

# Schroder Oriental Income Fund Limited

Half Year Report and Accounts for the six months ended 28 February 2017



**Schroders**

# Contents, Investment Objective and Investment Policy

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## Investment objective

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

## Investment policy

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

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.

# Financial Highlights

	<b>For the six months ended 28 February 2017</b>
<b>Total returns (including dividends reinvested)<sup>1</sup></b>	
Net asset value ("NAV") per share total return	<b>11.4%</b>
Share price total return	<b>11.1%</b>

<sup>1</sup> Source: Morningstar. Total returns assume that any dividends paid out during the period were reinvested back into the Company.

<b>Other financial information</b>	<b>28 February 2017</b>	<b>31 August 2016</b>	<b>% change</b>
Shareholders' funds (£'000)	<b>580,382</b>	528,662	+9.8
NAV per share	<b>242.21p</b>	222.56p	+8.8
Share price	<b>243.50p</b>	224.50p	+8.5
Share price premium to NAV per share	<b>0.5%</b>	0.9%	
Gearing <sup>1</sup>	<b>4.0%</b>	0.4%	

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

# Interim Management Report – Chairman’s Statement

## Performance

I am pleased to report a further period of good performance for the Company. The feature of the first half of the year was again the impact of sterling’s fall. It helped turn a solid underlying increase in the value of the portfolio’s holdings into an 11.4% net asset value total return, and – of particular significance for the Company – it contributed to the investment income being 22.8% higher than a year ago in sterling terms.

Further details of investment performance, as well as portfolio activity, policy and outlook, may be found in the Manager’s Review.

## Dividends

The Company paid a first interim dividend for the year ending 31 August 2017 of 1.60 pence per share (2016: 1.50 pence per share) on 8 February 2017 and a second interim dividend of 1.70 pence per share (2016: 1.60 pence per share) on 28 April 2017.

## Share capital

The Company’s strong total return and attractive yield have prompted further demand for shares during the period and your Board has continued to implement an active issuance policy, as previously. In the six month period, the Company issued 2,081,450 shares at a small premium to the prevailing net asset value in order to provide liquidity to the market. Following these issues, the Company’s share capital comprised 239,623,024 ordinary shares. No shares are held in treasury. 4,075,000 further shares have been issued since the period end.

## Gearing

The Company has in place a multi-currency revolving credit facility of £75 million. This is an increase from the previous facility size of £50 million to enable gearing to remain at a similar level to prior periods, given the growth in the Company’s overall assets. Gearing stood at 0.4% at the beginning of the period and had increased to 4.0% as at 28 February 2017. Average gearing during the period was 2.7%. The level of gearing continues to be monitored closely by the Board and managed as necessary.

## Board refreshment

As I noted in my previous Chairman’s Statement, Chris Sherwell retired from the Board at the last Annual General Meeting. Chris was a Director from inception of the Company and provided wise counsel during that time. He will be greatly missed and I would, once again, like to thank him for his contribution.

In line with the Board’s succession planning, as outlined in previous statements, one of the longer-serving Directors will retire at this year’s Annual General Meeting and the Board has commenced the search for a new Director, to be appointed later this year.

## Outlook

The Company’s income is currently running at record levels. The increase relative to a year ago has been materially boosted by sterling’s decline after the EU referendum, but this should not detract from the portfolio holdings continuing to provide the underlying dividend growth that is critical to the long-term success of the Company’s strategy.

Along with the rest of the Board I recently visited Asia to review the Manager’s resources and it is clear from our meetings with companies and politicians in the region that governance continues to improve, companies remain competitive and managements appreciate the desire from investors for growing and robust dividend payments.

# Interim Management Report – Chairman’s Statement

I am particularly reassured by the Manager’s comment that market expectations for corporate profits this year are being revised up, for the first time in a number of years. For all the uncertainty in the global macro-economic picture at the moment, and the political changes in many Western countries, your Company is looking to find successful Asian companies that can grow. We believe the opportunities are there for the Manager to find.

**Robert Sinclair**

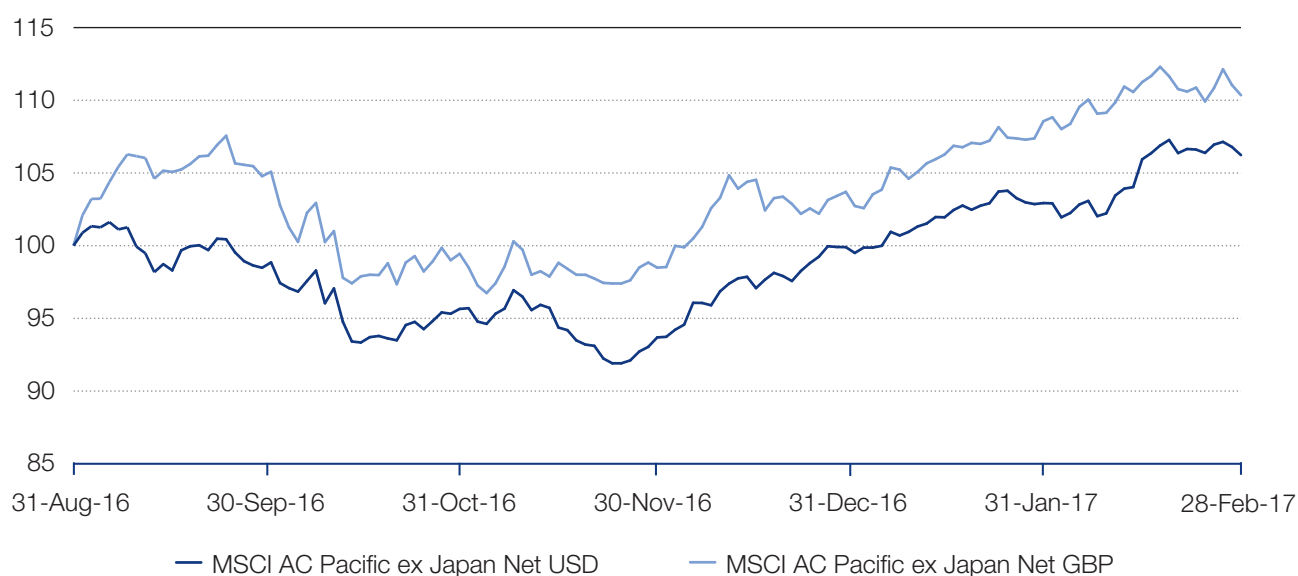
Chairman

26 May 2017

# Interim Management Report – Manager’s Review

The net asset value per share of the Company recorded a total return of 11.4% over the six months to end February 2017. Two interim dividends have been declared during the period, totalling 3.30 pence (2016: 3.10 pence) per share.

## Performance of the MSCI AC Pacific ex Japan Index 31 August 2016 to 28 February 2017



Source: Thomson Datastream as at 28 February 2017.

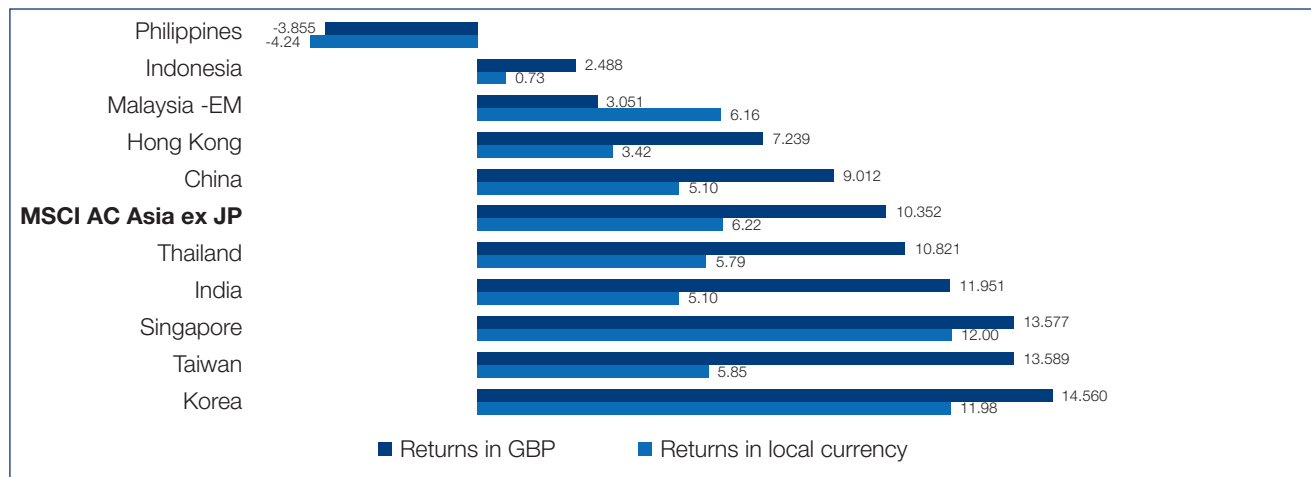
Asian equity markets performed well over the first six months of the Company's financial year. However, there has been considerable volatility. Markets were somewhat subdued in September/October digesting the strong progress in the summer, and reflecting concern that rising US interest rates and a stronger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

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

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

# Interim Management Report – Manager’s Review

## MSCI Pacific ex Japan net returns by country 31 August 2016 to 28 February 2017



Source: Schroders, Factset.

Sterling weakness has continued to have a material impact on returns, with all the regional currencies rising against the pound apart from the Malaysian ringgit and the Philippine peso. In terms of overall returns, ASEAN emerging markets performed relatively poorly reflecting to varying degrees somewhat becalmed economies and political noise. It is striking that markets perceived as more exposed to a global economic recovery led the way, viz Australia (reflecting its commodity exposure), Taiwan, Singapore and Korea.

## Positioning and performance

The Company's performance has been broadly reflective of underlying market returns. Stock selection has been mixed, with shortfalls in Australia, Hong Kong and Singapore balanced by strong performance in China and Indonesia, along with robust returns in UK listed stocks. Country allocation added value thanks to underweights in Malaysia, China and the Philippines.

Hong Kong, Australia and Taiwan are the main country exposures in the portfolio, along with allocations of between 5% and 10% in Singapore, China, Thailand and Korea. Key sector exposures are banks, property, information technology, telecommunications and materials. In terms of changes we added to Australia, China, Korea and Taiwan, partly funded by a reduction in Hong Kong and the sale of the Indian holding. Effective gearing increased, but closed the period at a modest 4.0%.

## Investment outlook

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

Less investor focus in general, has been the importance of China in stabilising global growth. The influence is clear in the strong export numbers evident in the Asian region (Taiwan +28% year on year in February, Japan +11%) and in the buoyancy (until very recently) of commodity prices. For all the talk of fiscal packages and monetary measures in the developed world, the net new stimulus has been almost wholly from China over the last 18 months. In engineering a strong recovery, China has done it by the text book; lower interest rates, real estate stimulus, public investment and continued supply of credit (with credit continuing to grow over twice nominal GDP) leading to an impressive recovery in secondary industry and a swing in the producer inflation index from -6% at the end of 2015 to +7.6% in March 2017.

# Interim Management Report – Manager’s Review

Recently, the Chinese authorities have signalled a less pro-growth stance (marginal tweaks up in policy interest rates, cooling measures for the largest city real estate markets), but the priority will be to maintain a satisfactory level of growth – not too hot, not too cold, to coin a phrase. The long-term resolution of China’s addiction to credit (lower growth, debt work-outs etc) has still to be faced, but on a medium-term time horizon, China should be broadly a supportive influence to global and regional activity.

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

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

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

## Sector and country weights

### Portfolio by sector

(Gearing: 4.0%)

	Portfolio weight (%)
Banks	19.5
Real Estate	16.2
Information Technology	15.8
Telecommunications	15.8
Materials	11.1
Industrials	8.8
Consumer Discretionary	8.6
Energy	4.6
Consumer Staples	1.7
Other Financials	1.2
Utilities	0.6
Health Care	–

### Portfolio by country

(Gearing: 4.0%)

	Portfolio weight (%)
Australia	22.5
Hong Kong	21.8
Taiwan	17.4
China	12.2
Singapore	10.0
Korea	7.3
Thailand	6.5
Indonesia	2.9
New Zealand	2.1
Japan	0.8
Malaysia	0.5
Philippines	–

Source: Schroders as at 28 February 2017.

## Schroder Unit Trusts Limited

26 May 2017



# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategy and competitiveness risk; investment management risk; financial and currency risks; accounting, legal and regulatory risk; custodian and depositary risk; and service provider risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 16 and 17 of the Company's published Annual Report and Accounts for the year ended 31 August 2016. These risks and uncertainties have not materially changed during the six months ended 28 February 2017.

## Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 18 of the published Annual Report and Accounts for the year ended 31 August 2016, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

Details of transactions with related parties, which under the Financial Conduct Authority's ("FCA") Listing Rules include the Manager, can be found on page 48 of the Company's published Annual Report and Accounts for the year ended 31 August 2016. There have been no material transactions with the Company's related parties during the six months ended 28 February 2017.

## Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with the Companies (Guernsey) Law 2008 and with International Financial Reporting Standards and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

# Investment Portfolio

At 28 February 2017

Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 49.9% (29 February 2016: 51.3% and 31 August 2016: 51.4%) of total investments and derivative financial instruments.

	£'000	%
<b>AUSTRALIA</b>		
<b>National Australia Bank</b>	<b>18,457</b>	<b>3.1</b>
<b>Transurban</b>	<b>14,402</b>	<b>2.4</b>
<b>BHP Billiton<sup>1</sup></b>	<b>12,399</b>	<b>2.1</b>
<b>Telstra</b>	<b>10,621</b>	<b>1.8</b>
<b>Mirvac</b>	<b>10,543</b>	<b>1.7</b>
Australia and New Zealand Banking	10,168	1.7
Woolworths	9,927	1.6
Amcor	6,858	1.1
Orica	6,676	1.1
Iluka Resources	6,254	1.0
Woodside Petroleum	5,758	0.9
Incitec Pivot	5,333	0.9
Sydney Airport	4,930	0.8
Brambles	4,819	0.8
Scentre	3,906	0.6
<b>TOTAL AUSTRALIA</b>	<b>131,051</b>	<b>21.6</b>
<b>HONG KONG</b>		
<b>HSBC</b>	<b>21,906</b>	<b>3.6</b>
<b>Fortune Real Estate Investment Trust</b>	<b>19,672</b>	<b>3.3</b>
<b>HKT Trust and HKT</b>	<b>13,214</b>	<b>2.2</b>
<b>Swire Pacific A shares</b>	<b>11,834</b>	<b>2.0</b>
<b>PCCW</b>	<b>10,919</b>	<b>1.8</b>
<b>BOC Hong Kong</b>	<b>10,742</b>	<b>1.8</b>
Kerry Properties	8,598	1.4
Texwinca	7,215	1.2
Sun Hung Kai Properties	6,157	1.0
Standard Chartered	5,649	0.9
Pacific Textiles	4,925	0.8
Jardine Strategic <sup>2</sup>	3,308	0.5
Li & Fung	1,587	0.3
Giordano	1,102	0.2
<b>TOTAL HONG KONG</b>	<b>126,828</b>	<b>21.0</b>
<b>TAIWAN</b>		
<b>Taiwan Semiconductor Manufacturing</b>	<b>39,539</b>	<b>6.6</b>
<b>Far EasTone Telecommunications (including GDR)</b>	<b>14,513</b>	<b>2.4</b>
<b>Mega Financial</b>	<b>11,515</b>	<b>1.9</b>
Hon Hai Precision Industry	9,128	1.5
Asustek Computer	8,759	1.5
FIH Mobile <sup>3</sup>	7,447	1.2
Taiwan Mobile	6,623	1.1
Delta Electronics	3,152	0.5
<b>TOTAL TAIWAN</b>	<b>100,676</b>	<b>16.7</b>
<b>CHINA</b>		
<b>Hopewell Holdings<sup>3</sup></b>	<b>16,749</b>	<b>2.8</b>
Midea (LEPO) <sup>4</sup>	9,852	1.6
China Petroleum & Chemical H shares <sup>3</sup>	9,050	1.5
Industrial and Commercial Bank of China H shares <sup>3</sup>	8,499	1.4
China Mobile <sup>3</sup>	5,942	1.0
Petrochina H shares	5,942	1.0
Belle International <sup>3</sup>	4,733	0.8
Sands China <sup>3</sup>	4,660	0.8
Anta Sports Products <sup>3</sup>	2,732	0.5
361 Degrees International <sup>3</sup>	1,328	0.2
Glorious Sun Enterprises <sup>3</sup>	406	0.1
<b>TOTAL CHINA</b>	<b>69,893</b>	<b>11.7</b>

	£'000	%
<b>SINGAPORE</b>		
<b>Singapore Telecommunications</b>	<b>10,967</b>	<b>1.8</b>
Overseas Chinese Banking	9,456	1.6
Venture	8,312	1.4
ComfortDelGro	6,043	1.0
Mapletree Commercial Trust (REIT)	5,564	0.9
Frasers Commercial Trust (REIT)	5,131	0.8
Soilbuild Business Space (REIT)	4,420	0.7
Mapletree Greater China Commercial Trust (REIT)	3,420	0.6
The Ascott (REIT)	2,274	0.4
Far East Hospitality Trust (REIT)	2,143	0.4
<b>TOTAL SINGAPORE</b>	<b>57,730</b>	<b>9.6</b>
<b>SOUTH KOREA</b>		
<b>Samsung Electronics preference shares</b>	<b>13,778</b>	<b>2.3</b>
<b>LG Chemical preference shares</b>	<b>13,398</b>	<b>2.2</b>
Hyundai Motor preference shares	7,825	1.3
SK Telecom	4,441	0.7
Kia Motors	3,184	0.5
<b>TOTAL SOUTH KOREA</b>	<b>42,626</b>	<b>7.0</b>
<b>THAILAND</b>		
<b>Intouch (including NVDR)</b>	<b>12,554</b>	<b>2.1</b>
Bangkok Bank	7,197	1.2
CPN Retail Growth Leasehold Property Fund	7,148	1.2
BTS Rail Mass Transit Growth Infrastructure Fund	6,461	1.1
Glow Energy	3,626	0.6
L.P.N Development	896	0.1
<b>TOTAL THAILAND</b>	<b>37,882</b>	<b>6.3</b>
<b>NEW ZEALAND</b>		
<b>Fletcher Building</b>	<b>11,993</b>	<b>2.0</b>
<b>TOTAL NEW ZEALAND</b>	<b>11,993</b>	<b>2.0</b>
<b>INDONESIA</b>		
United Tractor	5,778	1.0
<b>TOTAL INDONESIA</b>	<b>5,778</b>	<b>1.0</b>
<b>JAPAN</b>		
Tokai Tokyo Securities	4,835	0.8
<b>TOTAL JAPAN</b>	<b>4,835</b>	<b>0.8</b>
<b>MALAYSIA</b>		
Bursa Malaysia	1,856	0.3
Alliance Financial	1,192	0.2
<b>TOTAL MALAYSIA</b>	<b>3,048</b>	<b>0.5</b>
<b>TOTAL EQUITIES AND WARRANTS</b>	<b>592,340</b>	<b>98.2</b>
<b>FIXED INTEREST SECURITIES</b>		
Indonesia Government Bond 7% 15/05/2022	2,820	0.5
Indonesia Government Bond 8.375% 15/03/2024	5,169	0.8
Indonesia Government Bond 6.125% 15/05/2028	2,802	0.5
<b>TOTAL FIXED INTEREST SECURITIES</b>	<b>10,791</b>	<b>1.8</b>
<b>TOTAL INVESTMENTS<sup>5</sup></b>	<b>603,131</b>	<b>100.0</b>

<sup>1</sup> Listed in the UK.

<sup>2</sup> Listed in Singapore.

<sup>3</sup> Listed in Hong Kong.

<sup>4</sup> Listed in the USA.

<sup>5</sup> Total investments comprises the following:

	£'000	%
Equities, including GDRs and LEPOs	557,339	92.4
Preference shares	35,001	5.8
Government bonds	10,791	1.8
Total investments	603,131	100.0

# Statement of Comprehensive Income

	(Unaudited) For the six months ended 28 February 2017			(Unaudited) For the six months ended 29 February 2016			(Audited) For the year ended 31 August 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	–	58,359	58,359	–	27,178	27,178	–	123,772	123,772
Net foreign currency losses	–	(2,177)	(2,177)	–	(2,955)	(2,955)	–	(8,116)	(8,116)
Income from investments	10,521	404	10,925	8,562	–	8,562	24,811	244	25,055
Other income	2	–	2	4	–	4	10	–	10
<b>Total income</b>	<b>10,523</b>	<b>56,586</b>	<b>67,109</b>	8,566	24,223	32,789	24,821	115,900	140,721
Management fee	(599)	(1,398)	(1,997)	(472)	(1,101)	(1,573)	(997)	(2,326)	(3,323)
Performance fee	–	(3,953)	(3,953)	–	–	–	–	(5,287)	(5,287)
Other administrative expenses	(372)	(2)	(374)	(322)	(2)	(324)	(685)	(5)	(690)
<b>Profit before finance costs and taxation</b>	<b>9,552</b>	<b>51,233</b>	<b>60,785</b>	7,772	23,120	30,892	23,139	108,282	131,421
Finance costs	(115)	(269)	(384)	(78)	(183)	(261)	(271)	(632)	(903)
<b>Profit before taxation</b>	<b>9,437</b>	<b>50,964</b>	<b>60,401</b>	7,694	22,937	30,631	22,868	107,650	130,518
Taxation (note 4)	(704)	–	(704)	(470)	–	(470)	(1,572)	–	(1,572)
<b>Net profit and total comprehensive income</b>	<b>8,733</b>	<b>50,964</b>	<b>59,697</b>	7,224	22,937	30,161	21,296	107,650	128,946
<b>Earnings per share (note 5)</b>	<b>3.66p</b>	<b>21.37p</b>	<b>25.03p</b>	3.07p	9.75p	12.82p	9.03p	45.66p	54.69p

The “Total” column of this statement represents the Company’s Statement of Comprehensive Income, prepared in accordance with IFRS. The “Revenue” and “Capital” columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no items of other comprehensive income, and therefore the net profit for the period is also the total comprehensive income for the period.

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

## Statement of Changes in Equity

for the six months ended 28 February 2017 (unaudited)

	Share capital £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2016	150,251	–	39	150,374	203,837	24,161	528,662
Issue of shares	4,909	–	–	–	–	–	4,909
Net profit	–	–	–	–	50,964	8,733	59,697
Dividends paid in the period (note 6)	–	–	–	–	–	(12,886)	(12,886)
<b>At 28 February 2017</b>	<b>155,160</b>	<b>–</b>	<b>39</b>	<b>150,374</b>	<b>254,801</b>	<b>20,008</b>	<b>580,382</b>

for the six months ended 29 February 2016 (unaudited)

	Share capital £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2015	148,880	(6,286)	39	150,374	95,104	21,979	410,090
Reissue of shares from treasury	–	5,379	–	–	–	–	5,379
Net profit	–	–	–	–	22,937	7,224	30,161
Dividends paid in the period (note 6)	–	–	–	–	–	(11,558)	(11,558)
At 29 February 2016	148,880	(907)	39	150,374	118,041	17,645	434,072

for the year ended 31 August 2016 (audited)

	Share capital £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2015	148,880	(6,286)	39	150,374	95,104	21,979	410,090
Reissue of shares from treasury	–	6,286	–	–	1,083	–	7,369
Issue of shares	1,371	–	–	–	–	–	1,371
Net profit	–	–	–	–	107,650	21,296	128,946
Dividends paid in the year (note 6)	–	–	–	–	–	(19,114)	(19,114)
At 31 August 2016	150,251	–	39	150,374	203,837	24,161	528,662

# Balance Sheet

	<b>(Unaudited) 28 February 2017 £'000</b>	(Unaudited) 29 February 2016 £'000	(Audited) 31 August 2016 £'000
<b>Non current assets</b>			
Investments at fair value through profit or loss	<b>603,131</b>	470,628	534,093
<b>Current assets</b>			
Receivables	<b>5,594</b>	3,923	3,178
Cash and cash equivalents	<b>4,623</b>	9,835	33,859
	<b>10,217</b>	13,758	37,037
<b>Total assets</b>	<b>613,348</b>	484,386	571,130
<b>Current liabilities</b>			
Bank loans	<b>(27,848)</b>	(45,806)	(35,982)
Payables	<b>(5,118)</b>	(4,508)	(6,486)
	<b>(32,966)</b>	(50,314)	(42,468)
<b>Net assets</b>	<b>580,382</b>	434,072	528,662
<b>Equity attributable to equity holders</b>			
Share capital (note 7)	<b>155,160</b>	148,880	150,251
Treasury share reserve	<b>–</b>	(907)	–
Capital redemption reserve	<b>39</b>	39	39
Special reserve	<b>150,374</b>	150,374	150,374
Capital reserves	<b>254,801</b>	118,042	203,837
Revenue reserve	<b>20,008</b>	17,644	24,161
<b>Total equity shareholders' funds</b>	<b>580,382</b>	434,072	528,662
<b>Net asset value per share (note 8)</b>	<b>242.21p</b>	183.89p	222.56p

# Cash Flow Statement

	<b>(Unaudited) For the six months ended 28 February 2017 £'000</b>	(Unaudited) For the six months ended 29 February 2016 £'000	(Audited) For the year ended 31 August 2016 £'000
<b>Operating activities</b>			
Profit before finance costs and taxation	<b>60,785</b>	30,892	131,421
Less net foreign currency losses	<b>2,177</b>	2,955	8,116
Less gains on investments at fair value through profit or loss	<b>(58,359)</b>	(27,178)	(123,772)
Net (purchases)/sales of investments at fair value through profit or loss	<b>(13,350)</b>	(12,205)	20,287
Less amortisation of discount on fixed interest securities	<b>(16)</b>	–	(7)
Decrease/(increase) in receivables	<b>129</b>	1,369	(188)
(Decrease)/increase in payables	<b>(1,292)</b>	752	5,497
Overseas taxation paid	<b>(563)</b>	(475)	(1,473)
<b>Net cash (outflow)/inflow from operating activities before interest</b>	<b>(10,489)</b>	(3,890)	39,881
Interest paid	<b>(386)</b>	(286)	(926)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(10,875)</b>	(4,176)	38,955
Bank loans drawn down	<b>27,794</b>	43,656	91,095
Bank loans repaid	<b>(38,133)</b>	(43,278)	(106,141)
Reissue of shares from treasury	<b>–</b>	5,379	7,369
Issue of shares	<b>4,909</b>	–	1,371
Dividends paid	<b>(12,886)</b>	(11,558)	(19,114)
<b>Net cash outflow from financing activities</b>	<b>(18,316)</b>	(5,801)	(25,420)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(29,191)</b>	(9,977)	13,535
Cash and cash equivalents at the start of the period	<b>33,859</b>	18,259	18,259
Effect of foreign exchange rate changes on cash and cash equivalents	<b>(45)</b>	1,553	2,065
<b>Cash and cash equivalents at the end of the period</b>	<b>4,623</b>	9,835	33,859

Dividends received during the period amounted to £9,998,000 (29 February 2016: £10,230,000 and 31 August 2016: £24,706,000) and bond and deposit interest receipts amounted to £399,000 (29 February 2016: £76,000 and 31 August 2016: £449,000).

# Notes to the Accounts

## 1. Principal activity

The Company carries on business as a Guernsey closed-ended investment company.

## 2. Financial statements

The financial information for the six months ended 28 February 2017 and 29 February 2016 has not been audited or reviewed by the Company's auditor. These financial statements do not include all of the information required to be included in annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 August 2016.

## 3. Accounting policies

The accounts have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies set out in the statutory accounts of the Company for the year ended 31 August 2016. Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts issued by the Association of Investment Companies in November 2014, and updated in January 2017, is consistent with the requirements of International Financial Reporting Standards, the accounts have been prepared on a basis compliant with the recommendations of the SORP.

## 4. Taxation

The Company has been granted an exemption from Guernsey taxation under the Income Tax (Exempt Bodies) Guernsey Ordinance for which it is charged an annual exemption fee of £1,200 (2016: same). The tax charge comprises irrecoverable overseas tax deducted from dividends receivable.

## 5. Earnings per share

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>28 February</b> <b>2017</b> <b>£'000</b>	(Unaudited) Six months ended 29 February 2016 £'000	(Audited) Year ended 31 August 2016 £'000
Net revenue profit	<b>8,733</b>	7,224	21,296
Net capital profit	<b>50,964</b>	22,937	107,650
<b>Net total profit</b>	<b>59,697</b>	30,161	128,946
Weighted average number of shares in issue during the period	<b>238,513,520</b>	235,280,228	235,764,033
Revenue earnings per share	<b>3.66p</b>	3.07p	9.03p
Capital earnings per share	<b>21.37p</b>	9.75p	45.66p
<b>Total earnings per share</b>	<b>25.03p</b>	12.82p	54.69p

## 6. Dividends paid

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>28 February</b> <b>2017</b> <b>£'000</b>	(Unaudited) Six months ended 29 February 2016 £'000	(Audited) Year ended 31 August 2016 £'000
2016 fourth interim dividend of 3.80p (2015: 3.40p)	<b>9,068</b>	8,017	8,017
First interim dividend of 1.60p (2016: 1.50p)	<b>3,818</b>	3,541	3,541
Second interim dividend of 1.60p	-	-	3,777
Third interim dividend of 1.60p	-	-	3,779
	<b>12,886</b>	11,558	19,114

A second interim dividend of 1.70p (2016: 1.60p) per share, amounting to £4,074,000 (2016: £3,777,000) has been declared payable in respect of the year ending 31 August 2017.

# Notes to the Accounts

## 7. Share capital

Changes in the number of shares in issue during the period were as follows:

	<b>(Unaudited) Six months ended 28 February 2017</b>	(Unaudited) Six months ended 29 February 2016	(Audited) Year ended 31 August 2016
Ordinary shares of 1p each, allotted, called-up and fully paid			
Opening balance of shares in issue, excluding shares held in treasury	<b>237,541,574</b>	233,071,574	233,071,574
Issue of shares	<b>2,081,450</b>	–	600,000
Reissue of shares from treasury	–	2,975,000	3,870,000
Closing balance of shares in issue, excluding shares held in treasury	<b>239,623,024</b>	236,046,574	237,541,574
Closing balance of shares held in treasury	–	895,000	–
Closing balance of shares in issue, including shares held in treasury	<b>239,623,024</b>	236,941,574	237,541,574

## 8. Net asset value per share

	<b>(Unaudited) 28 February 2017</b>	(Unaudited) 29 February 2016	(Audited) 31 August 2016
Net assets attributable to shareholders (£'000)	<b>580,382</b>	434,072	528,662
Shares in issue at the period end, excluding shares held in treasury	<b>239,623,024</b>	236,046,574	237,541,574
Net asset value per share	<b>242.21p</b>	183.89p	222.56p

## 9. Disclosures regarding financial instruments measured at fair value

The Company's portfolio of investments, comprising investments in companies and government bonds and any derivatives, are carried in the balance sheet at fair value. Other financial instruments held by the Company comprise amounts due to or from brokers, dividends and interest receivable, accruals, cash and drawings on the credit facility. For these instruments, the balance sheet amount is a reasonable approximation of fair value. The recognition and measurement policies for financial instruments measured at fair value have not changed from those set out in the statutory accounts of the Company for the year ended 31 August 2016.

Investments and derivatives 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.

The Company's investments and derivative financial instruments are categorised as follows:

	<b>(Unaudited) 28 February 2017</b>		(Unaudited) 29 February 2016		(Audited) 31 August 2016	
	<b>Assets £'000</b>	<b>Liabilities £'000</b>	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	<b>603,131</b>	–	470,628	–	534,093	–
Level 2	–	–	–	–	–	(73)
Level 3	–	–	–	–	–	–
	<b>603,131</b>	–	470,628	–	534,093	(73)

There have been no transfers between Levels 1, 2 or 3 during the period (period ended 29 February 2016 and year ended 31 August 2016: nil).

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

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





[www.schroders.co.uk/orientalincome](http://www.schroders.co.uk/orientalincome)

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Fergus Dunlop  
Paul Meader  
Peter Rigg

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Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES.

Certain pre-sale, regular and periodic disclosures and the Company’s leverage policy and details of limits on leverage required by the Alternative Investment Fund Managers (“AIFM”) Directive may be found on the website [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

## Dealing Codes

ISIN: GB00B0CRWN59  
SEDOL: B0CRWN5  
Ticker: SOI

## Global Intermediary Identification Number (GIIN)

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Legal Entity Identifier (LEI)



# Schroders

