is the amount used for the basis of determining whether the Company has satsified the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £4,183,000 (2016: £3,940,000).

9. Return per share

	2017 £'000	2016 £'000
Revenue return	**4,183**	3,940
Capital return	**65,485**	40,166
Total return	**69,668**	44,106
Weighted average number of shares in issue during the year	**76,336,740**	72,931,791
Revenue return per share	**5.48p**	5.40p
Capital return per share	**85.78p**	55.07p
Total return per share	**91.26p**	60.47p

There is no dilution to the above returns per share when the diluted returns are calculated in accordance with the requirements of IAS 33, as is required by FRS 102.

Details of changes in the number of potentially dilutive treasury shares in issue during the year are given in note 15 on page 44.

Financial

Notes to the Accounts

10. Investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Opening book cost	**156,604**	144,119
Opening investment holding gains	**51,343**	11,284
Opening valuation	**207,947**	155,403
Purchases at cost	**111,024**	61,413
Sales proceeds	**(85,524)**	(55,535)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**9,594**	7,404
Net movement in investment holding gains and losses	**68,757**	39,262
Closing valuation	**311,798**	207,947
Closing book cost	**207,501**	156,604
Closing investment holding gains	**104,297**	51,343
Total investments held at fair value through profit or loss	**311,798**	207,947

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

	2017 £'000	2016 £'000
On acquisitions	**127**	96
On disposals	**304**	125
	431	221

11. Current assets

Debtors

	2017 £'000	2016 £'000
Securities sold awaiting settlement	**–**	987
Taxation recoverable	**141**	78
Dividends and interest receivable	**111**	173
Other debtors	**17**	17
	269	1,255

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

Cash at bank and in hand

The carrying amount of cash, amounting to £2,315,000 (2016: £7,310,000), represents its fair value.

	2017 £'000	2016 £'000
Derivative financial instruments held at fair value through profit or loss		
Index put options	**594**	2,167
Forward foreign currency contracts	**–**	514
	594	2,681

Details of index put options held at the year end are given on page 10.

Details of the Company's strategy for managing currency risk are given in note 21(a)(i) on page 47.

Notes to the Accounts

12. Current liabilities

Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loan	**15,450**	21,042
Other creditors and accruals	**4,880**	3,134
	20,330	24,176

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

The bank loan comprises US$20.9 million (2016: US$26.0 million) drawn down on the Company's £25 million, 364 day multi-currency credit facility with Scotiabank.

The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 21(a)(ii) on page 48.

	2017 £'000	2016 £'000
Derivative financial instruments held at fair value through profit or loss		
Index futures	**220**	–

13. Called-up share capital

	2017 £'000	2016 £'000
Allotted, called-up and fully paid:		
Ordinary shares of 5p each:		
Opening balance of 72,749,141 (2016: 72,949,141) shares	**3,637**	3,647
Reissue of 10,357,914 (2016: nil) shares out of treasury	**518**	–
Repurchase of 120,000 (2016: 200,000) shares into treasury	**(6)**	(10)
Subtotal of 82,987,055 (2016: 72,749,141) shares	**4,149**	3,637
2,217,757 (2016: 12,455,671) shares held in treasury	**111**	623
Closing balance[1]	**4,260**	4,260

[1]Represents 85,204,812 (2016: 85,204,812) shares of 5p each, including 2,217,757 (2016: 12,455,671) held in treasury. During the year, a total of 10,357,914 shares (2016: nil), nominal value £517,896, were reissued to the market out of treasury to satisfy demand, at an average price of 322.0p per share, for a total consideration of £33,348,000. During the year 120,000 shares, nominal value £6,000, were repurchased to hold in treasury, for a total consideration of £334,000 representing 0.16% of the shares outstanding at the beginning of the year. The reason for these share purchases was to seek to manage the volatility of the share price discount to net asset value per share.

Notes to the Accounts

14. Reserves

	Share premium[1] £'000	Capital redemption reserve[1] £'000	Special reserve[2] £'000	Capital reserves: Gains and losses on sales of investments[2] £'000	Capital reserves: Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
At 31 December 2016	5	11,646	29,182	88,203	49,580	12,141
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	9,594	–	–
Net movement in investment holding gains and losses	–	–	–	–	68,757	–
Transfer on disposal of investments	–	–	–	15,803	(15,803)	–
Realised losses on derivatives	–	–	–	(7,704)	–	–
Unrealised losses on open derivative contracts	–	–	–	–	(1,162)	–
Realised exchange losses on cash and short-term deposits	–	–	–	(22)	–	–
Exchange (losses)/gains on foreign currency loans	–	–	–	(1,290)	2,977	–
Special dividend allocated to capital	–	–	–	30	–	–
Repurchase of the Company's own shares into treasury	–	–	–	(334)	–	–
Reissue of shares out of treasury	12,340	–	–	21,008	–	–
Management fee and finance costs allocated to capital	–	–	–	(1,518)	–	–
Performance fee	–	–	–	(4,177)	–	–
Dividend paid	–	–	–	–	–	(3,273)
Retained revenue for the year	–	–	–	–	–	4,183
At 31 December 2017	**12,345**	**11,646**	**29,182**	**119,593**	**104,349**	**13,051**

[1]These reserves are not distributable.

[2]These are realised (distributable) capital reserves which may be used for the payment of dividends or to repurchase the Company's own shares.

[3]This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be used for the payment of dividends or to repurchase the Company's own shares) and those that are unrealised.

[4]The revenue reserve may be used for the payment of dividends or to repurchase the Company's own shares.

15. Net asset value per share

	2017	2016
Undiluted		
Total equity shareholders' funds (£'000)	294,426	195,017
Shares in issue at the year end	82,987,055	72,749,141
Net asset value per share	354.79p	268.07p
Diluted		
Total equity shareholders' funds assuming reissue of any dilutive treasury shares (£'000)	294,426	213,790
Potential shares in issue at the year end	82,987,055	80,044,055
Net asset value per share	354.79p	267.09p

The diluted net asset value per share assumes that all the remaining potentially dilutive treasury shares in issue were reissued at a discount of 4% to the net asset value per share at the year end. At the Annual General Meeting on 26 April 2017, the Company was granted authority to reissue up to 7,277,914 shares out of treasury (representing 10% of shares in issue at the date of notice of the AGM), at a discount of no greater than 4% to the net asset value per share at the time of sale. The entire number of these have been reissued since that AGM and thus there were no potentially dilutive treasury shares in issue at the year end. At the comparative year end there were 7,294,914 potentially dilutive treasury shares in issue, under an authority granted at a General Meeting on 15 November 2016.

Notes to the Accounts

16. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2017 £'000	2016 £'000
Net return before finance costs and taxation	70,140	44,210
Less capital return on ordinary activities before finance costs and taxation	(65,720)	(40,292)
Stock dividends received as income	–	(53)
Decrease in prepayments and accrued income	65	45
Increase in other debtors	(10)	(14)
Increase in other creditors	1,746	2,738
Special dividend allocated to capital	30	–
Management fee allocated to capital	(1,283)	(950)
Performance fee allocated to capital	(4,177)	(2,650)
Taiwanese withholding tax recovered	183	317
Overseas withholding tax deducted at source	(402)	(314)
Net cash inflow from operating activities	572	3,037

17. Analysis of changes in net debt

	2016 £'000	Cash flow £'000	Exchange movements £'000	2017 £'000
Cash at bank and in hand	7,310	(4,973)	(22)	2,315
Bank loan	(21,042)	3,905	1,687	(15,450)
Net debt	(13,732)	(1,068)	1,665	(13,135)

18. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive management, secretarial and performance fees. Details of the basis of these calculations are given in the Directors' Report on page 20. If the Company invests in funds managed or advised by the Manager, any fees earned by the Manager are rebated to the Company. The management fee payable in respect of the year ended 31 December 2017 amounted to £1,711,000 (2016: £1,267,000) of which £525,000 (2016: £358,000) was outstanding at the year end.

The secretarial fee payable for the year amounted to £75,000 (2016: £75,000) of which £19,000 (2016: £19,000) was outstanding at the year end. A performance fee amounting to £4,177,000 (2016: £2,650,000) is payable in respect of the year, and the whole of this amount (2016: same) was outstanding at the year end.

No Director of the Company served as a director of any company within the Schroder Group at any time during the year.

19. Related party transactions

Details of the remuneration payable to Directors are given in the Directors' Remuneration Report on page 26 and details of Directors' shareholdings are given in the Directors' Remuneration Report on page 27. Details of transactions with the Manager are given in note 18 above. There have been no other transactions with related parties during the year (2016: nil).

20. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value include its investment portfolio and derivative financial instruments.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the Company's policy for valuing investments and derivative instruments are given in note 1(b) on page 37 and 1(g) on page 38.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31 December:

	2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments and derivative financial instruments	286,995	–	–	286,995
Participatory notes[1]	–	25,177	–	25,177
Total	**286,995**	**25,177**	**–**	**312,172**

	2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments and derivative financial instruments	200,492	–	–	200,492
Participatory notes[1]	–	10,136	–	10,136
Total	200,492	10,136	–	210,628

[1]Participatory notes are valued using the quoted bid prices of the underlying securities and have been allocated to Level 2 as, strictly, they are not identical assets.

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

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

In pursuing its objective, the Company is exposed to a variety of financial risks including 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 process for managing risk is unchanged from the previous year. The Company's financial instruments may comprise:

- investments in equities and equity related securities which are held in accordance with the Company's investment objective;
- short-term debtors, creditors and cash arising directly from its operations;
- a multi-currency overdraft facility with HSBC, the purpose of which is to assist in financing the Company's operations;
- a multi-currency credit facility with Scotiabank, the purpose of which is to assist in financing the Company's operations;
- index futures and index put options used to protect the capital value of the portfolio; and
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the Company's investment activities.

Notes to the Accounts

(a) Market risk

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 analyses where appropriate.

(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.

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board. The Board has authorised the use of derivative instruments to hedge currency exposure as part of the investment strategy to protect the capital value of the portfolio or for efficient portfolio management.

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

					2017				
	Hong Kong Dollars £'000	**US Dollars £'000**	**Taiwan Dollars £'000**	**South Korean Won £'000**	**Thai Baht £'000**	**Singapore Dollars £'000**	**Australian Dollars £'000**	**Other £'000**	**Total £'000**
Current assets	**111**	**593**	**126**	**414**	**–**	**323**	**2**	**–**	**1,569**
Current liabilities	**–**	**(15,462)**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,462)**
Foreign currency exposure on net monetary items	**111**	**(14,869)**	**126**	**414**	**–**	**323**	**2**	**–**	**(13,893)**
Investments held at fair value through profit or loss	**90,682**	**97,120**	**40,487**	**17,901**	**8,146**	**13,815**	**38,360**	**2,218**	**308,729**
Derivative instruments held at fair value through profit or loss – index futures and index put options	**157**	**–**	**203**	**–**	**–**	**(29)**	**43**	**–**	**374**
Total net foreign currency exposure	**90,950**	**82,251**	**40,816**	**18,315**	**8,146**	**14,109**	**38,405**	**2,218**	**295,210**

					2016				
	Hong Kong Dollars £'000	US Dollars £'000	Taiwan Dollars £'000	South Korean Won £'000	Thai Baht £'000	Singapore Dollars £'000	Australian Dollars £'000	Other £'000	Total £'000
Current assets	862	438	1,168	428	987	–	39	–	3,922
Current liabilities	–	(21,042)	–	–	–	–	–	–	(21,042)
Derivative financial instruments held at fair value through profit or loss – forward currency contracts	(17,839)	35,578	–	–	–	–	(17,225)	–	514
Foreign currency exposure on net monetary items	(16,977)	14,974	1,168	428	987	–	(17,186)	–	(16,606)
Investments held at fair value through profit or loss	52,958	56,703	31,976	12,674	7,188	3,792	30,048	11,607	206,946
Derivative instruments held at fair value through profit or loss – index put options	2,017	–	87	–	–	–	63	–	2,167
Total net foreign currency exposure	37,998	71,677	33,231	13,102	8,175	3,792	12,925	11,607	192,507

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

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (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
Income Statement – return after taxation		
Revenue return	525	479
Capital return	(1,410)	(1,673)
Total return after taxation	(885)	(1,194)
Net assets	(885)	(1,194)

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

	2017 £'000	2016 £'000
Income Statement – return after taxation		
Revenue return	(525)	(479)
Capital return	1,410	1,673
Total return after taxation	885	1,194
Net assets	885	1,194

In the opinion of the Directors, the above sensitivity analyses with respect to monetary financial assets and liabilities are broadly representative of the whole of the current and comparative year. The sensitivity with regard to the Company's investments, index futures and index put options to changes in foreign currency exchange rates is subsumed into market price risk sensitivity below.

(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 rates are re-set.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board would not expect gearing to exceed 30% 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 its overdraft facility or its credit facility. However, amounts drawn on these facilities are for short-term periods and therefore exposure to interest rate risk is not significant.

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 at bank and in hand	2,315	7,310
Creditors: amounts falling due within one year – borrowings on the credit facility	(15,450)	(21,042)
Total exposure	(13,135)	(13,732)

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 £25 million multi-currency credit facility with Scotiabank which now expires on 10 April 2018. Amounts are normally drawn down on the facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and 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 31 December 2017, the Company had drawn down US$20.9 million (£15.5 million) at an interest rate of 2.14%, repayable on 18 January 2018. At 31 December 2016, the Company had drawn down US$26.0 million (£21.0 million) at an interest rate of 1.29%, repayable on 19 January 2017.

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

	2017 £'000	2016 £'000
Maximum interest rate exposure during the year – net debt	(25,681)	(18,164)
Minimum interest rate exposure during the year – net debt	(5,006)	(8,896)

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 finanacial 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
Income statement – return after taxation				
Revenue return	(8)	8	10	(10)
Capital return	(58)	58	(79)	79
Total return after taxation	(66)	66	(69)	69
Net assets	(66)	66	(69)	69

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, other than those arising from interest rate risk, which may affect the value of equity investments.

Management of market price risk

The Board meets on at least five occasions each year to consider the asset allocation of the portfolio and the risk associated with particular countries and industry sectors. The Board has authorised the Manager to enter derivative transactions as a means of seeking capital preservation, subject to limits on the percentage of the portfolio hedged and the duration of derivatives used.

Market price risk exposure

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

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	311,798	207,947
Derivative financial instruments held at fair value through profit or loss – index futures and index put options	374	2,167
	312,172	210,114

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

An analysis of the Company's investments is given on pages 9 and 10. This shows that the portfolio mainly 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 classification.

Market price risk sensitivity

The following table illustrates the sensitivity of net return after taxation 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 the hedging effect of the index put options and including the resulting effect on 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
Income statement – return after taxation				
Revenue return	(48)	45	(30)	24
Capital return	29,602	(27,399)	18,293	(14,888)
	29,554	(27,354)	18,263	(14,864)
Percentage change in net asset value	10.0%	(9.3%)	9.4%	(7.6%)

(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 overdraft and credit facilities.

Liquidity risk exposure

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

	2017 Three months or less £'000	2016 Three months or less £'000
Creditors: amounts falling due within one year		
Borrowings on the credit facility – including interest	**15,480**	21,066
Other creditors and accruals	**4,867**	3,124
	20,347	24,190

(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.

This risk is not significant and is managed as follows:

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.

Counterparties are subject to daily credit analysis by the Manager. Cash balances are deposited with the Custodian of the Company's assets, HSBC Bank plc, which has Long-Term Credit Ratings of AA- with Fitch and Aa3 with Moody's.

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

The amounts shown in the balance sheet under cash at bank and in hand and debtors represents the maximum exposure to credit risk at the current and comparative year ends. No debtors are past their due date and none have been provided for.

There were no securities on loan at 31 December 2017 (2016: £4.0 million). The Company ceased securities lending during the year. The highest value of securities on loan during the year ended 31 December 2017 amounted to £4.3 million (2016: £12.9 million).

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

22. Capital management policies and procedures

The Company's capital is represented by its net assets and borrowings, which are managed to achieve the Company's investment objective, as set out on the inside front cover of this annual report.

The Company has overdraft and credit facilities in place which may be used to maximise the return to shareholders through an appropriate level of gearing. The Board would not expect the level of gearing to exceed 30%, where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

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

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

23. Post balance sheet event

At a General Meeting held on 23 January 2018, the Directors were granted shareholder authority to reissue the remaining 2,217,757 shares held in treasury at a price representing a discount of no greater than 4% to the NAV per share at the latest practical date prior to such reissue. This authority will lapse at the conclusion of the Annual General Meeting of the Company, to be held on 9 May 2018.

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Wednesday, 9 May 2018 at 12.00 noon. The formal Notice of Meeting is set out on page 53.

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.

Special business to be proposed at the AGM

Resolution 11: Directors' authority to allot ordinary shares, on a non pre-emptive basis, including by way of a reissue of shares out of treasury (special resolution)

A special resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £422,810 (being 10% of the issued share capital as at the date of the Notice of the AGM) on a non pre-emptive basis. This authority includes shares that the Company sells or transfers that have been held in treasury. The Directors do not intend to allot ordinary shares or sell treasury shares, on a non pre-emptive basis, pursuant to this authority other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company as a whole. Shares issued or treasury shares reissued, under this authority, will be at a price that is equal to or greater than the Company's net asset value per share, plus any applicable costs, as at the latest practicable date before the allotment of such shares.

If approved, this authority will expire at the conclusion of the AGM in 2019 unless renewed, varied or revoked earlier.

Resolution 12: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 26 April 2017, the Company was granted authority to make market purchases of up to 10,909,593 ordinary shares of 5p each for cancellation or holding in treasury. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 10,909,593 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 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 as at the date of the Notice of the AGM (excluding treasury shares). The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority to be given at the 2018 AGM will lapse at the conclusion of the AGM in 2019 unless renewed, varied or revoked earlier.

Notice of Annual General Meeting

Notice is hereby given that the thirty-first Annual General Meeting of Schroder Asian Total Return Investment Company plc will be held on Wednesday, 9 May 2018 at 12.00 noon at 31 Gresham Street, London EC2V 7QA to consider the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions, and resolutions 11 and 12 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 December 2017.
2. To approve a final dividend of 4.80 pence per share for the year ended 31 December 2017.
3. To approve the Directors' Remuneration Report for the year ended 31 December 2017.
4. To approve the election of Sarah MacAulay as a Director of the Company.
5. To approve the re-election of David Brief as a Director of the Company.
6. To approve the re-election of Caroline Hitch as a Director of the Company.
7. To approve the re-election of Mike Holt as a Director of the Company.
8. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.
9. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.
10. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

    "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £422,810 (being 10% of the issued ordinary share capital at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2019, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "That, subject to the passing of Resolution 10 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 10 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £422,810 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and where equity securities are issued pursuant to this power they will only be issued at a price which is equal or greater than the Company's NAV per share as at the latest practicable date before the allotment; and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. 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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 5p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

    (a) the maximum number of Shares which may be purchased is 12,675,852, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice (excluding treasury shares);

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

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

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

    (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 5p, being the nominal value per Share;

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2019 (unless previously renewed, varied or revoked by the Company prior to such date);

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

    (f) any Shares so purchased will be cancelled or held in treasury."

By Order of the Board

Schroder Investment Management Limited
Company Secretary

27 March 2018

Registered Office:
31 Gresham Street,
London EC2V 7QA

Registered Number: 02153093

Explanatory Notes to the Notice of Meeting

1. Ordinary shareholders are entitled to attend, ask questions and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

   A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 389 0306 or +44(0) 121 415 0179 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

   On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 noon on 7 May 2018. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 389 0306 (or +44(0) 121 415 0179 for overseas callers).

   If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

   Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 7 May 2018, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 7 May 2018 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at

Explanatory Notes to the Notice of Meeting

www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
6. The biographies of the Directors offering themselves for election and re-election are set out on pages 17 and 18 of the Company's Annual Report and Accounts for the year ended 31 December 2017.
7. As at 27 March 2018, 84,437,055 ordinary shares of 5 pence each were in issue (642,757 shares were held in treasury). Therefore the total number of voting rights of the Company as at 27 March 2018 was 84,437,055.
8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/satric.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Definitions of Terms and Performance Measures

Net asset value ("NAV") per share

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

Diluted NAV per share

From time to time, the Company has obtained shareholders' authority to reissue a limited number of treasury shares at a price representing a discount of no greater than 4% to NAV per share at the latest practicable date prior to such reissue. The diluted NAV per share is calculated on the assumption that all potentially dilutive treasury shares have been reissued at the minimum price, being a discount of 4% to NAV per share.

There were nil (2016: 7,294,914) potentially dilutive treasury shares in issue at the year end. At a General Meeting on 23 January 2018, Directors were granted authority to reissue the remaining 2,217,757 shares held in treasury at a price representing a discount of no greater than 4% to the NAV per share, as detailed in note 23 on page 51.

Total return

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

Reference Index

The measure against which the Company compares its performance. With effect from 15 March 2013, the Reference Index has been the MSCI AC Asia Pacific ex-Japan Index (with net income reinvested), sterling adjusted. Prior to that date it was the MSCI AC Asia Pacific ex-Japan Index (with gross income reinvested), sterling adjusted.

Discount/premium

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

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the figure so calculated is negative, this is shown as a "Net cash" position.

Leverage

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

Ongoing Charges

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.

Shareholder Information

Company history

The Company was launched as an investment trust in 1987, originally under the name TR Pacific Investment Trust plc.

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/satric. The webpages have been designed to be used as the Company's primary method of electronic communication with shareholders. They contain 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, Equiniti's shareview service 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, diluted where applicable, to the market on a daily basis.

Share price information may also be found in the Financial Times and at 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 IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar

Annual results announced	March
Annual General Meeting	April/May
Final dividend paid	May
Half year results announced	September
Financial year end	31 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 December 2017 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.5	1.6
Commitment method	2.0	1.5

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 also 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")

As noted in the Strategic Report, the Manager, as the Company's AIFM, has published a short KID on the Company. KIDs provide prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID was made available on its webpages, www.schroders.co.uk/satric, from 1 January 2018.

www.schroders.co.uk/satric

Advisers

Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Investment Manager and Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 4430

Registered Office

31 Gresham Street
London EC2V 7QA

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe PLC
201 Bishopsgate
6th Floor
London EC2M 3NS

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 389 0306[1]
Website: www.shareview.co.uk

[1]Calls to this number are free of charge from UK landlines.

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 the above address and telephone number above.

Corporate Broker

Winterflood Investment Trusts
The Atrium Building
Canon Bridge House
Dowgate Hill
London EC4R 2GA

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

Dealing Codes

ISIN:	GB0008710799
SEDOL:	0871079
Ticker:	ATR

Global Intermediary Identification Number (GIIN)

TRPJG6.99999.SL.826

Legal Entity Identifier (LEI)

549300TQNNGZ0JHO2L78

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