

Schroders

**Schroder Oriental
Income Fund Limited**
Annual Report and Accounts

For the year ended
31 August 2019



Investment objective

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

Investment policy

The investment policy of the Company is to invest in a diversified portfolio of investments, primarily equities and equity-related investments, of companies which are based in, or derive a significant proportion of their revenues from, the Asia Pacific region. The portfolio is diversified across a number of industries and a number of countries in that region. The portfolio may include government, quasi-government, corporate and high yield bonds and preferred shares. A full breakdown of the investment portfolio may be found on pages 8 and 9.

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

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

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



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Annual General Meeting

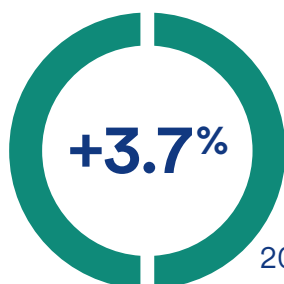
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Financial Highlights

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 58 together with supporting calculations where appropriate.

Total returns* for the year ended 31 August 2019



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



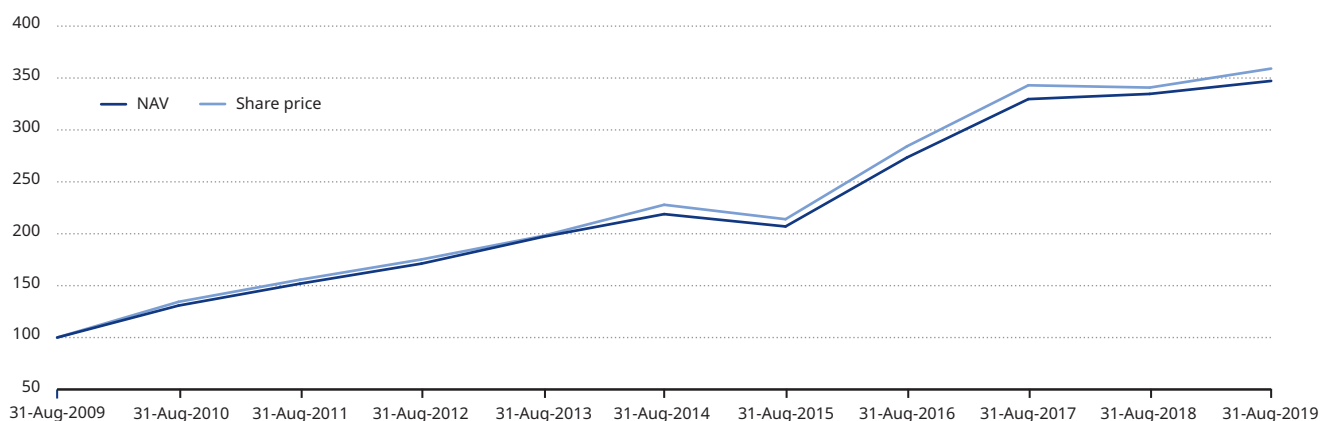
Share price total return

Other financial information

	31 August 2019	31 August 2018	% Change
Shareholders' funds (£'000)	661,804	642,711	+3.0
Shares in issue	262,683,024	254,098,024	+3.4
NAV per share* (pence)	251.94	252.94	(0.4)
Share price (pence)	253.00	250.00	+1.2
Share price premium/(discount) to NAV per share* (%)	0.4	(1.2)	
Gearing* (%)	5.3	4.5	

	Year ended 31 August 2019	Year ended 31 August 2018	% Change
Net revenue after taxation (£'000)	27,376	26,421	+3.6
Revenue earnings per share (pence)	10.60	10.52	+0.8
Dividends per share (pence)	10.10	9.70	+4.1
Ongoing Charges* (%)	0.86	0.84	

NAV and share price total returns over ten years to 31 August 2019



Source: Morningstar. Rebased to 100 at 31 August 2009

Chairman's Statement



“NAV total return to shareholders since launch has been 350%...”

Dear Shareholder

This is my first annual report statement as Chairman, having taken on the role on 20 December 2018. I would like to extend the board's thanks to my predecessor Robert Sinclair for his service to the Company over the previous 14 years.

Revenue, Dividends and Performance

In the 14 years since the launch of your Company, it has delivered both a high total return to shareholders and a consistent growth in dividends.

NAV total return to shareholders since launch has been 350%, an annualised return of 9.4%. By comparison, equity markets in the region (as measured by the MSCI AC Pacific ex Japan Total Return Index in sterling terms) have returned 267%. This significant outperformance in comparison to the equity markets of the region demonstrates the value that Schroders has added as investment manager and validates the total return oriented approach taken by the Company. The high level of total return is notable given that this period spans the financial crisis of 2008/2009 and subsequent smaller tremors in 2013 and 2015 and that Asian stock markets are today, in dollar terms, broadly where they were in 2017.

Since its launch in 2005 the Company has also demonstrated consistent dividend growth, with the dividend having been increased in each successive year.

As my predecessor described in last year's annual report, patience and a long-term perspective are key attributes of successful investment, and the above returns demonstrate that shareholders who have invested in the Company with this approach have been very well rewarded.

Dividends from our underlying investments have this year grown by 3.32% and this has allowed the Company once again to grow its own dividend. The Company has declared dividends totalling 10.1 pence (2018: 9.7 pence) per share in respect of the year, representing a yield of 3.8%, based on the share price of 264p at 6 November 2019. As in previous years, the dividend was more than fully covered by income and so we were once again able to add to the revenue reserve, which is available to supplement distributions in future years.

The NAV total return for the financial year to 31 August 2019 was 3.7%, an improvement from the prior year of 1.5%. The two factors driving this return were the performance of Asian equity markets and the Brexit related weakening of sterling. The share price produced a total return of 5.4%.

Share price premium, issuance and entry to the FTSE 250 Index

The share price total return was higher than the NAV total return through to the end of the year. This premium enabled the Company to issue a further 8,585,000 ordinary shares during the year under review, on terms accretive to existing shareholders. This issuance benefits shareholders because it improves the liquidity of shares and reduces the ongoing charges per share by spreading the costs across a greater number of shares. The Company's shares have historically traded at a price close to their net asset value, and the board appreciates that this characteristic is valued highly by shareholders.

The success of the Company's strategy has been reflected in its own growth in shareholder equity. The Company has grown from a market capitalisation of £161m at launch to £684m at the time of writing. We are very pleased that the growth of the Company resulted in the Company being added to the FTSE 250 Index on 17 September 2019.

Gearing

The Company continues to maintain a credit facility, as detailed in the notes to the accounts. The gearing level increased slightly, beginning and ending the year at 4.5% and 5.3%, respectively. The Company's gearing continues to operate within pre-agreed limits so that net effective gearing does not represent more than 25% of shareholders' funds.

Engagement with the Manager

In July, the board visited the Schroders offices in Singapore and Hong Kong; and met senior management of a selection of portfolio investee companies. These visits help us to gain a thorough understanding of the local expertise of the Manager and examine the investment process in greater detail. Following the visit, the board is confident that the depth of experience of the local Schroders teams will continue to reinforce successful outperformance over the long term.

The board also received presentations from the Schroders Environmental, Social and Governance (ESG) team. The board believes the Manager has significant experience in incorporating ESG considerations into investment decisions.

Management fee

The board negotiated a reduction in the annual management fee payable on net assets above £750 million from 0.70% to 0.65%.

Chairman's Statement

Board composition and succession planning

In managing succession, the board has been mindful of maintaining the right mix and diversity of skills, experience and independence of thought whilst balancing fresh perspectives with corporate memory. As noted in last year's accounts I anticipate that I will serve as Chairman of the Company for a further year before leaving the board. Two new directors have been appointed in the last two years and we are seeking to appoint one more director within the next year.

Annual general meeting

The Company's annual general meeting will be held at 4.00 pm on Thursday, 12 December 2019 at Schroders' Guernsey offices. The board acknowledges that it is difficult for shareholders to attend general meetings held in Guernsey but I would encourage all shareholders to participate in the meeting and note that they may wish to vote by completing and returning their form of proxy to the Company's registrar if they are unable to attend in person.

Outlook

Excellent as it is for the Company to have been successful enough to be included in the FTSE 250 index, it emphasises the need to repeat the factors behind that success: the sustained growth in the NAV and dividend, and the resulting investor demand that has increased the number of shares in the Company by three quarters since launch. At least in the short-term some of the favourable tail winds of recent years are under question. Trade and commercial differences between major powers have increased, Asian growth is slowing and the street protests in Hong Kong are impacting a stock market that is the Company's largest source of dividends.

These strike me, however, as almost inevitable challenges in the current investment environment. Slow growth and new political uncertainties are affecting markets worldwide and an appreciation of sterling could, as ever, have an adverse impact on the Company's returns. Where your Company has an advantage is a proven investment concept, with soundly financed Asian companies paying dividends that have continuing potential for growth. Yet again the Company has extended its record of increasing its dividend every year and, despite the challenges, there are simply too many good companies in the portfolio for me to be anything other than cautiously optimistic about the long-term outlook.

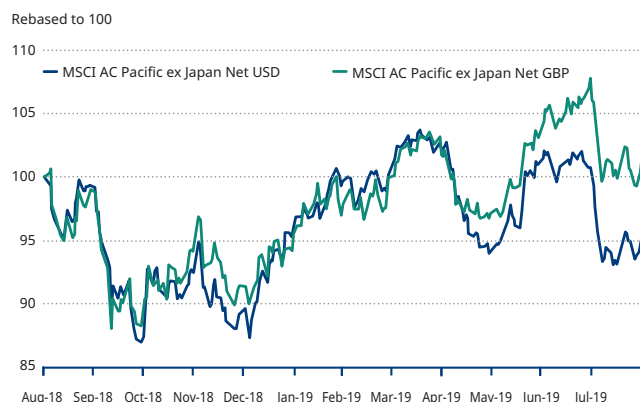
Peter Rigg
Chairman

14 November 2019

Manager's Review

The net asset value per share of the company recorded a total return of +3.7% over the twelve months to end August 2019. Four interim dividends have been declared totalling 10.1 pence (2018: 9.7 pence).

Performance of the MSCI AC Pacific ex Japan (Net Dividends Reinvested) Index in GBP and USD – 31 August 2018 to 31 August 2019

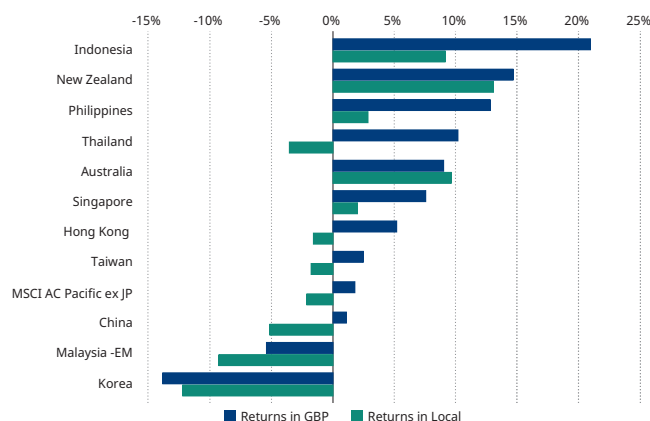


Source: Thompson Datastream as at 31 August 2019.

Although regional markets ended the financial year in positive territory, this was thanks to the weakness of sterling in the last four months of the year amid rising speculation over a no deal UK exit from the European Union. The underlying reality is better represented by performance in US dollar terms in the chart above. Regional markets staged a strong rally early in 2019 from the depressed levels of December, spurred by a more accommodative stance from the US Federal Reserve. Since then, they have lacked more tangible sources of support. Outside the United States, global economic expectations continued to soften, global trade stagnated and corporate earnings revisions remained in negative territory across the region.

Politics also weighed on sentiment. The China-US disagreements have dominated the headlines, with concomitant impact on corporate confidence and investment. The varying perceptions of trade progress (or lack of it) caused significant market volatility through the period. In addition, the street protests in Hong Kong have materially impacted the domestic economy with retail sales and tourist arrivals falling sharply as the summer progressed. Less prominently but not helpful, Korea/Japanese relations have cooled due to a dispute over culpability for World War II atrocities.

MSCI AC Pacific ex Japan net returns by country 31 August 2018 to 31 August 2019



Source: Schroders, Factset.

With the notable exception of Malaysia, emerging ASEAN markets were leading performers, with the markets seen as less sensitive to trade and benefitting from increased scope to ease monetary conditions given quiescent inflation and relatively high real interest rates. Australia and New Zealand also performed well given their defensive characteristics and high yield stocks were notably strong at a time of interest rate cuts by their central banks. Korea suffered as its key exports fell sharply and the administration has pursued a populist agenda. Malaysia suffered as initial optimism surrounding the end of five decades of United Malays National Organisation leadership faded.

Positioning and Performance

The NAV's total return of 3.7% was slightly ahead of the MSCI index quoted above, which gave a total return of 1.9% in sterling over the period. Key contributors were positions in Thailand, Australia, Singapore and Hong Kong, despite the weakness in the last few months. Country allocation was helpful given the underweights in Korea, and Malaysia and over-weights in Thailand and Hong Kong. On the downside, the positions in Japan and New Zealand lagged.

Hong Kong, Australia, Taiwan and Singapore remain core positions in the Company's portfolio, with lesser exposures in Korea and Thailand (although over the year we reduced exposure in the latter). We cut China exposure, re-investing the proceeds into Singapore and, marginally, adding to Japan.

Investment Outlook

It is difficult to regard recent global macro and political developments as having been supportive of either equity markets or investor sentiment. Global political developments have dominated the front pages in Asia, but have scarcely been absent closer to home. The broad threads to these tensions could be viewed as the nexus between populism and resentment at perceived widening of wealth disparities. Whether related or not, economic trends have softened, with retracement in global sentiment indices, soft private capital spending in a number of countries, and slowing global trade growth.

Manager's Review

The growth scare has been given further credence by the flattening/inversion of yield curves worldwide. The historic evidence linking this to inevitable recession is ambivalent, but increasingly desperate measures from central banks (at least outside the US) to support growth smack of panic that may do more harm than good. Albeit circumspectly, we do not sit in the recession camp, and indeed are inclined to feel that many cyclical growth sectors and stocks offer the most attractive medium-term prospects. In contrast, defensives and bond proxies seem inordinately rewarded for income generation and their perceived stability. We therefore continue to take a relatively balanced approach within the Company's portfolio.

Softening global sentiment indices, sluggish trade volumes, and supply chain disruption are obvious impediments for Asian markets. Aside from the political noise, it would also be true to say that more domestic stimulus attempts have been pretty half hearted. China remains notably disciplined despite excitements surrounding the recent National People's Congress meetings, and activity elsewhere is far short (mercifully?) of European-style policy panic. Short term growth numbers are undoubtedly being distorted by inventory build ups/drawdowns surrounding tariff increases (and indeed cancellation/deferment thereof). It is also undoubtedly affecting investment decisions; bad news short term, but this suggests that there is strong pent-up demand in industrial investment and related areas.

The situation in Hong Kong is obviously of concern as it remains a substantial exposure for the Company, with real estate and financials particularly vulnerable should confidence in stability be permanently impaired. While respecting the political motivations behind the protests, there is also an economic backdrop as the squeezed middle classes articulate their dissatisfaction. The local administration has considerable fiscal fire power should they elect to use it, while strong corporate balance sheets should provide some re-assurance as to shareholder returns.

As we have said before, we believe current dividend payment levels in Asia are generally well supported given strong cash flows, conservative capital spending intentions and strong balance sheets. More doubt surrounds the likely level of growth we can expect. Markets have, probably correctly, written off hope for much earnings growth in calendar 2019, but expectations look too sanguine for 2020, and this will feed through to dividend outturns. Many pieces of the jigsaw for recovery might fall into place (trade truce, recovery in Western economies, re-stocking, a return of corporate confidence) but these are not our central expectation.

Sector and country weights

Portfolio by sector (gearing at 5.3%)

	Portfolio weight (%)
Consumer Discretionary	10.8
Consumer Staples	1.9
Energy	4.1
Banks	15.9
Real Estate	22.3
Other Financials	3.5
Health Care	-
Industrials	4.8
Information Technology	18.6
Materials	9.0
Communication Services	12.6
Utilities	1.8

Source: Schroders as at 31 August 2019.

Portfolio by country (gearing at 5.3%)

	Portfolio weight (%)
Australia	20.0
Hong Kong	25.4
China	13.2
Indonesia	-
Japan	3.9
Korea	9.9
Malaysia	0.5
New Zealand	0.8
Philippines	-
Singapore	12.2
Taiwan	13.2
Thailand	6.2

Source: Schroders as at 31 August 2019.

Schroder Investment Management Limited

14 November 2019

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Top 10 Holdings

at 31 August 2019

Top 10 Holdings	% of Portfolio	Description
Taiwan Semiconductor Manufacturing	6.4%	One of the world's largest independent manufacturers of discrete semiconductor devices. Has strong technological leadership in a growth industry.
Samsung Electronics	4.8%	South Korean company that is one of the world's largest manufacturers of consumer electronics, semiconductors, memory, and mobile handsets. Cash-rich balance sheet.
Swire Pacific	4.0%	Hong Kong-listed conglomerate concentrating on property in Hong Kong and China, aviation (Cathay Pacific), and marine services. High quality property assets have underpinned steady dividends.
Fortune REIT	3.6%	Real estate investment trust owning a number of suburban shopping malls in Hong Kong. Strong balance sheet and paying an attractive dividend yield.
National Australia Bank	3.1%	Top four Australian bank, with a well-established local franchise. Above-average dividend yield.
Midea Group	3.0%	Chinese electrical appliance manufacturer listed on the Shenzhen Stock Exchange that produces lighting and kitchen appliances. High domestic market share and paying an attractive dividend yield.
BOC Hong Kong	2.9%	Subsidiary of the Bank of China listed in Hong Kong. Strong retail branch network in Hong Kong with a growing footprint in South East Asia.
Sands China	2.9%	Subsidiary of Las Vegas Sands Corporation operating six Macao casinos, with related hotels, retail and other leisure facilities. Listed in Hong Kong.
Intouch	2.7%	Parent company of the largest mobile phone operator in Thailand and Thailand's satellite operator. Good dividend-paying characteristics.
Kerry Properties	2.5%	A leading Hong Kong property company with a portfolio that has increasingly become more focussed on the Chinese mainland.

Source: Schroders.

Investment Portfolio

at 31 August 2019

Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 56.4% (2018: 55.7%) of total investments and derivative financial instruments.

	£'000	%
Hong Kong (SAR)		
Swire Pacific A and B	27,579	4.0
Fortune Real Estate Investment Trust	25,343	3.6
BOC Hong Kong	20,390	2.9
Kerry Properties	17,491	2.5
HSBC	17,389	2.5
HKT Trust and HKT	10,397	1.5
Hang Lung Properties	9,599	1.4
PCCW	7,880	1.1
Xinyi Glass	7,807	1.1
Lenovo	4,838	0.7
Hong Kong Land	3,534	0.6
Prada	3,391	0.5
Swire Properties	3,365	0.5
Pacific Textiles	3,263	0.5
Jardine Strategic ¹	3,054	0.4
Hang Lung Group	1,617	0.2
Giordano	646	0.1
Total Hong Kong (SAR)	167,583	24.1
Australia		
National Australia Bank	21,081	3.1
BHP Billiton²	15,402	2.2
Mirvac	13,482	1.9
Woolworths	11,242	1.6
Transurban	9,345	1.3
Westpac Banking	9,207	1.3
Incitec Pivot	9,130	1.3
James Hardie Industries	8,873	1.3
Australia & NZ Banking	7,640	1.1
Crown	7,217	1.0
Orica	6,831	1.0
Iluka Resources	5,586	0.8
Suncorp	4,617	0.7
Brambles	2,234	0.3
Total Australia	131,887	18.9

	£'000	%
Mainland China		
Midea Group (LEPO) 19/6/2019 and A shares³	20,618	3.0
Sands China⁴	19,574	2.9
China Petroleum & Chemical H⁴	16,650	2.4
China Yangtze Power A	11,992	1.7
China Mobile ⁴	10,634	1.5
Lonking ⁴	5,896	0.8
Focus Media Information Technology A	1,475	0.2
Total China	86,839	12.5
Taiwan		
Taiwan Semiconductor Manufacturing	44,980	6.4
Hon Hai Precision Industry	14,414	2.1
Far EasTone Telecommunications (including GDR)	13,606	2.0
Asustek Computer	9,060	1.3
Mega Financial	3,308	0.5
FIH Mobile ⁴	1,471	0.2
Total Taiwan	86,839	12.5
Singapore		
Oversea-Chinese Banking	12,217	1.8
Mapletree North Asia Commercial Trust (REIT)	12,090	1.7
Venture	11,795	1.7
United Overseas Bank	10,199	1.5
Frasers Commercial Trust (REIT)	10,060	1.4
Far East Hospitality Trust (REIT)	6,880	1.0
Keppel	5,072	0.7
CapitaLand Mall Trust (REIT)	4,881	0.7
Soilbuild Business Space (REIT) (including Rights)	3,847	0.6
Mapletree Commercial Trust (REIT)	3,690	0.5
Total Singapore	80,731	11.6

Investment Portfolio

at 31 August 2019

	£'000	%
South Korea		
Samsung Electronics preference shares	33,688	4.8
SK Innovation (including preference shares)	10,493	1.5
ING Life Insurance Korea	8,536	1.2
LG Chemical preference shares	8,083	1.2
Hyundai Motor preference shares	2,740	0.4
Amorepacific preference shares	1,165	0.2
SK Holding preference shares	669	0.1
Total South Korea	65,374	9.4
Thailand		
Intouch (including NVDR)	18,626	2.7
CPN Retail Growth Leasehold (REIT)	15,394	2.2
Bangkok Bank (including NVDR)	3,929	0.6
Supalai	2,311	0.3
BTS Rail Mass Transit Growth Infrastructure	807	0.1
Total Thailand	41,067	5.9
Japan		
Jafco	4,167	0.6
Sony	3,535	0.5
Tokyo Broadcasting System	3,470	0.5
Murata Manufacturing	2,831	0.4
Fuji Media	2,479	0.4
MCUBS MidCity Investment (REIT)	2,445	0.4
Nexon	2,383	0.3
Tokai Tokyo Securities	2,190	0.3
Sumitomo Forestry	2,141	0.3
Total Japan	25,641	3.7

	£'000	%
New Zealand		
Fletcher Building	5,346	0.8
Total New Zealand	5,346	0.8
Malaysia		
Bursa Malaysia	3,262	0.5
Total Malaysia	3,262	0.5
Total Investments	694,569	99.9

Derivative Financial Instruments		
Forward Currency Contract⁵	836	0.1

Total Investments And Derivative Financial Instruments⁶	695,405	100.0
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¹Listed in Singapore

²Listed in UK

³Listed in USA

⁴Listed in Hong Kong

⁵Comprises a single contract to purchase US Dollars 40.5 million for Chinese Yuan 282.3 million, for settlement on 12 September 2019. The contract is valued at fair value, being the cost of closing out the contract at 31 August 2019.

⁶Total investments and derivative financial instruments comprises:

	£'000	%
Equities, including LEPO, GDR and NVDR	641,643	92.3
Preference shares	52,926	7.6
Forward currency contract	836	0.1
Total investments	695,405	100.0

"GDR" means global depositary receipts

"LEPO" means low exercise price options

"NVDR" means non-voting depositary receipts

"REIT" means real estate investment trust

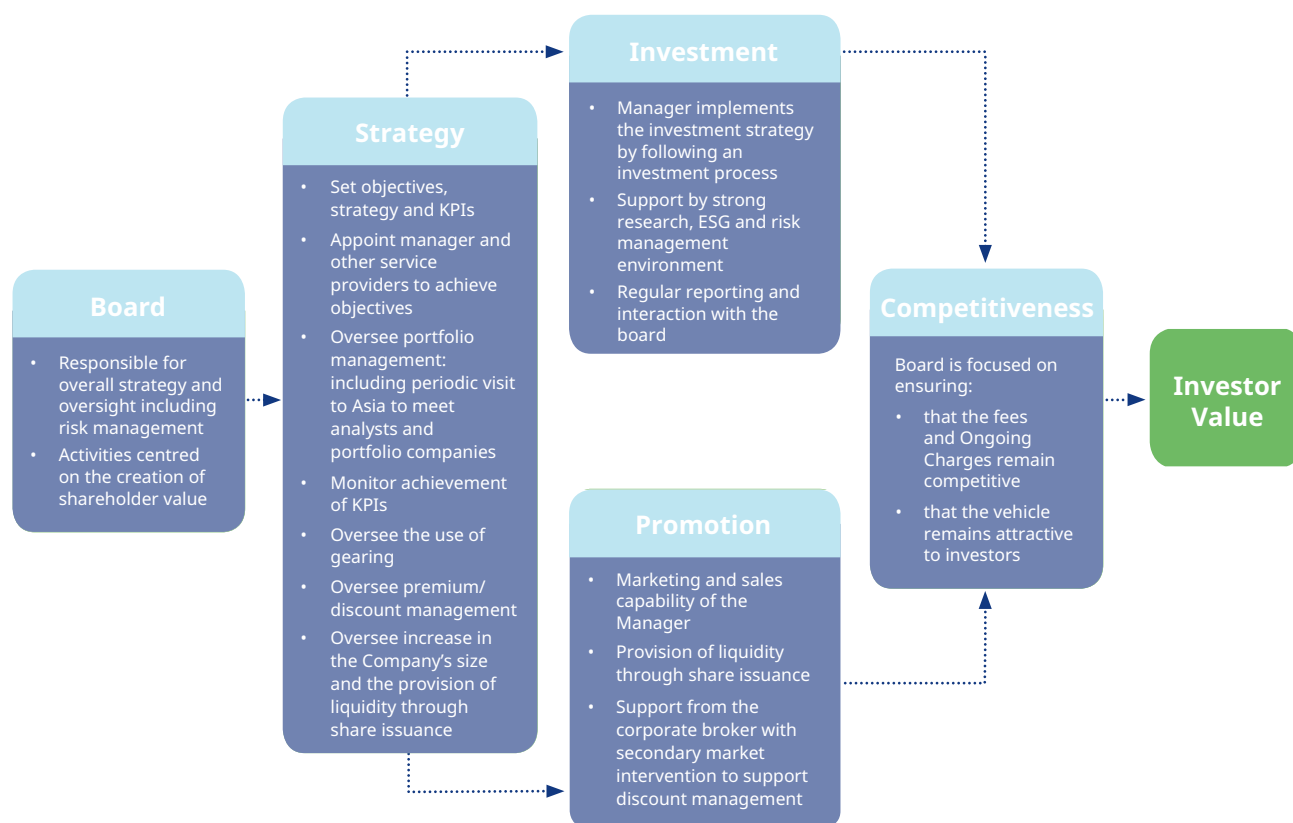
Strategic Review

Business model

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

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

The Company's business model is illustrated by the diagram below.



Investment objective and policy

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

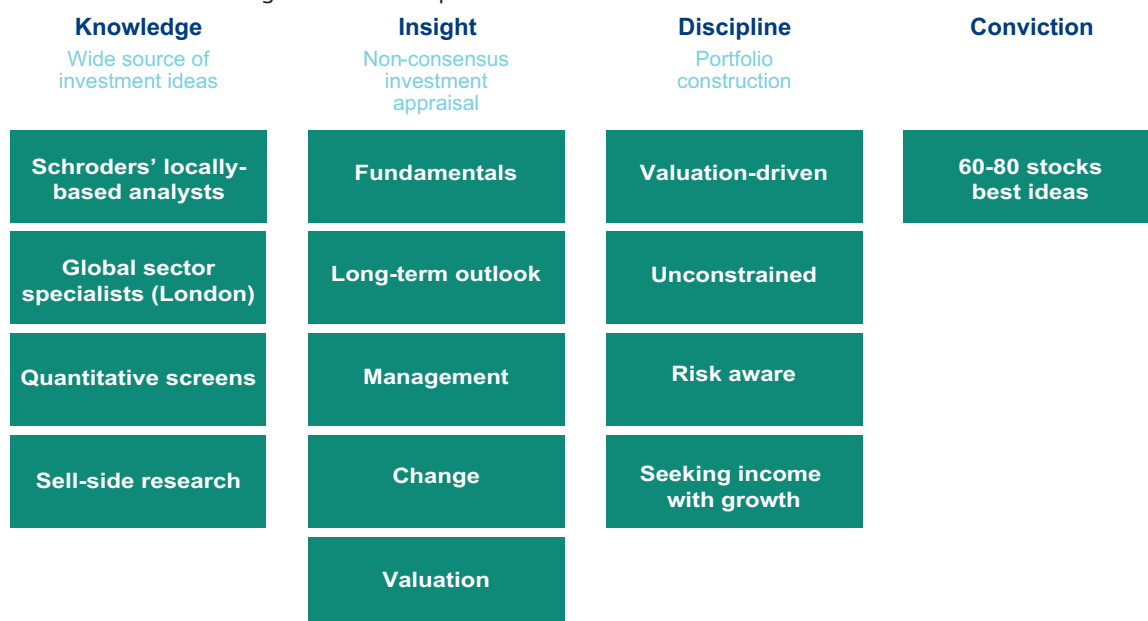
The board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the board, including limits on the type and relative size of holdings which may be held in the portfolio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

Investment philosophy and process

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

Strategic Review

The chart below details the Manager's investment process.



Stock research

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

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

Stock selection/portfolio construction

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

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

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

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

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

Investment restrictions and spread of investment risk

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

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

- invest more than 15% of its gross assets in other investment companies or investment trusts which are listed on the Official List;
- invest, either directly or indirectly, or lend more than 20% (calculated at the time of any relevant investment or loan) of its gross assets to any single underlying issuer (including the underlying issuer's subsidiaries or affiliates);
- invest more than 20% (calculated at the time of any relevant investment) of its gross assets in one or more collective investment undertakings which may invest more than 20% of its gross assets in other collective investment undertakings;

Strategic Review

- (iv) invest more than 40% (calculated at the time of any relevant investment) of its gross assets in another collective investment undertaking;
- (v) expose more than 20% of its gross assets to the creditworthiness or solvency of any one counterparty;
- (vi) invest in physical commodities; or
- (vii) invest in derivatives except for the purposes of efficient portfolio management.

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

No breaches of these investment restrictions occurred during the year ended 31 August 2019.

The investment portfolio on pages 8 and 9 and the Manager's Review on pages 5 and 6 demonstrate that, as at 31 August 2019, the portfolio was invested in 10 countries and in 11 different industry sectors within such countries. There were 77 holdings in the portfolio at the year end. The board therefore believes that the objective of spreading investment risk has been achieved.

Key performance indicators

The board measures the development and success of the Company's business through achievement of its investment objective as set out on the inside front cover. At each meeting, the board considers a number of performance measures to assess the Company's success in achieving its investment objective. The Key Performance Indicators are as follows: NAV total return; share price total return; share price discount/premium to NAV per share and ongoing charges. These are classed as Alternative Performance Measures ("APMs") and their calculations are explained in more detail on page 58.

The performance against these KPIs is reported on page 2.

Net asset value and share price total return

At each meeting, the board reviews the performance of the portfolio in detail and hears the views of the portfolio manager.

Share price discount/premium to net asset value per share

The board reviews the level of discount/premium to net asset value per share at every board meeting. Details of how the Company's discount control mechanism works and its operation during the year under review can be found on page 55. The maximum discount over the period was 2.7% and the premium was 2.7%.

Ongoing charges

The board reviews the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer

group funds. An analysis of the Company's costs, including management and performance fees, directors' fees and general expenses, is submitted to each board meeting. Management and any performance fees are reviewed at least annually. In the year to 31 August 2019, the board agreed a reduction in management fee once the NAV of the Company exceeds £750 million. This is explained in more detail on page 19.

Dividends

On a quarterly basis the board considers the dividend payable to shareholders based on input from the Manager. Details of the Company's dividend policy and the dividends paid during the year are set out on page 19.

Risk factors

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

Gearing

The Company's policy is to permit net borrowings (including foreign currency borrowings) of up to 25% of the Company's net assets (measured when new borrowings are incurred). It is intended that the Manager should have the flexibility to utilise this power to leverage the Company's portfolio in order to enhance returns where and to the extent that this is considered appropriate by the directors. Full details of the gearing employed by the Company are set out in note 21 on pages 53 and 54.

Promotion

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

Promotion is focused via three channels:

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

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendance at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with advisers and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of

Strategic Review

digital information on Schroders' website. The board also seeks active engagement with investors, and meetings with the chairman are offered to professional investors where appropriate.

In order to support the promotion of the Company, the board seeks to manage the share price relative to NAV per share. This is achieved by assisting in providing liquidity to the market through the issuance of shares to meet investor demand. In addition, to reduce the volatility of any share price discount, the board monitors the Company's share price relative to its underlying NAV per share and the discounts of peer group companies and regularly considers the use of the Company's share buy back authority. At times when the ordinary shares have traded at a discount, the board has sought to maintain the price at which the ordinary shares trade relative to their NAV at no greater than 5% over the longer term. The board has not needed to undertake any share repurchases in the year under review.

Details of the board's approach to share issuance and discount management may be found in the Chairman's Statement on pages 3 and 4 and in the Explanation of Special Business at the AGM on page 55.

Corporate and social responsibility

Board gender diversity

As at 31 August 2019, the board comprised two 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 those of the overall board, taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skill set and experience.

Responsible investment policy

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

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

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

Anti-bribery and corruption policy

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

Greenhouse gas emissions

As the Company has no premises or employees and outsources its operations to third parties, in respect of which it does not have direct responsibility for emissions, it has negligible measurable 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 controls and for reviewing its effectiveness. The board has adopted a detailed matrix of principal risks affecting the Company's business as an investment company and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis using both qualitative and quantitative measures taking into account both the potential impact and the likelihood of those risks materialising. 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. The principal risks, emerging risks, and the monitoring system are subject to robust assessment at least annually. The last review took place in October 2019.

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

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

Emerging risks and uncertainties

During the year, the board also discussed and monitored a number of emerging risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk and climate change risk. As a result of this ongoing review, political risk was classified as a principal risk.

Climate change risk includes consideration of how climate change could affect the Company's investments, and potentially detrimental effect on shareholder returns. The board will continue to monitor the risk in future.

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

Strategic Review

Risk	Mitigation and management
<p>Political</p> <p>Political developments globally might materially affect the ability of the Company to achieve its investment objective.</p>	<p>The board monitored key political developments, including the potential impact of Brexit and noted that the portfolio's investments in the Asia Pacific region limited the direct impact from Brexit other than through shareholders' exposure principally to exchange rate fluctuations against sterling.</p> <p>The board and the portfolio manager periodically meet with the Manager's economists to gauge the likelihood and impact of certain political changes.</p>
<p>Custody</p> <p>Safe custody of the Company's assets may be compromised through control failures by the safekeeping and cashflow monitoring agent.</p>	<p>The safekeeping and cashflow monitoring agent reports on the safe custody of the Company's assets, including cash and portfolio holdings, which are independently reconciled with the Manager's records.</p> <p>Review of audited internal controls reports covering custodial arrangements is undertaken.</p> <p>An annual report from the safekeeping and cashflow monitoring agent on its activities, including matters arising from custody operations is reviewed.</p>
<p>Gearing and leverage</p> <p>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.</p>	<p>Gearing is monitored and strict restrictions on borrowings are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of the Company's net assets.</p>
<p>Accounting, legal and regulatory</p> <p>Breaches of the UK Listing Rules, The Companies (Guernsey) Law, 2008 (as amended) or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.</p>	<p>Confirmation of compliance with relevant laws and regulations by key service providers is reviewed.</p> <p>Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes.</p> <p>Procedures are established to safeguard against the disclosure of inside information.</p>
<p>Service provider</p> <p>The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider, could lead to disruption, reputational damage or loss.</p>	<p>Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations.</p> <p>Regular reports are provided by key service providers and the quality of their services is monitored.</p> <p>Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, is undertaken.</p>
<p>Cyber</p> <p>The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information, unauthorised payments or inability to carry out operations in a timely manner.</p>	<p>Service providers report on cyber risk mitigation and management at least annually, which include confirmation of business continuity capability in the event of a cyber attack.</p>

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the system of internal controls operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the audit and risk committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified from the audit and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report.

A full analysis of the financial risks facing the Company is set out in note 20 on pages 48 to 53.

Strategic Review

Viability statement

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

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

In their assessment of the viability of the Company, the directors have considered each of the principal risks and uncertainties detailed on pages 14 and 15. In particular the directors have considered a stress test which represents a severe but plausible scenario along with movement in foreign exchange rates. This scenario assumes a severe stock market collapse and/or exchange rate movements at the beginning of the five year period, resulting in a 50% fall in the value of the Company's investments and investment income and no subsequent recovery in either prices or income in the following five years. It is assumed that the Company continues to pay an annual dividend in line with current levels and that the borrowing facility remains available and remains drawn, subject to the gearing cap.

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

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

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

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

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

Based on the above, along with the limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 August 2024.

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

14 November 2019

Board of Directors



Peter Rigg

Status: independent non-executive chairman

Length of service: 14 years – appointed a director in June 2005

Experience: Mr Rigg is the non-executive chairman of MXC Capital Limited, an AIM listed technology investment company, and of Intership, a privately owned Norwegian shipping company. Between 1989 and 1995, Mr Rigg worked for the CS First Boston Group in Hong Kong, where he held various roles, including acting as a board representative of International Investment Trust Co., a leading Taipei-based fund management company and managing director and Hong Kong-based head of Asian equity capital markets for CS First Boston. Prior to that, Mr Rigg worked for Credit Suisse First Boston Limited in London as a director for Asian investment banking and as a solicitor in banking and private practice.

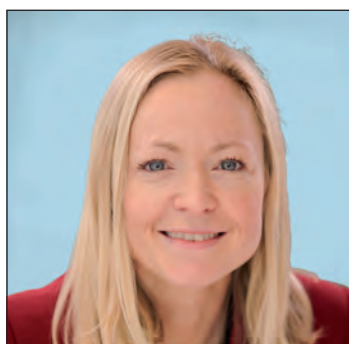
Committee membership: Management Engagement and Nomination Committees (chairman of the Management Engagement Committee and Nomination Committee)

Current remuneration: £45,000 per annum

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None



Alexa Coates

Status: independent non-executive director

Length of service: 1 year – appointed a director in February 2018

Experience: Mrs Coates is a chartered accountant who brings 25 years of significant financial expertise to the board. Mrs Coates was a senior executive of HSBC for nine years, where she served as the global CFO for the group's asset management business and more recently led the finance function for commercial banking operations in Europe. Prior to joining HSBC, Mrs Coates worked in senior roles in retail, healthcare and professional services at J Sainsbury plc, BUPA, Williams Lea Group Ltd and CIT Bank. She started her career at Ernst & Young in 1991, where she worked in the UK and France. Mrs Coates is a non-executive director of Aviva Investors and its UK fund services company as well as non-executive director and chair of the audit and risk committee of Polar Capital Holdings plc, a publicly quoted company, and a trustee and resources committee member at the University of Essex.

Committee membership: Audit and Risk Committee, Management Engagement Committee and Nomination Committee, (chair of the Audit and Risk Committee)

Current remuneration: £40,000 per annum

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None

Board of Directors



Kate Cornish-Bowden

Status: independent non-executive director

Length of service: 11 months – appointed in December 2018

Experience: Ms Cornish-Bowden is a non-executive director of Finsbury Growth & Income Trust PLC, CC Japan Income & Growth Trust plc, and Calculus VCT plc, where she is chair of the audit committee. Ms Cornish-Bowden worked for 12 years as a fund manager for Morgan Stanley Investment Management, where she was managing director and head of the global equity team. Prior to Morgan Stanley she worked as a research analyst at M&G. Ms Cornish-Bowden is a member of the Chartered Financial Analyst Institute (CFA), holds a Masters in Business Administration (MBA), and has completed the Financial Times Non-Executive Director Diploma.

Committee membership: Audit and Risk, Management Engagement and Nomination 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



Paul Meader

Status: independent non-executive director

Length of service: 3 years – appointed a director in January 2016

Experience: Mr Meader is an independent director of investment companies, insurers and investment funds. Until the autumn of 2012 he was Head of Portfolio Management for Collins Stewart based in Guernsey, prior to which he was Chief Executive of Corazon Capital. He has 30 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. Prior to joining Corazon he was Managing Director of Rothschild's Swiss private-banking subsidiary in Guernsey. Mr Meader is a Fellow of the Chartered Institute of Securities & Investments, a former Commissioner of the Guernsey Financial Services Commission and past chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford. Mr Meader also holds a number of directorships in other companies, several of which are publicly quoted, including investment companies ICG-Longbow Senior Secured UK Property Debt Investments Limited, SQN Asset Finance Income Limited, Guaranteed Investment Products 1 PCC Ltd and Volta Finance Limited.

Committee membership: Audit and Risk, Management Engagement and Nomination Committees

Current remuneration: £35,000 per annum

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 August 2019.

Dividend policy and dividends

It is the board's policy that, subject to unforeseen circumstances, interim dividends on the Company's ordinary shares will be declared in respect of the quarters ended 30 November, 28 February, 31 May and 31 August in January, April/May, July and October/November each year.

Having already paid interim dividends amounting to 5.5 pence per share, the board has now declared a fourth interim dividend of 4.60 pence per share for the year ended 31 August 2019, which is payable on 29 November 2019 to shareholders on the register on 8 November 2019. Thus, dividends for the year amount to 10.10 pence (2018: 9.70 pence) per share. This represents an increase of 4.1% over the rate of dividends payable in respect of the previous year.

Total dividends declared in respect of the year ended 31 August 2019 of £26,380,000 would have resulted in retained revenue for the year of £996,000, but in accordance with accounting standards, the fourth interim dividend, amounting to £12,083,000, will not be accounted for until it has been paid.

Directors and their interests

The directors of the Company and their biographical details can be found on pages 17 and 18. All directors held office throughout the year under review. Details of directors' share interests in the Company are set out in the Directors' Remuneration Report on page 28.

Share capital

As at the date of this report, the Company had 266,983,024 ordinary shares of 1p each in issue (no shares were held in treasury). Accordingly, the total number of voting rights in the Company at the date of this report is 266,983,024. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 46.

Substantial share interests

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

	Ordinary shares as at 31 August 2019	% of total voting rights
Investec Wealth & Investment Limited	25,092,429	9.80
Brewin Dolphin Limited	14,571,888	5.69
Rathbone Investment Management	11,069,985	4.33
KB Financial Services Holdings Limited	9,927,288	3.87
Charles Stanley & Co Ltd	7,860,051	3.07
Cheviot Asset Management Limited	7,789,750	3.04

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

Key service providers

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

Manager

The Company is an alternative investment fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an alternative investment fund manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this report no such notice had been given by either party.

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

The Schroders Group manages £450.8 billion (as at 30 September 2019) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Manager is entitled to receive a management fee of an amount equivalent to 0.75% per annum of the net assets of the Company, reducing to 0.70% per annum on net assets above £250 million and 0.65% per annum on net assets above £750 million. The fee is payable quarterly in arrears and calculated as at the last business day in February, May, August and November in each year.

Directors' Report

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

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

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

Any investment management fees payable to the Manager or to other subsidiaries of Schroders plc in respect of investments by the Company in collective investment schemes and investment companies managed or advised by the Schroders Group are deducted from the fee payable to the Manager under the AIFM agreement. There were no such investments during the year ended 31 August 2019.

The management and performance fees payable in respect of the year ended 31 August 2019 amounted to £4,507,000 (2018: £4,549,000) and £nil (2018: £nil) respectively.

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

Details of all amounts payable to the Manager are set out in note 17 on page 47.

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

Safekeeping and cashflow monitoring agent

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

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

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

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

Corporate governance statement

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

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

Compliance statement

The UK Listing Authority requires all companies with a listing on the premium segment of the London Stock Exchange to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities on page 30 and the viability and going concern statements set out on page 16, indicate how the Company has applied the Code's principles of good governance and its requirements on internal control.

The board believes that the Company has, throughout the year under review, complied with all the provisions set out in the Code, save in respect of those relating to executive directors, as the Company, in line with most investment companies, has delegated management functions to service providers. In addition, the Company has not complied with the provision relating to the appointment of a senior independent director ("SID"), where departure from the Code is considered appropriate given the Company's position as an investment company. As the board comprises entirely non-executive directors, the appointment of a SID has not been considered necessary. The chairman of the audit and risk committee

Directors' Report

effectively acts as the SID, leads the evaluation of the performance of the chairman and is available to directors and/or shareholders if they have concerns which cannot be resolved through discussion with the chairman.

Operation of the board

Chairman

The chairman is an independent non-executive director who is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The chairman's other significant commitments are detailed on page 17.

Role and operation of the board

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

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

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

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

Training and development

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

Conflicts of interest

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

restrictions or refuse to authorise such conflicts if deemed appropriate.

Directors' and officers' liability insurance and indemnities

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

Directors' attendance at meetings

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

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

	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee
Peter Rigg	5/5	2/2	2/2	1/1
Alexa Coates	5/5	2/2	3/3	1/1
Kate Cornish-Bowden ¹	4/4	N/A	2/2	N/A
Paul Meader	5/5	2/2	3/3	1/1

¹Appointed as a director on 20 December 2018.

Relations with shareholders

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

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

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

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

Directors' Report

Committees

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

The reports of the audit and risk committee, nomination committee and management engagement committee are incorporated and form part of the Directors' Report.

By order of the board

Schroder Investment Management Limited

Company Secretary

14 November 2019

Audit and Risk Committee Report

This report sets out the responsibilities and work carried out by the committee during the year under review. The committee met on 3 occasions during the year ended 31 August 2019.

Committee members also attended a controls day in September 2019 held by the Manager, where the Committee's third party providers, including the Manager, provided the committee members with information and assurance on their control frameworks and monitoring process.

The board has satisfied itself that the committee's members have recent and relevant financial and sector experience, with two of the members having extensive investment management experience and the chair of the committee being a chartered accountant. Membership of the committee is as set out on pages 17 and 18.

The committee discharged its responsibilities by:

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

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 August 2019, the audit and risk committee, having deliberated on the Company's principal risks and uncertainties, considered the following issues, which include those communicated by the auditor during its reporting:

Application during the year		
Issue considered		How the issue was addressed
– Valuation and existence of holdings		– Review of portfolio holdings and assurance reports on controls from the Manager and safekeeping and cashflow monitoring agent.
– Recognition of investment income		– Consideration of dividends received against forecast and the allocation of special dividends to revenue or capital.
– Overall accuracy of the annual report and accounts		– Consideration of the draft annual report and accounts and the letter from the Manager in support of the letter of representation to the auditor.
– Calculation of investment management and performance fees		– Review of the calculation against the criteria set out in the AIFM agreement.
– Internal controls and risk management		– Meetings with the Manager and safekeeping and cashflow monitoring agent to understand control framework and monitoring. Review of the control reports also provided further assurance on the control environment of the providers.

Recommendations made to the board:

As a result of the work performed, the committee has concluded that the annual report and accounts for the year ended 31 August 2019, 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 30.

Audit and Risk Committee Report

Effectiveness of the independent audit process

The committee evaluated the effectiveness of the independent audit firm prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the committee considered feedback from the Manager on the audit process and the year end report from the auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. In addition to the members of the committee meeting with the auditor without representatives of the Manager present, I also met with the Elizabeth Burne, the lead audit director, on a number of occasions during the year to discuss feedback from the prior year audit, the audit plan, as well as this year's audit.

Representatives of the auditor attend the audit and risk committee meeting at which the draft annual report and accounts are considered. Having reviewed the performance of the auditor as described above, the committee considered it appropriate to recommend the firm's re-appointment.

There are no contractual obligations restricting the choice of independent auditor. The Company is compliant with the provisions of the September 2014 Competition and Markets Authority Order, which requires that FTSE 350 companies put their audit out to tender at least every 10 years.

Independent auditor

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

Provision of information to the auditor

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

Provision of non-audit services

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

No non-audit services were provided to the Company during the year (2018: 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 monitors the system of internal controls in order to provide assurance that it operates as intended and the directors will continue to review this annually.

Alexa Coates

Chair of the Audit and Risk Committee

14 November 2019

Management Engagement Committee Report

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

Approach		
Oversight of the Manager		Oversight of other service providers
<p>The committee:</p> <ul style="list-style-type: none"> reviews the Manager's performance, over the short- and long-term, against the Benchmark, peer group and the market. considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders. assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees. reviews the appropriateness of the Manager's contract, including terms such as notice period. Visits the Manager's Asian and London offices periodically to meet with relevant investment and controls functions. assesses if the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager. 		<p>The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:</p> <ul style="list-style-type: none"> Safekeeping agents Corporate broker Registrars Lender <p>The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations. The committee also receives a report from the audit and risk committee on the performance of the Company's Auditor.</p>



Application during the year		
<p>The committee visited the Managers' offices in Hong Kong and Singapore and reviewed the Manager's research capability focused on the Asia Pacific region. The committee also visited the offices of the Manager in London and met with senior management, as well as representatives from various business functions supporting the portfolio manager.</p> <p>The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.</p> <p>The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.</p>		<p>The annual review of each of the service providers was satisfactory.</p> <p>The committee noted that the audit and risk committee had undertaken a detailed evaluation of the Manager, registrar, and safekeeping agents' internal controls.</p>



Recommendations made to the board:

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

Nomination Committee Report

The nomination committee is responsible for (1) the recruitment, selection and induction of directors, (2) their assessment during their tenure, and (3) the board's succession. All directors are members of the committee. Peter Rigg is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/orientalincome.

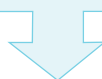
Oversight of directors



Approach		
Selection and induction	Board evaluation and directors' fees	Succession
<ul style="list-style-type: none"> Committee prepares a job specification for each role, which is shared with an independent recruitment firm. For the Chairman and the chairs of committees, the committee considers current board members too. Job specification outlines the knowledge, professional skills personal qualities and experience requirements. Potential candidates assessed against the Company's diversity policy. Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the board. Committee reviews the induction and training of new directors. 	<ul style="list-style-type: none"> Committee assesses each director annually. Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the board during the year, taking into account time commitment, independence, conflicts and training needs. Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM. Committee reviews directors' fees, taking into account comparative data and reports to shareholders in the remuneration report. Any proposed changes to the remuneration policy for directors discussed and reported to shareholders. 	<ul style="list-style-type: none"> The board's succession policy is that directors tenure will be for no longer than nine years, except in exceptional circumstances, and that each director will be subject to annual re-election at AGMs. Committee reviews the board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process. Committee oversees the handover process for retiring directors.

Nomination Committee Report

Application during the year		
Selection and induction	Board evaluation and directors' fees	Succession
<ul style="list-style-type: none"> The committee discussed the need to appoint a new non-executive director at the end of 2018. A job specification was agreed for the role. The committee engaged Sapphire Partners and OSA Recruitment to run the search process. Both agencies are independent of the Company and directors. The committee interviewed candidates during the last calendar quarter of 2018 and recommended that Ms Cornish-Bowden be appointed as a director of the Company. Ms Cornish-Bowden's election has been put forward for shareholder approval at the 2019 AGM. 	<ul style="list-style-type: none"> The board evaluation was undertaken in August and September 2019. The committee also reviewed each director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each director remained free from conflict and had sufficient time available to discharge each of their duties effectively. <p>All directors were considered to be independent in character and judgement.</p> <ul style="list-style-type: none"> Based on its assessment, the committee provided individual recommendations for each directors' re-election. The committee reviewed directors fees, using external benchmarking, and recommended no increase in directors' fees, as detailed in the remuneration report. 	<ul style="list-style-type: none"> The committee reviewed the succession policy and agreed it was still fit for purpose. Pursuant to the succession policy, the committee agreed that a new director would be identified in the course of 2020, Peter Rigg intends to serve as Chairman of the Company for a further year before leaving the board.



Recommendations made to the board:

- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the board and remain free from conflicts with the Company and its directors, so should all be recommended for election or re-election by shareholders at the AGM.
- That a new director would be identified prior to Peter Rigg leaving the board in a year's time.

Directors' Remuneration Report

Introduction

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

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

At the AGM held on 20 December 2018, 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 August 2018 were in favour, while 0.16% were against. 1,742 votes were withheld.

Directors' remuneration policy

The determination of the directors' fees is a matter dealt with by the nomination committee and the board.

It is the board's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of incorporation (currently £200,000). Any increase in the level set out therein requires approval by the board and the Company's shareholders. As part of the change in the Company's articles of incorporation, the £200,000 fee cap is proposed to be increased to £300,000 to facilitate the appointment of another director as part of the board's succession plan.

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

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

The terms of directors' letters of appointment are available for inspection at the Company's registered office address during

normal business hours and during the AGM at the location of such meeting.

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

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

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

Directors' remuneration report

This report sets out how the remuneration policy was implemented during the year ended 31 August 2019.

Fees paid to directors

The following amounts were payable by the Company to the directors for services as non-executive directors in respect of the year ended 31 August 2019 and the previous financial year:

	Directors' fees	
	2019	2018
	£	£
Peter Rigg (Chairman) ¹	41,798	32,063
Alexa Coates ²	40,000	17,331
Kate Cornish-Bowden ³	24,452	–
Fergus Dunlop ⁴	–	8,733
Paul Meader	35,000	30,000
Robert Sinclair ⁵	13,716	35,000
	154,966	123,127

¹Appointed as chairman on 20 December 2018.

²Appointed as a director on 9 February 2018. Appointed chairman of the audit and risk committee on 1 June 2018.

³Appointed as a director on 20 December 2018.

⁴Retired as a director on 15 December 2017.

⁵Retired as chairman on 20 December 2018.

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 October 2019. The members of the board at the time that remuneration levels were considered were as set out on pages 17 and 18. Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Directors' Remuneration Report

Following the annual review, the board agreed that no changes were required. Directors' fees were last increased from 1 September 2018 and, while the board will continue to review fee levels on an annual basis, the intention remains to consider increases on a three-year cycle.

Expenditure by the Company on remuneration and distributions to shareholders

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

	Year ended 31 August 2019 £'000	Year ended 31 August 2018 £'000	Change (%)
Remuneration payable to directors	155	123	+26.0
Distributions paid to shareholders – dividends	25,802	23,589	+9.4

Directors' share interests

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

	Ordinary shares of 1p each 31 August 2019	Ordinary shares of 1p each 31 August 2018
Peter Rigg	23,142	23,142
Alexa Coates	Nil	Nil
Kate Cornish-Bowden ¹	10,000	N/A
Paul Meader	11,000	11,000
Robert Sinclair ²	n/a	12,142

¹Appointed as a director on 20 December 2018.

²Retired as chairman on 20 December 2018.

Following the year end, the Company was advised that Peter Rigg made a net purchase of 358 shares on 1 October 2019. Following this purchase, Peter Rigg holds 23,500 shares in the Company.

Peter Rigg

Chairman

14 November 2019

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

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

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

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

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

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

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union and with The Companies (Guernsey) Law, 2008 (as amended), give a true and fair view of the assets, liabilities, financial position and the net return of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and

- the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the board

Peter Rigg
Chairman

14 November 2019

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Schroder Oriental Income Fund Limited (the "Company") as at 31 August 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 (as amended).

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

What we have audited

The Company's financial statements comprise:

- the Balance Sheet as at 31 August 2019;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the Notes to the Accounts, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Materiality

- Overall materiality for the Company was £6.6 million which represents 1% of net assets.

Audit scope

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

Key audit matters

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



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

Audit scope

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

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

Materiality

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

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

Overall Company materiality	£6.6 million (2018: £6.4 million)
How we determined it	1% of net assets (2018: 1% of net assets)
Rationale for the materiality benchmark	We believe that net assets is the most appropriate benchmark because this is a key metric of interest to members. It is also a generally accepted measure used for companies in this industry.

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

Independent Auditor's Report

to the Members of Schroder Oriental Income Fund Limited

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Income from investments at fair value through profit or loss</p> <p><i>Refer to page 23 (Audit and Risk Committee Report), page 41 (Accounting policies) and page 43 (Notes to the Accounts)</i></p> <p>For the purposes of clarification, "revenue" within this Company refers to all income streams, i.e. those classified as both revenue and capital (including realised/unrealised gains and losses on investments at fair value through profit or loss).</p> <p>Although not considered as a significant audit risk, given that revenue (i.e. income from investments at fair value through profit or loss) is material to the financial statements and is of interest to members we have included it here as a key audit matter and have performed detailed testing to ensure the occurrence, accuracy and completeness of all material revenue streams.</p>	<p>Our main audit procedures over income from investments at fair value through profit or loss were as follows:</p> <ul style="list-style-type: none"> - We read the basis of accounting and accounting policy selected by the directors covering recognition of income and assessed it for compliance with International Financial Reporting Standards as adopted by the European Union and the AIC SORP; - We understood and assessed the design and implementation of key controls surrounding revenue recognition; - We understood and evaluated both automated and manual journals that were posted to revenue accounts. We tested a sample of manual year-end adjusting journals including material journals and those impacting revenue; - To test the occurrence and accuracy of gains and losses on investments at fair value through profit or loss, we vouched a sample of realised gains and losses to supporting evidence, such as bank statements, and recalculated unrealised gains and losses by testing the valuation of 100% of the investment portfolio using independent third party pricing; - To test the completeness of dividend income, we agreed that appropriate dividends had been received during the year by reference to independent data of dividends declared for the investments held in the portfolio; - To test the occurrence and accuracy of dividend income, we agreed all dividends received by reference to the investment holding in the portfolio and recalculated the amounts using independent third party data and agreed a sample of dividends recognised to bank statements; and - We also considered the classification of income between revenue and capital. <p>We have no matters that require communication to those charged with governance in regards to the procedures set out above.</p>

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of investments of investments at fair value through profit or loss</p> <p><i>Refer to pages 8 and 9 (Investment Portfolio), page 23 (Audit and Risk Committee Report), page 41 (Accounting Policies) and page 45 (Notes to the Accounts)</i></p> <p>The portfolio of directly held investments, which constitute the 'investments at fair value through profit or loss' financial statement line item, comprises of 100% quoted equities, which are designated by International Financial Reporting Standards as adopted by the European Union as 'Level 1' given that they are quoted in an active market for which publicly available pricing data is readily available.</p> <p>The investment portfolio represents 105% of the Company's net asset value. The investments are held by an independent custodian and subject to financial and risk management controls that mitigate the risk of material misstatement.</p> <p>Whilst the valuation of these investments held at fair value through profit or loss is not considered to be complex, nor does it involve significant judgments and estimates to be made by the Manager, the fair value of investments is material to the Company. A material misstatement due to fraud or error could potentially be material to the financial statements as a whole.</p> <p>As a result, whilst we have not concluded it to be a significant audit risk, we consider the valuation and existence of investments at fair value through profit or loss to be an area of focus in our audit and accordingly a key audit matter.</p>	<p>Our main audit procedures over these investments were as follows:</p> <ul style="list-style-type: none"> - We read the accounting policies selected by the directors covering the recognition, classification and measurement of investments held at fair value through profit or loss, and assessed them for compliance with International Financial Reporting Standards as adopted by the European Union; - We agreed 100% of investment prices used in calculation of the year end valuation of investments held at fair value through profit or loss to independent third party sources. - We reviewed the liquidity / trading volumes of the investments held at fair value through profit or loss and investigated any stale prices or illiquid stocks; - We agreed the foreign currency exchange rates used (for non-GBP investments) as at year end to independent third party sources; - We agreed the holdings of each of the quoted investments held at fair value through profit or loss to an independently obtained confirmation from the third party Custodian, HSBC Bank plc, as at 31 August 2019; and - We recalculated the carrying value of each of the quoted investments held at fair value through profit or loss by multiplying the price per share by the holding, taking into consideration applicable foreign exchange rates. <p>We have no matters that require communication to those charged with governance in regards to the procedures set out above.</p>

Other information

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

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

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company and the wider economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

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

- the directors' statement set out on page 16 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;
- the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making 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 2016; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and

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

- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code 2016 specified for our review.

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

Elizabeth Burne

For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
14 November 2019

Notes:

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

Statement of Comprehensive Income

for the year ended 31 August 2019

	Note	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Gains/(losses) on investments at fair value through profit or loss	2	-	1,538	1,538	-	(13,193)	(13,193)
Net foreign currency losses		-	(2,414)	(2,414)	-	(895)	(895)
Income from investments	3	32,294	1,076	33,370	31,257	1,033	32,290
Other income	3	64	-	64	22	-	22
Total income/(loss)		32,358	200	32,558	31,279	(13,055)	18,224
Management fee	4	(1,352)	(3,155)	(4,507)	(1,365)	(3,184)	(4,549)
Other administrative expenses	5	(950)	(6)	(956)	(813)	(4)	(817)
Profit/(loss) before finance costs and taxation		30,056	(2,961)	27,095	29,101	(16,243)	12,858
Finance costs	6	(332)	(768)	(1,100)	(334)	(777)	(1,111)
Profit/(loss) before taxation		29,724	(3,729)	25,995	28,767	(17,020)	11,747
Taxation	7	(2,348)	-	(2,348)	(2,346)	(29)	(2,375)
Net profit/(loss) and total comprehensive income		27,376	(3,729)	23,647	26,421	(17,049)	9,372
Earnings/(losses) per share	9	10.60p	(1.44)p	9.16p	10.52p	(6.79)p	3.73p

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

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

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

The notes on pages 41 to 54 form an integral part of these accounts.

Statement of Changes in Equity

for the year ended 31 August 2019

	Note	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2017		170,076	39	150,374	288,008	26,969	635,466
Issue of ordinary shares		21,462	–	–	–	–	21,462
Net (loss)/profit		–	–	–	(17,049)	26,421	9,372
Dividends paid in the year	8	–	–	–	–	(23,589)	(23,589)
At 31 August 2018		191,538	39	150,374	270,959	29,801	642,711
Issue of ordinary shares		21,248	–	–	–	–	21,248
Net (loss)/profit		–	–	–	(3,729)	27,376	23,647
Dividends paid in the year	8	–	–	–	–	(25,802)	(25,802)
At 31 August 2019		212,786	39	150,374	267,230	31,375	661,804

The notes on pages 41 to 54 form an integral part of these accounts.

Balance Sheet

at 31 August 2019

	Note	2019 £'000	2018 £'000
Non current assets			
Investments at fair value through profit or loss	10	694,569	668,985
Current assets	11		
Receivables		2,553	3,794
Cash and cash equivalents		5,043	39,165
Derivative financial instrument at fair value through profit or loss		836	–
		8,432	42,959
Total assets		703,001	711,944
Current liabilities			
Payables	12	(41,197)	(69,233)
Net assets		661,804	642,711
Equity attributable to equity holders			
Share capital	13	212,786	191,538
Capital redemption reserve	14	39	39
Special reserve	14	150,374	150,374
Capital reserves	14	267,230	270,959
Revenue reserve	14	31,375	29,801
Total equity shareholders' funds		661,804	642,711
Net asset value per share	15	251.94p	252.94p

These accounts were approved and authorised for issue by the board of directors on 14 November 2019 and signed on its behalf by:

Peter Rigg
Director

The notes on pages 41 to 54 form an integral part of these accounts.

Registered in Guernsey as a public company limited by shares

Company registration number: 43298

Cash Flow Statement

for the year ended 31 August 2019

	2019 £'000	2018 £'000
Operating activities		
Profit before finance costs and taxation	27,095	12,858
Add back net foreign currency losses	2,414	895
(Gains)/losses on investments at fair value through profit or loss	(1,538)	13,193
Net purchases of investments at fair value through profit or loss	(22,755)	(29,608)
Less amortisation of discount on fixed interest securities	-	(27)
(Increase)/decrease in receivables	(1,002)	571
Increase/(decrease) in payables	2	(7,431)
Overseas taxation paid	(2,232)	(2,527)
Net cash inflow/(outflow) from operating activities before interest	1,984	(12,076)
Interest paid	(1,104)	(1,104)
Net cash inflow/(outflow) from operating activities	880	(13,180)
Financing activities		
Bank loans drawn down	11,460	46,415
Bank loans repaid	(44,063)	(21,275)
Issue of ordinary shares	21,248	21,462
Dividends paid	(25,802)	(23,589)
Net cash (outflow)/inflow from financing activities	(37,157)	23,013
(Decrease)/increase in cash and cash equivalents	(36,277)	9,833
Cash and cash equivalents at the start of the year	39,165	29,881
Effect of foreign exchange rates on cash and cash equivalents	2,155	(549)
Cash and cash equivalents at the end of the year	5,043	39,165

Dividends received during the year amounted to £33,184,000 (2018: £32,614,000) and bond and deposit interest receipts amounted to £68,000 (2018: £234,000).

The notes on pages 41 to 54 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31 August 2019

1. Accounting Policies

(a) Basis of accounting

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

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

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

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

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

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

(b) Presentation of the Statement of Comprehensive Income

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

(c) Investments at fair value through profit or loss

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

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

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

(d) Accounting for reserves

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

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

(e) Income

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

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

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

Notes to the Accounts

for the year ended 31 August 2019

(f) Expenses

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

- The management fee is allocated 30% to revenue and 70% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase or sale of investments are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 45.

(g) Finance costs

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

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

(h) Cash and cash equivalents

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

(i) Other financial assets and liabilities

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

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

(j) Taxation

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

(k) Foreign currency

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

(l) New and amended accounting standards

Two standards detailed below are deemed to be relevant to the Company and became effective during the year.

IFRS 9 "Financial Instruments" became effective during the year but has no material impact on the Company's financial results. In accordance with its investment objective, the Company's portfolio may from time to time include exposure to bonds, which have contractual cash flows. The board has determined that, as permitted by IFRS 9, it is appropriate to continue to classify these securities at fair value through profit or loss even though the Company will collect contractual cash flows while it holds these securities, as it would only be incidental and not integral to achieving its investment objective, which is to provide investors with a total return.

IFRS 15 "Revenue from Contracts with Customers" became effective during the year but has no material impact on the Company's financial results, given that the Company's revenue arises from investments in financial instruments.

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

(m) Significant accounting judgements, estimates and assumptions

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

Notes to the Accounts

for the year ended 31 August 2019

2. Gains/(losses) on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Gains on sales of investments based on historic cost	24,582	34,601
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(13,472)	(28,677)
Gains on sales of investments based on the carrying value at the previous balance sheet date	11,110	5,924
Net movement in investment holding gains and losses	(9,572)	(19,117)
Gains/(losses) on investments held at fair value through profit or loss	1,538	(13,193)

3. Income

	2019 £'000	2018 £'000
Income from investments:		
Overseas dividends	32,294	31,107
Interest on government bonds	–	150
	32,294	31,257
Other income:		
Deposit interest	64	22
Total income	32,358	31,279
Capital:		
Special dividend allocated to capital	1,076	1,033

4. Management Fee

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Management fee	1,352	3,155	4,507	1,365	3,184	4,549

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

5. Other administrative expenses

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Administration expenses	607	6	613	513	4	517
Secretarial fee	150	–	150	150	–	150
Directors' fees	155	–	155	123	–	123
Auditor's remuneration for audit services ¹	38	–	38	27	–	27
	950	6	956	813	4	817

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

Notes to the Accounts

for the year ended 31 August 2019

6. Finance costs

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Interest on bank loans and overdrafts	332	768	1,100	334	777	1,111

7. Taxation

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Irrecoverable overseas tax	2,348	–	2,348	2,346	29	2,375

The Company has been granted an exemption from Guernsey taxation, under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989, for which it is charged an annual exemption fee of £1,200 (2018: £1,200).

8. Dividends

Dividends paid and declared

	2019 £'000	2018 £'000
2018 fourth interim dividend of 4.50p (2017: 4.20p)	11,505	10,477
First interim dividend of 1.80p (2018: 1.70p)	4,653	4,254
Second interim dividend of 1.80p (2018: 1.70p)	4,672	4,284
Third interim dividend of 1.90p (2018: 1.80p)	4,972	4,574
Total dividends paid in the year	25,802	23,589

	2019 £'000	2018 £'000
Fourth interim dividend declared of 4.60p (2018: 4.50p)	12,083	11,434

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

The fourth interim dividend declared in respect of the year ended 31 August 2018 differs from the amount actually paid due to shares issued after the balance sheet date but prior to the share register record date.

9. Earnings/(losses) per share

	2019 £'000	2018 £'000
Net revenue profit	27,376	26,421
Net capital loss	(3,729)	(17,049)
Net total profit	23,647	9,372
Weighted average number of Ordinary shares in issue during the year	258,190,873	250,958,435
Revenue earnings per share	10.60p	10.52p
Capital loss per share	(1.44)p	(6.79)p
Total earnings per share	9.16p	3.73p

Notes to the Accounts

for the year ended 31 August 2019

10. Investments at fair value through profit or loss

	2019 £'000	2018 £'000
Opening book cost	560,018	497,452
Opening investment holding gains	108,967	156,761
Opening valuation	668,985	654,213
Amortisation of discount on fixed interest securities	–	27
Purchases at cost	279,159	257,032
Sales proceeds	(255,113)	(229,094)
Gains on sales of investments based on the carrying value at the previous balance sheet date	11,110	5,924
Net movement in investment holding gains and losses	(9,572)	(19,117)
Closing valuation	694,569	668,985
Closing book cost	608,647	560,018
Closing investment holding gains	85,922	108,967
Total investments at fair value through profit or loss	694,569	668,985

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

	2019 £'000	2018 £'000
On acquisitions	279	235
On disposals	361	315
	640	550

11. Current assets

Receivables

	2019 £'000	2018 £'000
Dividends and interest receivable	2,521	2,483
Securities sold awaiting settlement	15	1,306
Other receivables	17	5
	2,553	3,794

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

Cash and cash equivalents

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

Derivative financial instrument at fair value through profit or loss

Comprises a single contract to purchase US Dollars 40.5 million for Chinese Yuan 282.3 million, for settlement on 12 September 2019. The contract is valued at fair value, being the cost of closing out the contract at 31 August 2019.

Notes to the Accounts

for the year ended 31 August 2019

12. Payables

	2019 £'000	2018 £'000
Bank loan	39,868	67,901
Other payables and accruals	1,329	1,332
	41,197	69,233

The bank loan comprises US\$25 million (2018: US\$59.7 million) and JP¥2,500 million (2018: JP¥ 3,171.3 million) drawn down on the Company's £100 million multicurrency credit facility with Scotiabank Europe plc. The facility is secured and drawings are subject to covenants and restrictions which are customary for a facility of this nature and all of these have been complied with. Further details of the facility are given in note 20 on page 48.

13. Share capital

	2019 £'000	2018 £'000
Ordinary shares of 1p each, allotted, called-up and fully paid:		
Opening balance of 254,098,024 (2018: 245,703,024) shares	191,538	170,076
Issue of 8,585,000 (2018: 8,395,000) shares	21,248	21,462
Closing balance of 262,683,024 (2018: 254,098,024) shares	212,786	191,538

No shares were held in treasury at the year end (2018: nil).

During the year a total of 8,585,000 shares, nominal value £85,850 were issued to the market to satisfy demand, at an average price of 247.50p per share, for a total consideration received of £21,248,000.

14. Reserves

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

Notes to the Accounts

for the year ended 31 August 2019

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve £'000
At 31 August 2018	191,538	39	150,374	163,513	107,446	29,801
Gains on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	11,110	-	-
Movement in investment holding gains and losses	-	-	-	-	(9,572)	-
Transfer on disposal of investments	-	-	-	13,472	(13,472)	-
Realised exchange gains on cash and short-term deposits	-	-	-	1,239	-	-
Gains on open derivative contracts	-	-	-	80	-	-
Unrealised gains on open derivative contracts	-	-	-	-	836	-
Exchange losses on foreign currency credit facility	-	-	-	(2,225)	(2,344)	-
Issue of shares	21,248	-	-	-	-	-
Management fee, finance costs and other expenses charged to capital	-	-	-	(3,929)	-	-
Dividends allocated to capital	-	-	-	1,076	-	-
Dividends paid in the year	-	-	-	-	-	(25,802)
Net revenue profit for the year	-	-	-	-	-	27,376
At 31 August 2019	212,786	39	150,374	184,336	82,894	31,375

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

15. Net asset value per share

	2019	2018
Net assets attributable to shareholders (£'000)	661,804	642,711
Shares in issue at the year end	262,683,024	254,098,024
Net asset value per share	251.94p	252.94p

16. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2018: none).

17. Transactions with the Manager

The Company has appointed Schroder Unit Trusts Limited ("the Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, secretarial and administration services. Details of the management and performance fee agreement are given in the Directors' Report on page 19. The management fee payable in respect of the year amounted to £4,507,000 (2018: £4,549,000), of which £1,176,000 (2018: £1,142,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £150,000 (2018: £150,000) of which £37,500 (2018: £37,500) was outstanding at the year end. No performance fee is payable in respect of the year (2018: nil).

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

Notes to the Accounts

for the year ended 31 August 2019

18. Related party transactions

Details of the remuneration payable to directors are given in the Directors' Remuneration Report on page 28 and details of directors' shareholdings are given in the Directors' Remuneration Report on page 28. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2018: nil).

19. Disclosures regarding financial instruments measured at fair value

The Company's portfolio of investments, which may comprise investments in equities, equity linked securities, government bonds and derivatives, are carried in the balance sheet at fair value.

Other financial instruments held by the Company may comprise amounts due to or from brokers, dividends and interest receivable, accruals, cash at bank and drawings on the credit facility. For these instruments, the balance sheet amount is a reasonable approximation of fair value.

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

Level 1 – valued using quoted prices in active markets.

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

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

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

Details of the valuation techniques used by the Company are given in note 1(c) on page 41, and note 1(i) on page 42.

At 31 August 2019, the Company's investment portfolio was categorised as follows:

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in equities and equity linked securities	694,569	–	–	694,569
Derivative financial instrument – forward currency contract	–	836	–	836
Total	694,569	836	–	695,405

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

There have been no transfers between Levels 1, 2 or 3 during the year (2018: nil).

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

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

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

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

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

Notes to the Accounts

for the year ended 31 August 2019

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

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

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

Foreign currency exposure

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

	2019									
	Japanese yen £'000	Hong Kong dollars £'000	Australian dollars £'000	Singapore dollars £'000	Taiwan dollars £'000	Thai baht £'000	New Zealand dollars £'000	US dollars £'000	Other £'000	Total £'000
Current assets	125	921	486	302	155	577	127	292	667	3,652
Current liabilities	(19,341)	-	-	-	-	-	-	(20,534)	-	(39,875)
Derivative financial instrument held at fair value through profit or loss	-	-	-	-	-	-	-	33,272	(32,436)	836
Foreign currency exposure on net monetary items	(19,216)	921	486	302	155	577	127	13,030	(31,769)	(35,387)
Investments at fair value through profit or loss ¹	25,643	215,218	116,485	80,731	79,685	41,068	5,346	31,165	83,826	679,167
Total net foreign currency exposure	6,427	216,139	116,971	81,033	79,840	41,645	5,473	44,195	52,057	643,780

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

¹Excluding any stocks priced in sterling.

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

Notes to the Accounts

for the year ended 31 August 2019

Foreign currency sensitivity

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2018: 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.

The sensitivity of the Company's investments to changes in foreign currency exchange rates is subsumed into market price risk sensitivity on page 51.

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

	2019 £'000	2018 £'000
Statement of Comprehensive Income – net profit		
Net revenue profit	2,968	2,860
Net capital profit	(3,508)	(4,475)
Net assets	(540)	(1,615)

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

	2019 £'000	2018 £'000
Statement of Comprehensive Income – net profit		
Net revenue profit	(2,968)	(2,860)
Net capital profit	3,508	4,475
Net assets	540	1,615

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

(ii) Interest rate risk

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

Management of interest rate risk

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

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

Interest rate exposure

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

	2019 £'000	2018 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	5,043	39,165
Other payables: drawings on the credit facility	(39,868)	(67,901)
Total exposure	(34,825)	(28,736)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2018: same).

Notes to the Accounts

for the year ended 31 August 2019

During the year, the Company extended its 364 day multicurrency revolving credit facility with Scotiabank Europe plc, which now expires on 22 April 2020. Amounts are normally drawn down on this facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At the year end, the Company had drawn down US\$25 million (£20.5 million) and JP¥ 2,500 million (£19.4 million) on this facility at an interest rate of 2.77% and 0.52% per annum respectively (2018: US\$59.7 million (£45.9 million) and JP¥ 3,171.3 million (£22.0 million) at an interest rate of 2.74% and 0.60% per annum respectively).

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

	2019 £'000	2018 £'000
Maximum interest rate exposure during the year – net debt	(49,114)	(54,190)
Minimum interest rate exposure during the year – net debt	(14,138)	(21,468)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2018: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2019		2018	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	(35)	35	94	(94)
Net capital profit	(140)	140	(238)	238
Net total profit	(175)	175	(144)	144
Net assets	(175)	175	(144)	144

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

(iii) Market price risk

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

Management of market price risk

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

Market price risk exposure

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

	2019 £'000	2018 £'000
Investments at fair value through profit or loss	694,569	668,985

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

Notes to the Accounts

for the year ended 31 August 2019

Concentration of exposure to market price risk

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

Market price risk sensitivity

The following table illustrates the sensitivity of the net profit for the year and net assets to an increase or decrease of 10% (2018: 10%) in the fair values of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee, but with all other variables held constant.

	2019		2018	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	(146)	146	(140)	140
Net capital profit	69,117	(69,117)	66,571	(66,571)
Net total profit for the year and net assets	68,971	(68,971)	66,431	(66,431)

(b) Liquidity risk

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

Management of the risk

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

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

Liquidity risk exposure

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

	Three months or less 2019 £'000	Three months or less 2018 £'000
Other payables		
Bank loan – including interest	39,931	68,020
Other payables and accruals	1,322	1,321
	41,253	69,341

(c) Credit risk

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

Management of credit risk

This risk is managed as follows:

Portfolio dealing

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

Notes to the Accounts

for the year ended 31 August 2019

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

Exposure to the Custodian

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

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

Credit risk exposure

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

	2019		2018	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Current assets				
Receivables – dividends and interest	2,521	2,521	2,483	2,483
Securities sold awaiting settlement	15	15	1,306	1,306
Cash and cash equivalents	5,043	5,043	39,165	39,165
	7,579	7,579	42,954	42,954

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

21. Capital management policies and procedures

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

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

	2019 £'000	2018 £'000
Debt		
Bank loan	39,868	67,901
Equity		
Share capital	212,786	191,538
Reserves	449,018	451,173
	661,804	642,711
Total debt and equity	701,672	710,612

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

Notes to the Accounts

for the year ended 31 August 2019

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

	2019 £'000	2018 £'000
Borrowings used for investment purposes, less cash	34,825	28,736
Net assets	661,804	642,711
Gearing	5.3%	4.5%

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

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

22. Post balance sheet event

The Company was added to the FTSE 250 Index on 17 September 2019.

Annual General Meeting – Recommendations

The Annual General Meeting (“AGM”) of the Company will be held on Thursday, 12 December 2019 at 4.00 pm. The formal Notice of Meeting is set out on page 56.

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

Ordinary business

Resolutions 1 to 8 are all ordinary resolutions.

Resolution 1 is a required resolution. Resolution 2 concerns the Directors’ Remuneration Report, on pages 28 and 29. Resolution 3 invites shareholders to elect Kate Cornish-Bowden as a director. Resolutions 4 to 6 invite shareholders to re-elect each of the other directors for another year, following the recommendations of the nomination committee, set out on pages 26 and 27 (their biographies are set out on pages 17 and 18). Resolutions 7 and 8 concern the re-appointment and remuneration of the Company’s auditor, discussed in the Audit and Risk Committee Report on pages 23 and 24.

Special business

Resolution 9 – approval of the Company’s dividend policy (ordinary resolution)

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

Resolution 10 – proposed changes to the Articles of Incorporation (special resolution)

The board is proposing to remove any restrictions in the Company’s Articles of Incorporation relating to the location of board meetings, general meetings or the residency of the directors of the Company. Additionally, the board has taken this opportunity to propose amendments to the Company’s Articles of Incorporation to reflect changes in Guernsey Company law since the Articles of Incorporation were last updated in 2010.

A copy of the Company’s existing Articles of Incorporation, the proposed amended Articles of Incorporation incorporating these changes, and a comparison document showing the proposed changes will be available for inspection at the Company’s registered office during normal business hours (excluding weekends and any bank holiday in the United Kingdom) from the date of this document until the conclusion of the General Meeting and will also be available, as of the date of this document, on the Company’s webpages at www.schroders.co.uk/orientalincome.

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

At the AGM held on 20 December 2018, the Company was granted authority to make market purchases of up to 38,362,861 ordinary shares for cancellation or holding in treasury. No ordinary shares were bought back under this authority and the Company therefore has remaining authority to purchase up to 38,362,861 ordinary shares. This authority will expire at the forthcoming AGM.

The directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV per share and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue at 8 November 2019 (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 2019 AGM will lapse at the conclusion of the AGM in 2020 unless renewed, varied or revoked earlier.

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

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

An extraordinary resolution will be proposed at the forthcoming AGM to authorise the directors to allot shares up to a maximum aggregate nominal amount of £266,983 (being 10% of the issued share capital as at 8 November 2019) and to give the directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £266,983 (being 10% of the Company’s issued share capital as at the date of the Notice of the AGM).

The directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company’s existing shareholders to do so and when it would not result in any dilution of NAV per share. If approved, both of these authorities will expire at the conclusion of the AGM in 2020 unless renewed, varied or revoked earlier.

Recommendations

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

Notice of Annual General Meeting

NOTICE is hereby given that the annual general meeting of Schroder Oriental Income Fund Limited will be held on 12 December 2019 at 4.00 pm at **Regency Court, Glatigny Esplanade, St Peter Port, Guernsey GY1 3UF** to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions. Resolutions 10 and 11 will be proposed as special resolutions and resolution 12 will be proposed as an extraordinary resolution:

1. To receive the Directors' Report and the audited accounts for the year ended 31 August 2019.
2. To approve the Directors' Remuneration Report for the year ended 31 August 2019.
3. To approve the election of Kate Cornish-Bowden as a director of the Company.
4. To approve the re-election of Peter Rigg as a director of the Company.
5. To approve the re-election of Alexa Coates as a director of the Company.
6. To approve the re-election of Paul Meader as a director of the Company.
7. To re-appoint PricewaterhouseCoopers CI LLP as auditor of the Company.
8. To authorise the directors to determine the remuneration of PricewaterhouseCoopers CI LLP as auditor to the Company.
9. To approve the Company's dividend policy as set out on page 19 of the annual report and accounts.
10. To consider and, if thought fit, pass the following as a special resolution: "To adopt the New Articles of Incorporation produced to the Meeting and initialled by the Chairman of the Meeting for the purposes of identification in substitution for, and to the exclusion of the entirety of, the existing Articles of Incorporation of the Company."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the Company be and is hereby generally and unconditionally authorised in accordance with section 315 of The Companies (Guernsey) Law, 2008 (as amended), to make market purchases of ordinary shares of 1p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per share, provided that:

 - (a) the maximum number of Shares hereby authorised to be purchased shall be 40,020,755, representing 14.99% of the issued Share capital as at 8 November 2019;
 - (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of
 - (i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase; and
 - (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
 - (c) the minimum price which may be paid for a share is 1p, being the nominal value per share;
 - (d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company in 2020 (unless previously renewed, varied or revoked prior to such date);
 - (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
 - (f) Any Shares so purchased will be held in treasury or cancelled.
12. To consider and, if thought fit pass the following as an extraordinary resolution:

"That the board be and is hereby authorised in accordance with Section 291 of The Companies (Guernsey) Law, 2008 (as amended) to allot ordinary shares for cash and/or sell treasury shares up to 26,698,302 ordinary shares of 1p each in aggregate, representing 10% of the share capital in issue on 8 November 2019, for cash and the right of shareholders to receive a pre-emptive offer in respect of such ordinary shares shall be excluded pursuant to Article 3.24 of the Company's articles of incorporation, provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) from the conclusion of the annual general meeting of the Company to be held in 2020 save that the board may allot ordinary shares for cash or sell treasury shares after the expiry of this authority in pursuance of an offer or agreement made by the Company before such expiry that would or might require ordinary shares to be allotted or treasury shares to be sold after such expiry."

By order of the board
For and on behalf of

Schroder Investment Management Limited
Company Secretary

14 November 2019

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

Registered number: 43298

Explanatory Notes to the Notice of Annual General Meeting

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

A proxy need not be a member. A form of proxy is enclosed for ordinary shareholders which should be completed and returned to the Company's registrar, care of Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 48 hours before the time fixed for the meeting. Completion of the proxy will not preclude an ordinary shareholder from attending and voting in person.

2. The biographies of each of the directors offering themselves for election and re-election are set out on pages 17 and 18 of the annual report and accounts for the year ended 31 August 2019.
3. As at 8 November 2019, the Company had 266,983,024 ordinary shares of 1p each in issue (no shares were held in treasury). Accordingly, the total number of voting rights in the Company on 8 November 2019 is 266,983,024.
4. A copy of the Company's existing Articles of Incorporation, the proposed amended Articles of Incorporation incorporating these changes and a comparison document showing the proposed changes will be available for inspection at the Company's registered office during normal business hours (excluding weekends and any bank holiday in the United Kingdom) from the date of this document until the conclusion of the General Meeting.

The following is a summary of the material amendments to be made to the existing Articles of Incorporation of the Company.

The key proposed changes to the Articles of Incorporation are as follows:

- **Proceedings of directors** – the requirement that no meeting of the directors shall be held in the United Kingdom and that any decision reached or resolution passed in the United Kingdom (or at a meeting at which a majority of directors resident in the United Kingdom is present) shall be invalid and have no effect has been removed. The provisions prohibiting a director from participating in meetings from the United Kingdom by way of telephone or video link have also been removed.
- **Appointment and removal of directors** – the prohibition on a majority of directors being resident in the United Kingdom has been removed, as has the article providing for the removal of a

Director that becomes resident in the United Kingdom in certain circumstances.

- **FATCA** – as a financial institution for the purposes of FATCA and the OECD's "Common Reporting Standard", the Company is subject to certain due diligence, reporting and other requirements relating to the reporting and exchange of tax information pursuant to the implementation of those regimes and similar rules. The amended Articles ensure that the Company is able to meet its obligations under such rules.
- **Disclosure of directors' interests** – the directors will no longer be required to disclose to the board the monetary value of any interest in a transaction or proposed transaction with the Company but will need to disclose the nature and extent of any such interest.
- **Deemed notice** – changes were made to the notice provisions of the Companies Law which bring Guernsey law more closely in line with the equivalent provisions under UK company law. There is now a presumption that shareholders in the UK, the Channel Islands and the Isle of Man will be deemed to have received notices two business days (formerly three business days) after the day of posting; and, in the case of other jurisdictions, three business days (formerly seven business days) after the day of posting. The Company's Articles are being amended to reflect these changes. In addition, shareholders are no longer required to confirm receipt of electronic communications and will be deemed to have received electronic notices 24 hours after it was transmitted (formerly on confirmation of receipt or failing that when it is sent).
- **Aggregate directors fees** – the aggregate fees payable to the directors shall be capped at £300,000 instead of £200,000 to, amongst other things, allow for succession planning.
- **Uncertificated securities** – amendments have been included to reflect the adoption of the Uncertificated Securities (Guernsey) Regulations, 2009 (as amended) in Guernsey and to remove the wording relating to the CREST Guernsey requirements, which are no longer applicable.

It is proposed that the amendments to the Articles of Incorporation will be effected by adoption of the new Articles of Incorporation. The adoption of the new Articles of Incorporation requires a special resolution of the Shareholders (the "Adoption Resolution") which will be put to the Shareholders at the meeting.

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified Alternative Performance Measures as defined by the European Securities and Markets Authority, and some numerical calculations are given for those.

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.

Discount/premium

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

Gearing

The gearing percentage is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. Gearing is defined as: borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the figure so calculated is negative, this is shown as a "Net cash" position. The gearing calculation is included in note 21 on page 53.

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 and transaction costs and any programme fee of £5,463,000 (2018: £5,366,000), expressed as a percentage of the average daily net asset values during the year of £636,976,000 (2018: £637,658,000).

Total return

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

The NAV total return for the year ended 31 August 2019 is calculated as follows:

NAV at 31/8/18	252.94p
NAV at 31/8/19	251.94p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
4.5p	15/11/2018	233.61p	1.0193	1.0193
1.8p	14/02/2019	249.49p	1.0072	1.0266
1.8p	11/04/2019	253.01p	1.0071	1.0339
1.9p	08/08/2019	256.49p	1.0074	1.0416
NAV total return ¹				3.7%

The share price total return for the year ended 31 August 2019 is calculated as follows:

Share price at 31/8/18	250.00p
Share price at 31/8/19	253.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
4.5p	15/11/2018	238.00p	1.0189	1.0189
1.8p	14/02/2019	250.00p	1.0072	1.0262
1.8p	11/04/2019	253.00p	1.0071	1.0335
1.9p	08/08/2019	260.00p	1.0073	1.0411
Share price total return ²				5.4%

¹NAV total return equates to the closing NAV, multiplied by the cumulative factor, expressed as a percentage increase in the opening NAV

²Share price total return equates to the closing share price, multiplied by the cumulative factor, expressed as a percentage increase in the opening share price

Notes

Notes

Shareholder Information

Webpages and share price information

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

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

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

The Manager publishes monthly and quarterly updates on the Company and other Schroders investment trusts, which may be found under the "Literature" section on the Company's webpages.

Association of Investment Companies

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

Individual Savings Account ("ISA") status

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

Non-Mainstream Pooled Investments status

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

Financial calendar

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

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

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

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the Company's webpages. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2019 these were:

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

Illiquid assets

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

Remuneration disclosures

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

Publication of Key Information Document ("KID") by the AIFM

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

Directors

Peter Rigg
Alexa Coates
Kate Cornish-Bowden
Paul Meader

Advisers

Alternative investment fund manager (the “Manager”)

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

Investment Manager and Company Secretary

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

Registered office

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

Safekeeping and cashflow monitoring agent (including custodian)

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

Lending bank

Scotiabank Europe plc
201 Bishopsgate
London EC2M 3NS
United Kingdom

Corporate broker

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

Independent auditor

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

Registrar

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

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

Designated manager

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

Shareholder enquiries

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

Dealing codes

ISIN: GB00B0CRWN59
SEDOL: B0CRWN5
Ticker: SOI

Global intermediary identification number (GIIN)

1TVP6A.99999.SL.83

Legal entity identifier (LEI)

5493001U9X6P8S50PK40

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



Schroders