Asian Total Return Investment Company plc

Annual Report and Accounts for the year ended 31 December 2015

Schroders

Investment objective

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

Investment policy

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

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

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

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

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

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

Key financial highlights

NET ASSET VALUE ("NAV") TOTAL RETURN FOR THE YEAR ENDED 31 DECEMBER 2015:

2.9%

REFERENCE INDEX TOTAL RETURN FOR THE YEAR ENDED 31 DECEMBER 2015:

-4.1%

SHARE PRICE TOTAL RETURN FOR THE YEAR ENDED 31 DECEMBER 2015:

-0.6%

NET ASSET VALUE ("NAV") TOTAL RETURN SINCE 31 MARCH 2013[1]:

6.3%

REFERENCE INDEX TOTAL RETURN SINCE 31 MARCH 2013[1]:

-2.6%

SHARE PRICE TOTAL RETURN SINCE 31 MARCH 2013[1]:

-2.0%

[1]The date on which the current investment policy was deemed to have become effective, following Schroders' appointment.

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Financial Highlights

Total returns (including dividends reinvested) for the year ended 31 December	2015	2014
Net asset value ("NAV") per share[1]	**2.9%**	15.8%
Share price[1]	**(0.6%)**	12.3%
Reference index[2]	**(4.1%)**	9.2%
Peer group NAV per share[1,3]	**(1.8%)**	13.9%

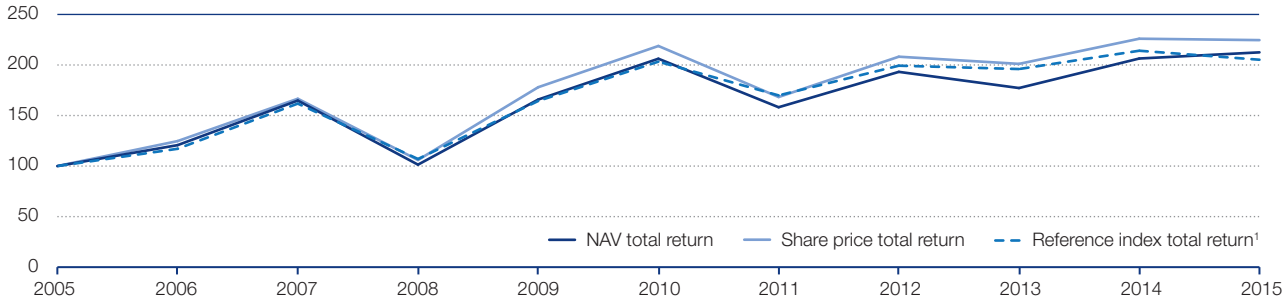
[1] Source: Morningstar.
[2] Source: Thomson Reuters Datastream.
[3] The performance of a group of nine investment trust competitors (arithmetic average).

At 31 December	2015	2014	% change
Shareholders' funds (£'000)	**154,186**	152,342	1.2
NAV per ordinary share (pence)	**211.4**	208.1	1.6
Ordinary share price (pence)	**190.0**	194.0	(2.1)
Gearing/(net cash) (%)[1]	**1.0**	(1.3)	

Year ended 31 December	2015	2014	% change
Net revenue return after taxation (£'000)	**3,236**	2,272	42.4
Net return per ordinary share (pence)	**4.43**	3.07	44.3
Dividend per ordinary share (pence)	**3.80**	3.25	16.9
Ongoing Charges (%)[2]	**1.0**	1.1	

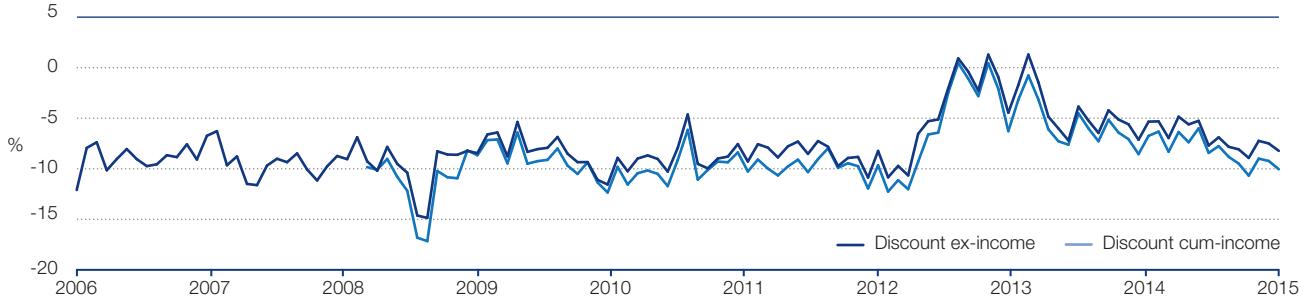
[1] Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this is shown as a "net cash" position.
[2] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year.

10 Year NAV, share price and Reference Index total returns



Performance to 31 December
Source: Morningstar/Thomson Reuters
Rebased to 100 at 31 December 2005
[1] Source: Thomson Reuters Datastream. With effect from 15 March 2013, the Reference Index has been the MSCI AC Asia Pacific ex-Japan Index (with net income reinvested) in GBP. Prior to that date it was the MSCI Asia ex-Japan Index (with gross income reinvested) in GBP.

10 Year share price discount to NAV per share



Performance to 31 December. Source: Morningstar.

Chairman's Statement

"Excellent performance in 2015 and over the three years since we moved to Schroders"

This is my first annual report to shareholders having been appointed as Chairman at the AGM in April 2015 in succession to David Robins who retired after chairing the Board for 11 years. David led the Company through some challenging times and the difficult process of changing our investment manager and strategy. It is gratifying therefore to report on the excellent performance achieved by our managers in 2015 in difficult markets and over the three years since we moved to Schroders. Since Schroders took full responsibility for managing the portfolio on 31 March 2013, the NAV has significantly out-performed the Reference Index, producing a total return of 6.3%, compared to a return of -2.6% from the Index.

At the AGM shareholders will be asked to vote on the continuation of the Company. The Board feels that the performance of the Company over the past three years will give shareholders the confidence to support the motion which it unanimously supports.

Performance

During the year ended 31 December 2015, the Company produced a net asset value ("NAV") total return of 2.9%, compared to a total return of -4.1% by the Reference Index and a total return of -1.8% from the average peer group NAV.

As you are aware, the strategy of the Company is to focus on total return and to add value primarily from stock selection with the use of derivatives to provide some capital protection. The performance of the portfolio has benefited from both these elements during the year. The Board believes that the strategy remains very attractive to private investors and this has been reflected in the discount to NAV which has been at a consistent premium to its peer group. Further comment on performance and investment policy may be found in the Portfolio Managers' Review.

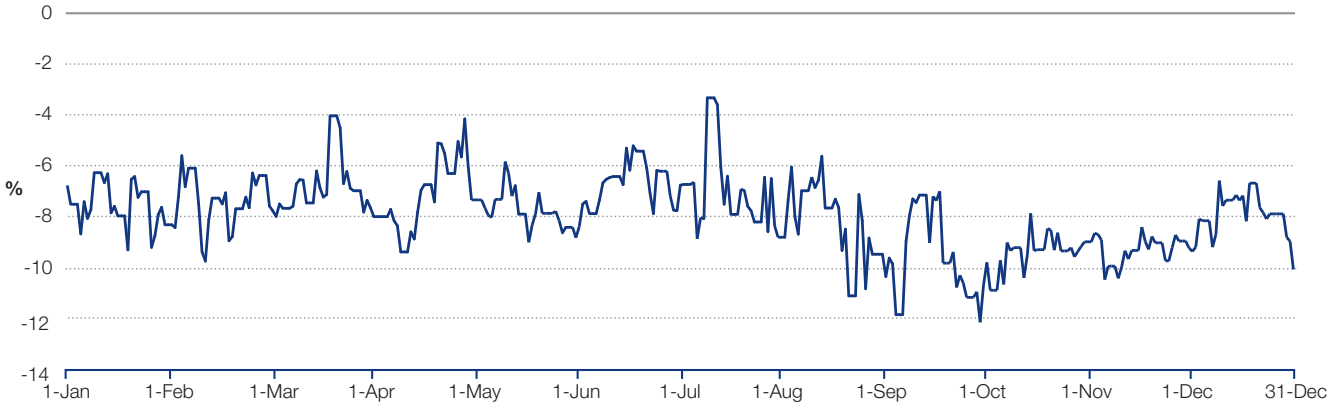
Promotion and discount management

The thorny issue for investment trusts is the discount to NAV which most suffer and the Board spends much time considering it, focusing on the promotion of the Company and direct discount management.

It is only by creating long term, consistent demand for the Company's shares that the discount can be permanently narrowed. Clearly good long term performance is the key, along with active and effective marketing. The Company has continued to be promoted through marketing to discretionary wealth managers, private investors, financial advisers and institutions. The Board, Manager and Corporate Broker have been in regular contact with current and potential shareholders and have developed relationships with adviser and execution only platforms, along with advertising in the trade press and provision of information on the Company's website. The promotional work remains focused on the Company's distinctive characteristics and differentiators from its peer group, including the focus on total return, with a bias towards small and medium sized companies, and a degree of downside protection through derivatives.

The promotional activity is supported by a discount management policy, which continues to target a discount to net asset value of no more than 5% in normal market conditions, through the use of the Company's share buyback authorities. Meeting the target was difficult in 2015, and a total of 250,000 shares were purchased by the Company to be held in Treasury in support of the discount policy. However, we would not view the year under review as a normal market, with the volatility in August arising from the crisis in China exacerbating poor general sentiment towards Asian investments. Rather than defend a 5% discount at all costs in these markets, the Board takes into account overall sector discounts and our position relative to our peers. Our discount, both in this context and when viewed alongside our wider peer group, has been encouraging. The average discount during the year at 7.9% was significantly narrower than the peer group average of 9.7%.

Share price discount to net asset value per share in 2015



Source: Morningstar

Furthermore any decision to buy back shares has to balance the market conditions and targeted discount against the overall liquidity of the Company. The Board is conscious that maintaining a market capitalisation sufficient to provide ongoing liquidity for investors is a very important consideration.

The Board has discussed whether the 5% target should be changed and has decided that it should remain at that level subject to market conditions.

Dividend

The revenue return from the portfolio for the year increased when compared to the previous year, from 3.07p per share in 2014 to 4.43p per share for the year under review.

The Board has declared a final dividend of 3.80p per share for the year ended 31 December 2015, an increase of 16.9% over the final dividend of 3.25p per share paid in respect of the previous financial year.

In order to provide shareholders with the opportunity to vote on the quantum of the dividend, the Board is again proposing that the dividend will be payable as a final dividend on 4 May 2016, subject to shareholder approval at the Annual General Meeting on 29 April 2016, to shareholders on the register on 8 April 2016.

Gearing and the use of derivatives

The Company may use gearing to enhance performance but net gearing will not exceed 30% of net asset value. The Board has agreed a disciplined framework for gearing to increase market exposure, based on a number of valuation indicators. Gearing may also be used in other circumstances and as reported in my half year statement, the Portfolio Managers began to use gearing at the start of the year and at the year end, net gearing stood at 1%. This has increased to 6.8% since the end of the year (as at 18 March 2016). The gearing was put on with the aim of purchasing attractive stocks while simultaneously hedging out underlying market exposure through the sale of futures. The portfolio would thus benefit from the anticipated performance of the stocks while overall market exposure is not increased.

Fees and expenses

Ongoing charges represented 1.0% of net assets in 2015, in line with the average for the Company's peer group. This is a decrease of 0.1% compared with 2014.

Chairman's Statement

"Valuations in Asia are reaching levels which our managers believe will represent a major long term buying opportunity"

Despite the good relative performance of the Company during the year, the high water mark for payment of the performance fee was not achieved and therefore no performance fee was paid. The Board continues to keep the level of charges under review, in light of evolving trends in the fee structures of investment trusts.

The Board

The Board has been substantially refreshed following the retirement of the Chairman and two longstanding directors in the past two years. The Board has an active succession plan and annually reviews the performance of the Board. In 2016, it is intended that an external performance review will be carried out.

Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on Friday 29 April 2016 at 31 Gresham Street, London EC2V 7QA, the offices of Schroders, and shareholders are encouraged to attend. One of the Portfolio Managers will attend to give a presentation on the Company's investment strategy and prospects for Asia. The Annual General Meeting will be followed by a buffet lunch.

Outlook

2016 has begun with the sharpest January fall in equity markets for many years. The small rise in US interest rates, slowing growth in China and elsewhere, the sharp fall in commodity prices, particularly oil, coupled to the historically elevated valuations in most developed markets has led to a loss of confidence among investors. This is especially true in emerging markets which are dependent on commodities and those in Asia which are seen as impacted by China's problems. Falling markets also mean that valuations and hence future returns have become more attractive. We have no crystal ball and cannot predict when the Asian markets will finally bottom but valuations in Asia are reaching levels which our managers believe will represent a major long term buying opportunity.

David Brief
Chairman
29 March 2016

Portfolio Managers' Review

Robin Parbrook

King Fuei Lee

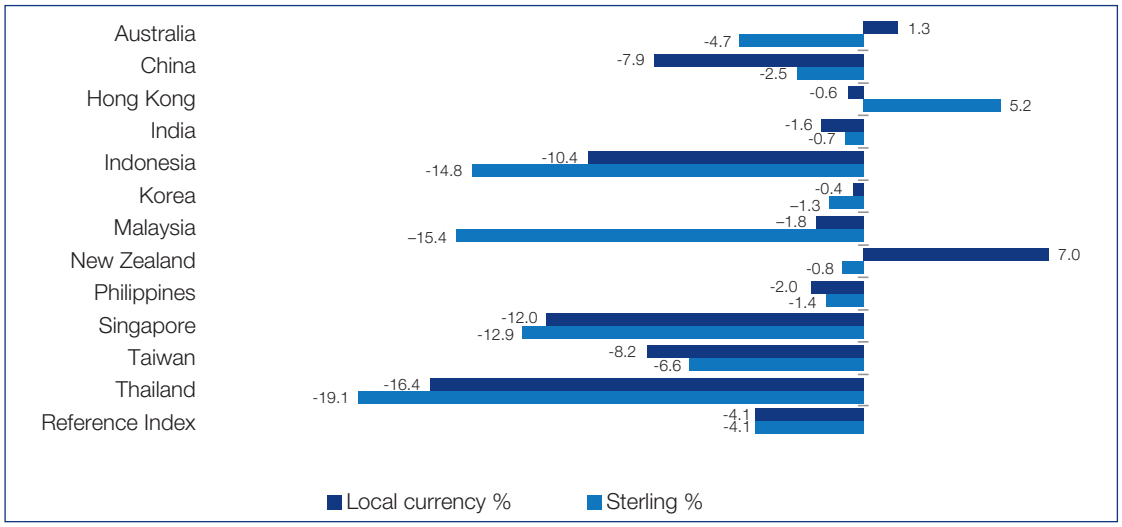
Market Background

2015 was a challenging year for Asian equities as worries over slowing global and emerging market growth, particularly in China, and uncertainty over the Federal Reserve's interest rate hike had weighed on investor sentiment towards the region. The Chinese stock market enjoyed a strong rally at the start of the year on expectations of government policy easing and hopes of state-owned enterprise reforms. The buoyant sentiment initially overflowed into Hong Kong and other North Asian markets, dragging most indices higher as global investors rushed to chase momentum.

However after peaking in mid-June, the subsequent collapse in the onshore China A-share market, triggered by the unwinding of margin financing and waning confidence in the authorities' ability to prop up the stock market, sparked a sell-off across regional equities. The surprise devaluation in the Chinese Yuan in August saw further panic selling, with Asian stock markets coming under increased pressure amidst accelerating foreign capital outflow.

In contrast to the volatility in the Greater China markets, ASEAN markets were lacklustre for most of the year, underperforming the region as local economic data disappointed and the corporate earnings outlook continued to deteriorate. The Indian market also saw sluggish returns in marked contrast to its stellar performance in 2014, as excessive post-election hype quickly dissipated amidst increased scepticism over the likelihood of meaningful reforms from its new Government.

Country returns 2015



Source: MSCI, net income reinvested, 31 December 2015.

Overall, macro headwinds continued to dominate events for most of 2015, with falling commodity prices and concerns over tighter liquidity against the backdrop of a stronger US dollar weighing on investor risk appetite towards emerging market asset classes. Asian equities (as represented by the Reference Index) ended the year down -4.1% in sterling terms.

Performance Analysis

The NAV gained 2.9% over the year and performance was driven largely by the positive contribution from holdings in China, India and Hong Kong, with exposure to some small to mid-cap companies adding to gains. Thailand stocks were the laggards, as were resources names which remained under pressure due to falling commodity prices.

2015 performance attribution

£, %	Contribution to returns	Main contributors/detractors
Australia	-0.8	BHP Billiton, Rio Tinto
China	+2.8	Wuxi Pharmatech, Tencent, AAC Technologies, China Lodging Group
Hong Kong	+1.3	Techtronic Industries, Pacific Textiles, AIA Group
India	+1.7	HDFC Bank, Apollo Hospitals, Cognizant Technology Solutions
Indonesia	+0.1	PT Sumber Alfaria Trijaya
Malaysia	+0.6	Karex
Philippines	+0.4	GT Capital, Alliance Global
Singapore	-0.2	Great Eastern
Taiwan	-1.0	Giant Manufacturing, Merida Industry
Thailand	-0.7	Kasikornbank
Others	+0.1	LVMH
Derivatives	+0.1	Puts and short futures on regional market indices
Currency forwards	+0.5	Hedging the Australian dollar exposure
Cash	-0.6	
Fees/costs	-1.0	
Residual	-0.4	
Total return	+2.9	

Source: Schroders, 31 December 2015.

Overall, the Company's largest holdings delivered some of the best returns, with Taiwan Semiconductor Manufacturing, Wuxi Pharmatech, Techtronic Industries and Tencent recording strong gains on the back of steady earnings growth momentum. Holdings in private-sector Chinese companies such as China Lodging, Shenzhou International and Stella International also saw robust performance driven by rising domestic consumption trends. In Hong Kong, blue-chip names held up well with AIA, HKT Trust and property stocks Hongkong Land and Swire Properties outperforming given their more resilient earnings streams.

Indian stocks held in the portfolio extended their positive performance led by private-sector banks HDFC Bank and Indusind Bank where top-line growth continued to deliver on the back of a pick-up in the credit cycle. Stock specific gains were also seen across domestic names in the healthcare and consumer sectors with Apollo Hospitals, Zee Entertainment and Godrej Consumer Products rising on expectations of a solid earnings outlook.

Across other markets, holdings in Taiwan exporters were mostly down as bicycle manufacturers Giant Manufacturing and Merida Industry, as well as technology companies, retreated on concerns over sluggish global demand. Australian stocks saw mixed returns with gains in healthcare stocks CSL and Resmed offset by losses in resources names BHP Billiton and Rio Tinto.

The largest detractors were ASEAN-centric holdings as stock markets saw broad-based declines on worries over slowing domestic growth, weak exports and depreciating currencies. Thailand's Kasikornbank came under pressure given concerns over a deteriorating macro outlook, while conglomerate Jardine Strategic was dragged down by weakness across its ASEAN subsidiaries and headwinds from currency translation losses.

Overall, the contribution from capital protection (in the form of put options on the Australian, Korean and Taiwan markets and short futures on the Hong Kong, China H-shares and Singapore indices) was flat as hedging costs were funded by positive payouts during the third quarter. In terms of currency hedges, the hedge on the portfolio's Australian dollar exposure helped mitigate significant losses as the Australian dollar recorded a second consecutive year of decline, depreciating 11% against the US dollar in 2015. On the whole, the hedging strategies worked well over the year, providing an element of capital protection against overall negative returns for the region.

Portfolio Managers' Review

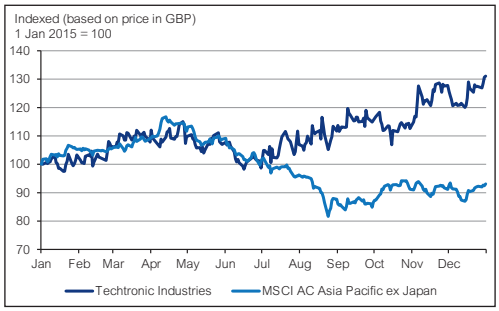
Principal Contributors

Wuxi Pharmatech is a pharmaceutical device research and development services company based in China. The stock's share price jumped on the announcement of a management privatisation proposal on 30 April. The proposed price of US$46 was a historical high, representing a 16.2% premium to the last closing price. The privatisation transaction was completed on 10 December 2015.

£ Return +41.4% **Contribution to return 1.1%**

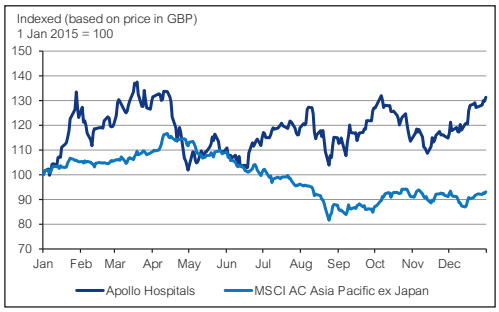
Techtronic Industries is a world-leading producer of power equipment and floor care appliances. Its share price has outperformed strongly underpinned by steady earnings growth momentum, particularly in the US power tool market. Its growth outlook remains solid driven by continued product innovation and technology improvement.

£ Return +35.5% **Contribution to return 1.0%**



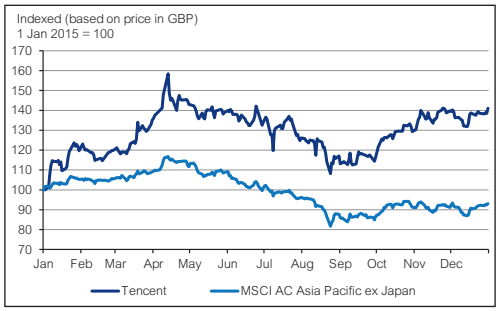
Apollo Hospitals is an Indian hospital chain based in Chennai. Its share price has remained well supported as investors continued to value the long-term growth potential of the Indian health care sector and potential upside in the company post its current expansion phase. The stock continues to command a premium valuation given the management's execution track record and the solid growth outlook.

£ Return +31.0% **Contribution to return 0.7%**



Tencent is China's largest internet service portal offering media, entertainment, internet and mobile value-added services, and operating online advertising services. Its share price has appreciated strongly over the year driven by long-term consumption growth trends in the mobile and e-commerce space. The company remains one of the best-positioned internet businesses in China with strong earnings visibility from multiple online social platforms.

£ Return +43.8% **Contribution to return 0.6%**



Karex is the world's largest condom manufacturer based in Malaysia. Its share price has re-rated on the back of solid earnings growth momentum backed by strong demand and capacity expansion. Key trends in the condom market remain supportive with new growth drivers from the launch of its own brand manufacturing (OBM) segment.

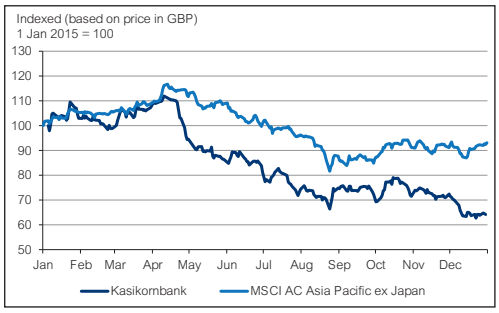
£ Return +58.9% **Contribution to return 0.6%**

Portfolio Managers' Review

Principal Detractors

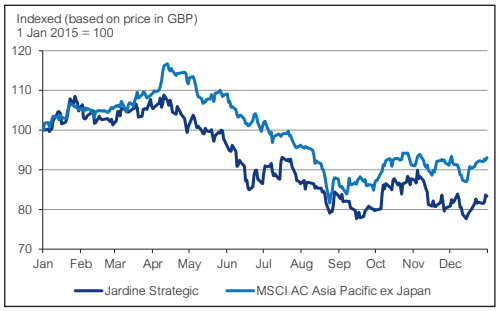
Kasikornbank is one of Thailand's largest banks offering a full range of services, though focusing primarily on commercial banking services to SMEs. Share prices of Thai banks have come under pressure on the back of a deteriorating macroeconomic environment, which has led to concerns over rising credit costs. We continue to like this stock on a long-term view given its strong franchise and solid balance sheet, while current valuations offer an attractive upside to fair value.

£ Return -35.7% **Contribution to return -0.9%**



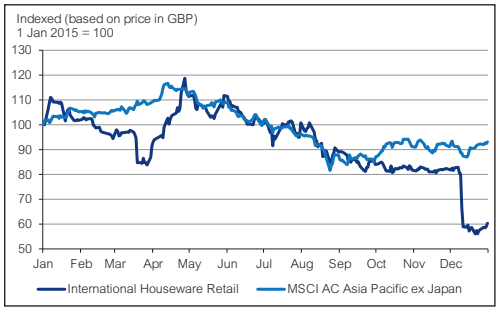
Jardine Strategic is an Asian conglomerate with underlying business interests including property, automobile distribution, hotels and food retailing. Its share price struggled on the back of sluggish earnings trends and currency headwinds from a stronger US dollar. We remain invested in the stock given the company's solid balance sheet and its diversified spread of businesses with almost pure exposure to Asian domestic demand.

£ Return -14.8% **Contribution to return -0.5%**



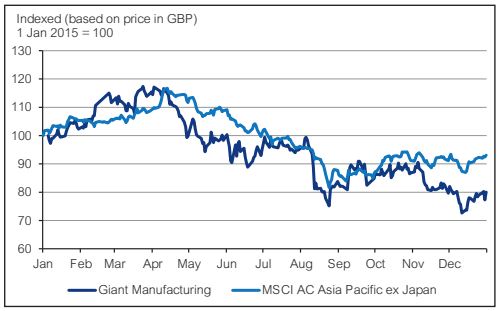
International Housewares Retail is a major Hong Kong based retail chain that sells houseware products. The share price corrected 30% post a profit warning which guided for a sharp decline in profits due to increasing operating costs and a sluggish retail environment. We continue to hold the stock as we believe valuations have already priced in excessive downside and there is potential scope for a turnaround given management's track record.

£ Return -35.7% **Contribution to return -0.4%**



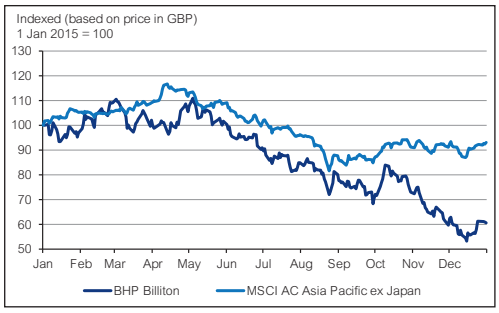
Giant Manufacturing is a leading Taiwanese bicycle manufacturer with a global distribution network. Its share price has come under pressure on concerns over slowing global demand, particularly in the China domestic market. Giant remains one of our preferred holdings given its strong brand recognition and manufacturing expertise.

£ Return -18.5% **Contribution to return -0.4%**



BHP Billiton is a global resources company and a producer of major commodities including iron ore, coal, copper etc. The stock has been weighed down by falling commodity prices, and was further hit by news of the Samarco tailings dam incident. At current levels, we think valuations have already discounted most of the bad news and see scope for attractive returns on a longer-term view.

£ Return -39.3% **Contribution to return -0.4%**



Source: Schroders/Bloomberg, 31 December 2015.

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

Portfolio positioning and key transactions

Portfolio activity was fairly even over the year as we took advantage of market volatility to take profits in stocks that had outperformed and reinvested into names that offer greater upside to fair value. We trimmed positions in a couple of ASEAN names, reducing our holdings in Philippine stocks GT Capital and Alliance Global as well as ASEAN-focused Jardine Matheson. Overall this resulted in a decline in our exposure to ASEAN markets as we remain cautious given high valuations and unrealistic earnings expectations for the better quality domestic names.

Proceeds were used to top up positions in the Taiwan technology sector, with new purchases in Hon Hai Precision and Largan Precision where share prices have come off and valuations offer attractive upside to fair value. There was also a notable increase in exposure to the Telecoms sector, with new positions in Hong Kong's HKT Trust and Taiwan telecom operators Taiwan Mobile and Far EasTone Telecommunications given their defensive earnings stream and good yield support.

Amongst the key sales, we sold off some of our holdings in small to mid-cap companies given strong outperformance, including Thailand healthcare stock Bumrungrad Hospital and Malaysia's info tech company Silverlake, the latter partly on corporate governance concerns. Exposure to commodity-related names was also pared after we exited our position in Singapore oil rig-builder Keppel Corporation and Australian resources stocks Oil Search and BHP Billiton, although the latter stock has been repurchased after the year end following a fall in the share price to attractive levels.

Overall, there was little change to our preferred areas of investment, with portfolio positions largely focused on blue-chip names in Hong Kong, Taiwan, India and Australia in the technology, consumer, commercial property and telecom sectors. In contrast, the portfolio holds minimal exposure to banks given concerns over rising bad debts in the region, and commodity space where we foresee more bankruptcies to surface. As at 31 December 2015, 34.2% of the portfolio was held in companies with a market capitalisation of less than US$3billion (2014: 31.6%).

Top 10 positions

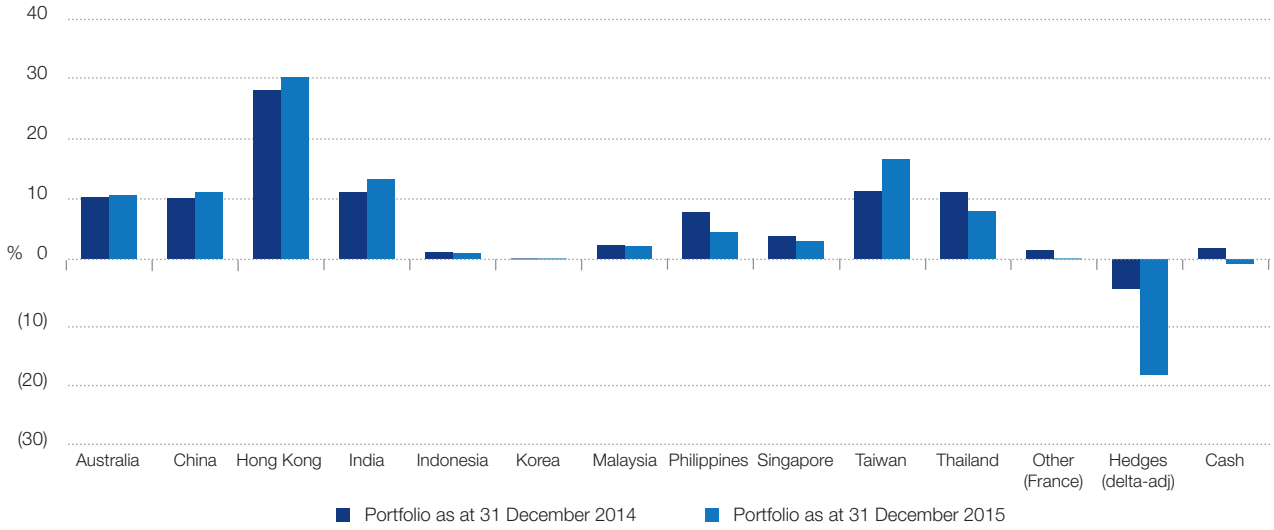
	As at 31 December 2015 (% of portfolio)
Taiwan Semiconductor Manufacturing	3.8
Techtronic Industries	3.6
Tencent	3.1
Jardine Strategic	3.1
Apollo Hospitals	2.7
AIA Group	2.6
Brambles	2.6
Hongkong Land	2.5
Swire Properties	2.5
China Lodging Group	2.4

Source: Schroders.

	As at 31 December 2014 (% of portfolio)
Taiwan Semiconductor Manufacturing	3.8
Jardine Strategic	3.2
Techtronic Industries	3.1
Kasikornbank	3.0
AIA Group	3.0
Wuxi Pharmatech	2.7
Brambles	2.6
Swire Properties	2.5
Ayala Land	2.4
Hongkong Land	2.4

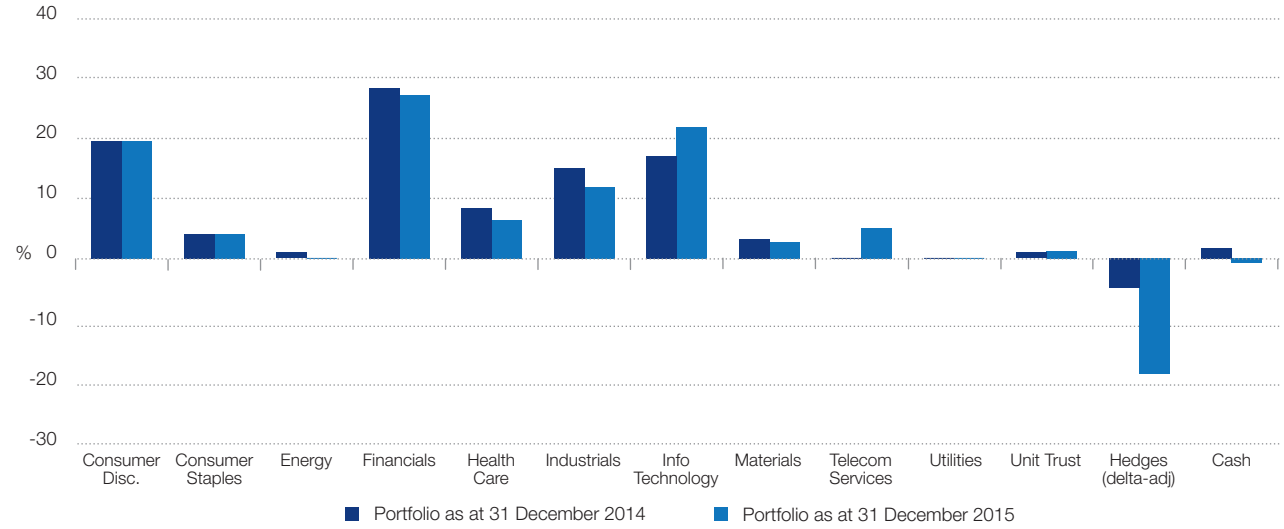
Source: Schroders.

Geographical Distribution



Source: Schroders.

Sector Distribution



Source: Schroders.

Investment trends and outlook

We continue to be relatively cautious on the outlook for Asian equities as we head into 2016. Whilst we do not see a full blown financial crisis in Asia, we do expect the year to be difficult given rising risks in China of a more material slowdown and worsening financial problems.

Our caution stems from our view that deflationary forces and the sluggish global economy are headwinds for Asian stock markets. With export numbers deteriorating and domestic consumption trends showing no signs of turnaround, we expect more earnings downgrades, bankruptcies and ultimately the potential start of a bad debt cycle in Asia.

Portfolio Managers' Review

China we think is the biggest risk as policy mistakes and major policy contradictions of the last few years are coming to a head. With capital outflows accelerating and the Renminbi still falling despite significant intervention, the tightening of liquidity is raising worries about the fragile financial system and causing a sell-off in risk assets. The end game looks increasingly clear – we think further falls in the China A-share market and a weaker currency are highly likely, and we can in due course expect turmoil in the Chinese bond markets both on and offshore.

However we think a full blown crisis can be avoided given that China still controls the banks and runs a large current account surplus. The rest of Asian corporate and government balance sheets are also generally in decent shape and lower commodity prices should eventually help Asian economies. In summary we increasingly believe a pessimistic outlook is discounted in the region and we are finally nearing genuinely interesting levels for Asian markets. The caveat is we see little value in ASEAN where valuations in the main look high and earnings expectations still unrealistic. For China, we will remain on the sidelines, and are happy to wait and see if 'good' China (private sector technology, internet, service and consumer related names) comes our way as the panic spreads.

Overall we will use further falls in Asian equities as an opportunity to raise the net long exposure of the Company. Rising bad debts, collapsing markets and turmoil in China are we believe a buying opportunity as the long awaited economic cycle and creative destruction kicks in.

Robin Parbrook, King Fuei Lee
For Schroder Investment Management Limited

29 March 2016

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

Investment Portfolio

As at 31 December 2015

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 49.8% (2014: 49.7%) of the total portfolio.

	£'000	%
Australia		
Amcor	2,192	1.4
Brambles	**4,037**	**2.6**
CSL	1,947	1.3
Medibank Private	2,275	1.5
Recall Australia	1,592	1.0
Resmed[1]	2,525	1.6
Rio Tinto	1,929	1.2
Total Australia	**16,497**	**10.6**
China		
AAC Technologies[1]	2,096	1.4
China Lodging Group[1]	**3,754**	**2.4**
Haitian International Holdings[2]	1,701	1.1
Hollysys Automation Technologies[1]	1,965	1.3
Mindray Medical[1]	1,263	0.8
Shenzou International Group[2]	1,570	1.0
Tencent Holdings[2]	**4,878**	**3.1**
Total China	**17,227**	**11.1**
Hong Kong		
AIA	**4,079**	**2.7**
Café De Coral	2,095	1.3
Cheung Kong Property Holdings	2,443	1.6
CK Hutchison Holdings	2,604	1.7
HKT Trust and HKT	**3,365**	**2.2**
Hongkong Land[3]	**3,890**	**2.5**
Hysan Development	2,384	1.5
International Housewares Retail[1]	1,223	0.8
Jardine Strategic[3]	**4,832**	**3.1**
Johnson Electric Holdings	**2,892**	**1.9**
Pacific Textiles Holding	**3,648**	**2.3**
Stella International Holdings	1,991	1.3
Sunlight Real Estate Investment Trust	2,225	1.5
Swire Properties	**3,862**	**2.5**
Techtronic Industries	**5,641**	**3.6**
Total Hong Kong	**47,174**	**30.5**
India		
Apollo Hospitals Enterprise (JPM) 07/11/17[4]	**4,235**	**2.7**
Cognizant Technology Solutions[1]	**3,481**	**2.2**
HDFC Bank	1,391	0.9
HDFC (JPM) 06/02/17[4]	2,191	1.4
Indusind Bank LEPO 11/06/19[4]	1,924	1.2
Phoenix Mills (Merrill Lynch) 18/05/18[4]	821	0.5
Phoenix Mills (Merrill Lynch) 18/06/18[4]	2,176	1.4
Schroder Intl Selection Fund – Indian Opportunities	1,945	1.2
Zee Entertainment Enterprises (JPM) 20/03/17[4]	2,477	1.6
Total India	**20,641**	**13.1**
Indonesia		
Sumber Alfaria Trijaya	1,319	0.8
Total Indonesia	**1,319**	**0.8**

	£'000	%
Malaysia		
Karex Berhad	**3,258**	**2.1**
Total Malaysia	**3,258**	**2.1**
Philippines		
Ayala Land	**3,513**	**2.3**
GMA Network	1,318	0.8
RFM Corporation	1,784	1.1
Total Philippines	**6,615**	**4.2**
Singapore		
Comfortdelgro	808	0.5
Great Eastern Holding	2,222	1.4
IFast	1,450	0.9
Total Singapore	**4,480**	**2.8**
Taiwan		
Delta Elt Industrial	1,382	0.9
Far EasTone Telecomm	1,980	1.3
Giant Manufacturing	**2,907**	**1.9**
Hon Hai Precision Industries	**3,482**	**2.2**
Largan Precision	2,660	1.7
Merida Industry	**2,848**	**1.8**
Taiwan Mobile	2,520	1.6
Taiwan Semiconductor Manufacturing	**5,896**	**3.8**
Vanguard International Semiconductors	1,755	1.1
Zhen Ding Technology Holding	428	0.3
Total Taiwan	**25,858**	**16.6**
Thailand		
Aeon Thana Sinsap	2,271	1.5
Delta Electronics	2,026	1.3
Hana Microelectronics	2,553	1.6
Kasikornbank	**2,884**	**1.9**
Land & Houses	1,924	1.2
Thai Stanley Electric	676	0.4
Total Thailand	**12,334**	**7.9**
Total Investments[5]	**155,403**	**99.7**
Derivative Financial Instruments		
Index Futures		
HKG Hang Seng Index Future January 2016	18	–
HKG H-Shares China Enterprise Index Future January 2016	(19)	–
Total Index Futures	**(1)**	**–**
Index Put Options		
HK Hang Seng Index Put Option 22000 February 2016	90	0.1
KOSPI 200 Put Option 245 January 2016	181	0.1
S&P/ASX 200 Put Option 5150 January 2016	25	–
TWSE Put Option 8400 February 2016	107	0.1
Total Index Put Options[6]	**403**	**0.3**
Forward Currency Contract[7]	**(74)**	**–**
Total Investments and Derivative Financial Instruments	**155,731**	**100.0**

[1]Listed in the USA.
[2]Listed in Hong Kong.
[3]Listed in Singapore.
[4]Participatory notes.
[5]With the exception of the participatory notes shown above, all investments are equities.
[6]The combined effect of the index futures and put options gives downside protection to 19.3% of total investments.
[7]Comprises a single contract to purchase USD21.26 million for AUD29.50 million, for settlement on 24 March 2016. The contract is valued at fair value, being the cost of closing out the contract at the balance sheet date.

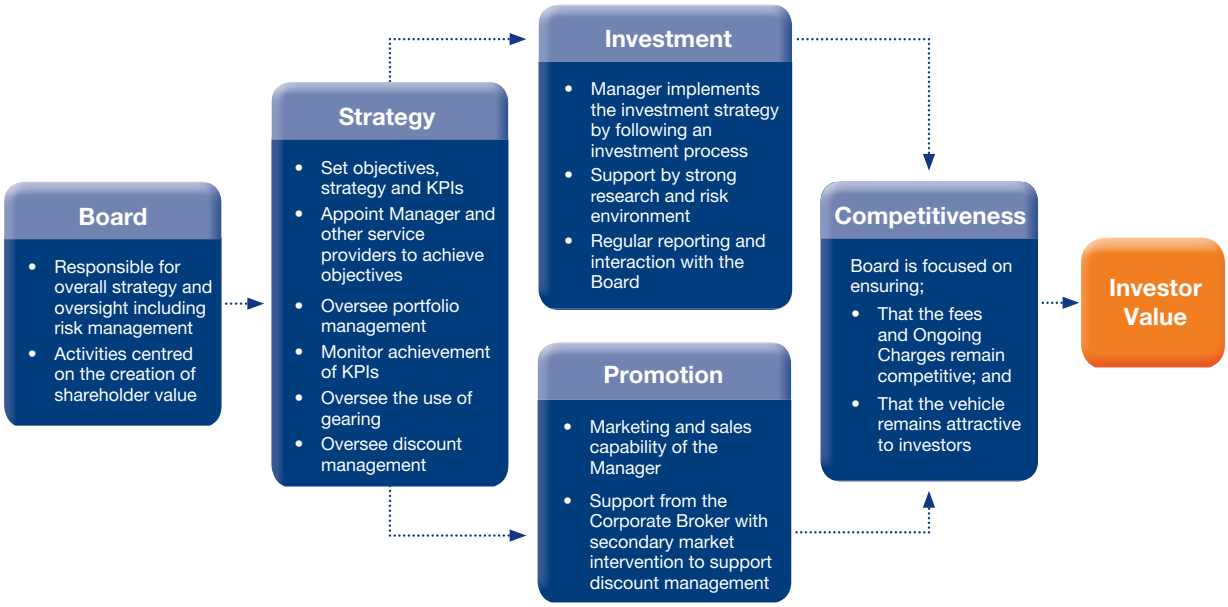
Business Model

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

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

It is not intended that the Company should have a limited life but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the forthcoming Annual General Meeting and thereafter at three yearly intervals.

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



Investment objective and policy

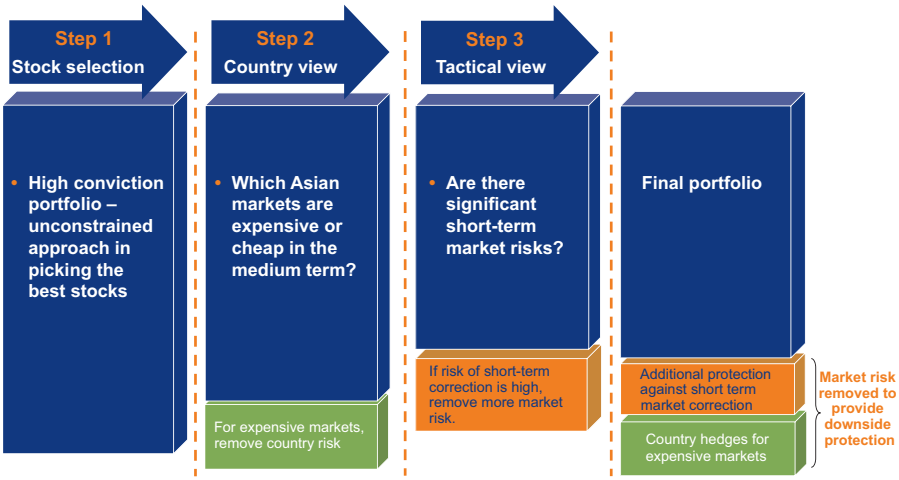
Details of the Company's investment objective and policy may be found on the inside front cover.

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

Investment approach

The Company's intent and strategy is to provide investors with exposure to a diverse range (40 to 70) of quality, well managed companies whose success, profitability, shareholder focus and shareholder returns come from the significant potential of North and South East Asia, India and Australasia ("the region"), and to do so with a degree of capital protection over the full market cycle whilst participating in one of the world's most dynamic regions. The Company invests principally in equity and equity related securities of companies operating primarily in the region, wherever they may be listed, with a bias towards small and mid cap companies. With the use of quantitative models, a top-down overlay to stock selection enables the strategic and tactical use of derivatives (principally futures and options on markets and forwards on currencies) so as to reduce volatility and offer a degree of capital preservation. The Company may also do this by significantly disinvesting from markets and holding high levels of cash.

Investment process – an overview



Source: Schroders. The above is for illustrative purposes only.

The Company's Portfolio Managers, Robin Parbrook in Hong Kong and King Fuei Lee in Singapore, seek strong fundamentals and value through the bottom-up analysis of companies that look likely to grow shareholder value in the long term. For this they have the support of 43 analysts based in the region. Asian markets are not efficient, are subject to irrational sentiments and many of the best investment ideas are not well researched. Their analysis seeks to identify stocks that consistently earn a higher return than their weighted average cost of capital and demonstrably grow shareholder value or are showing signs of a positive transition towards those attributes. Additionally they seek these stocks when they are valued by the market at less than the Portfolio Managers' assessment of fair value but, in making that assessment, both quality of earnings and calibre and integrity of management are critical.

The Portfolio Managers have wide scope in stock selection and they are not constrained by geographic or sector allocation. The portfolio is constructed by way of bottom-up stock selection and in a manner that is unconstrained by the constituents of any benchmark, and with a bias towards investments in small to mid cap companies. Individual stock positions are sized on an absolute basis around the Portfolio Managers' views of the best potential risk adjusted returns and level of conviction. Considerations around diversification and liquidity provide a risk management overlay.

Stock selection and the resultant portfolio encompasses a medium to longer term view held on the businesses the portfolio invests in. In addition the use of quantitative models and a top-down overlay to stock selection analysing economic trends and corporate sectors as a whole enables the Portfolio Managers to assess potential near and medium term risks and volatility, and through the strategic and tactical use of derivatives (principally futures and options on markets and forwards on currencies) seek to reduce volatility and offer a degree of capital preservation.

The Portfolio Managers have freedom to increase market exposure through bank borrowing or the use of contracts for difference if prevailing market valuations provide significant investment opportunities. Conversely, the Portfolio Managers are free to move to more defensive holdings in order to decrease market exposure, or may exit markets and go into cash or cash equivalents if they judge markets to be significantly over priced or when markets are facing material risks of a substantial correction.

Investment restrictions and spread of risk

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

The key restrictions imposed on the Manager are that:

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

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

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

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

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

The Investment Portfolio on page 13 demonstrates that, as at 31 December 2015, the Company had holdings in 62 companies spread over a range of industry sectors. The largest investment, Taiwan Semiconductor Manufacturing, represented 3.8% of total investments. The Board therefore believes that the objective of spreading investment risk has been achieved.

Promotion

The Company promotes its shares to a broad range of investors including discretionary wealth managers, private investors, financial advisers and institutions which have the potential to be long term supporters of the investment strategy. The Company seeks to achieve this through its Manager and Corporate Broker, which promote the shares of the Company through regular contact with both current and potential shareholders. The Board also seeks active engagement with investors and meetings with the Chairman are offered to investors where appropriate. These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 3 and in the Explanation of Special Business at the AGM on page 54.

Key performance indicators

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

The performance objective is also reflected in the Manager's fee which rewards performance above an absolute hurdle. Further details of the fees paid to the Manager may be found in the Report of the Directors on page 24.

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

Corporate and Social Responsibility

Board diversity

As at 31 December 2015, the Board comprised three men and two women. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account when the Board examines its 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 outsources its operations to third parties, it has no greenhouse gas emissions to report.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in February 2016.

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

A summary of the principal risks and uncertainties faced by the Company which have remained unchanged throughout the year, and actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties, is set out below.

Risk	Mitigation and management
Strategic risk	
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 net asset value.	Appropriateness of the Company's investment remit periodically reviewed and success of the Company in meeting its stated objectives is monitored. Share price relative to net asset value monitored and use of buy back authorities considered on a regular basis. Marketing and distribution activity is actively reviewed.
Investment management risk	
The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager.
Financial and currency risk	
The Company is exposed to the effect of market and currency fluctuations due to the nature of its business. A significant fall in regional equity markets or substantial currency fluctuation could have an adverse impact on the market value of the Company's underlying investments.	Risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager. Capital protection strategy employed by the Manager subject to review by the Board. Board considers overall hedging policy on a regular basis.
The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.	Ongoing competitiveness of all service provider fees subject to periodic benchmarking against competitors. Annual consideration of management fee levels.
Custody risk	
Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking.	Depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings are independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. Annual report from the Depositary on its activities, including matters arising from custody operations.

Risk	Mitigation and management
Gearing and leverage risk	
The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 30% of net asset value. Board oversight of the Manager's use of derivatives.
Accounting, legal and regulatory risk	
In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures have been established to safeguard against disclosure of inside information.
Service provider risk	
The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, Depositary and Registrar. Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.

Risk assessment and internal controls

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

A full analysis of the financial risks facing the Company is set out in note 19 on pages 49 to 53.

Viability statement

The Directors have assessed the prospects of the Company over the three year period to the Annual General Meeting in 2019. The Directors believe this period to be appropriate notwithstanding that they will be required by the Articles of Association to put forward a proposal for the continuation of the Company at the 2016 AGM as they have no reason to expect that such resolution will not be passed by shareholders.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 18 to 19 and in particular the impact of a significant fall in regional equity markets on the value of the Company's investment portfolio. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary, and on that basis consider that three years is an appropriate time period.

Based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to the Annual General Meeting in 2019. A further continuation vote will be proposed at that meeting.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement set out on pages 18 and 19, 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

29 March 2016

Board of Directors

David Brief

Status: Independent Non-Executive Chairman
Length of service: 8 years, appointed a Director in November 2007 and Chairman in April 2015
Experience: Mr Brief has worked in investment management since 1979. He was Chief Investment Officer of BAE Systems Pension Fund Investment Management Limited from 2001 to 2011, having previously been Chief Investment Officer at both TRW (Lucas) and Courtaulds Pension Scheme. He is a non-executive director of The City of London Investment Trust plc. He was formerly an independent adviser to the British Coal Staff Superannuation Scheme, Rio Tinto Pension Schemes, and J Sainsbury Pension Scheme.
Committee membership: Management Engagement and Nominations Committees (Chairman)
Current remuneration: £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

Caroline Hitch

Status: Independent Non-Executive Director
Length of Service: 1 year, appointed a Director in February 2015
Experience: Ms Hitch is currently a Global Multi-Asset Analyst at HSBC Global Asset Management (UK) Ltd. Prior to this, she was Head of Wealth Portfolio Management at the same organisation and was responsible for multi asset portfolios including HSBC's flagship retail World Selection range. Prior to this, Caroline held several different investment roles including managing institutional global fixed income portfolios. Most of her career has been with the HSBC Group and she has worked in various locations including Jersey and Hong Kong.
Committee membership: Audit, Management Engagement and Nominations Committees
Current remuneration: £25,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Mike Holt

Status: Independent Non-Executive Director and Chairman of the Audit Committee
Length of Service: 1 year, appointed a Director in July 2014 and Chairman of the Audit Committee in October 2014
Experience: Mr Holt is currently Group Finance Director of Low & Bonar PLC, an international performance materials group. He is also a trustee (and treasurer) of Target Ovarian Cancer. Prior to joining Low & Bonar in 2010, he was Group Finance Director of Vp plc for six years and had previously held a number of senior financial positions with Rolls-Royce Group plc in the UK, the USA and Hong Kong. He is a Fellow of The Institute of Chartered Accountants in England & Wales.
Committee membership: Audit, Management Engagement and Nominations Committees
Current remuneration: £28,500 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Board of Directors

Christopher Keljik, OBE

Status: Senior Independent Non-Executive Director
Length of Service: 8 years, appointed a Director in November 2007 and Senior Independent Director in April 2014.
Experience: Mr Keljik was a group executive director of Standard Chartered plc with responsibilities for Africa, the Middle East, South Asia, North and South America, Europe and the UK. During his 29 year career with Standard Chartered he held a number of leadership positions in general management, corporate finance, treasury and risk management working in London, Singapore, Hong Kong and New York. He is the Senior Independent Director of Foreign & Colonial Investment Trust plc, a non-executive director of Sanditon Investment Trust plc and Waverton Investment Management Limited. He was a former non executive director of Jardine Lloyd Thompson Group plc and Millennium & Copthorne Hotels plc. He is a Chartered Accountant.
Committee membership: Audit, Management Engagement and Nominations Committees
Current remuneration: £25,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Alexandra Mackesy

Status: Independent Non-Executive Director
Length of Service: 7 years, appointed a Director in November 2008
Experience: Mrs Mackesy is a non-executive director of The Scottish Oriental Smaller Companies Trust Plc and Empiric Student Property plc. Since 2000, she has worked as a part-time consultant in Asia. Prior to this, she held posts in Hong Kong with Credit Suisse as Director, Head of Hong Kong and China Equity Research, JP Morgan as Director, Asian Equity Research and with SBC Warburg/SG Warburg as Director, Hong Kong Equity Research.
Committee membership: Audit, Management Engagement and Nominations Committees
Current remuneration: £25,000 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

Report of the Directors

The Directors submit their Report and the audited financial statements of the Company for the year ended 31 December 2015.

Revenue and dividend

The net revenue return for the year, after finance costs and taxation, was £3,236,000 (2014: £2,272,000), equivalent to a revenue return per ordinary share of 4.43 pence (2014: 3.07 pence).

For the year ended 31 December 2015, the Directors have recommended a final dividend of 3.80 pence per ordinary share which, subject to approval by shareholders at the forthcoming Annual General Meeting, will be paid on 4 May 2016 to shareholders on the register on 8 April 2016.

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 21 and 22. All Directors held office throughout the year under review, with the exception of Ms Hitch, who was appointed as a Director on 26 February 2015 and subsequently elected by shareholders at the AGM on 29 April 2015. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 33.

In accordance with the Company's Articles of Association and the UK Corporate Governance Code, Mr Keljik and Mrs Mackesy will retire at the AGM, and being eligible, offer themselves for re-election.

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

Whilst the Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment, Directors are also required to retire each year if they have served more than nine years on the Board, but may then offer themselves for re-election. The Board has assessed the independence of all Directors. All Directors are considered to be independent in character and judgment.

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

Share capital

As at the date of this Report, the Company had 72,949,141 ordinary shares of 5p in issue. A total of 12,255,671 shares were held in Treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 72,949,141. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 47.

Substantial share interests

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

	Number of ordinary shares	Percentage of total voting rights
Lazard Asset Management LLC	5,821,038	7.98
F&C Asset Management plc	3,547,705	4.86
Investec Wealth & Investment Limited	2,743,593	3.76

Key service providers

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

Manager

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

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

The Schroders Group manages £313.5 billion (as at 31 December 2015) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

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

A performance fee is payable amounting to 10% of any outperformance of the NAV over an annual hurdle of 7%, provided that the closing NAV per share exceeds the "high water mark" NAV at the date of the change of Manager on 15 March 2013 or the date when any performance fee was last paid. The sum of the base fee and any performance fee payable will be capped at 2% of the closing net assets.

Investments in funds managed or advised by the Manager or any of its associated companies are excluded from the assets for the purpose of the management fee calculation and therefore incur no fee.

The management fee payable in respect of the year ended 31 December 2015 amounted to £1,036,000 (2014: £915,000). The Manager is also entitled to a secretarial fee amounting to £75,000 (2014: same) per annum. No performance fee is payable for the year (2014: nil).

Details of all amounts payable to the Manager are set out in note 16 on page 48.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth of resource to deliver above-average returns over the longer term. Thus, the Board considers that the Manager's appointment under the terms of the AIFM Agreement, further details of which are set out above, is in the best interests of shareholders as a whole.

Depositary

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

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

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

Corporate Governance Statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council published a revised version of the UK Corporate Governance Code in September 2014 (the "Code") which applies to accounting periods beginning on or after 1 October 2014. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

Compliance statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities, Viability Statement and Going Concern Statement set out on pages 30 and 20 respectively, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code.

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 21. He has no conflicting relationships.

Role and operation of the Board

The Board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objectives of the Company continue 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 trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

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

Conflicts of interest

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

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Senior Independent Director. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in December 2015.

Directors' and officers' liability insurance and indemnity

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

Directors' attendance at meetings

Six 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 of the Company's shares to underlying net asset value and promotion of the Company and an evaluation of service providers. Additional meetings of the Board are arranged as required.

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

Director	Board	Nominations Committee	Audit Committee	Management Engagement Committee
David Brief	6/6	1/1	2/2	1/1
Caroline Hitch[1]	6/6	1/1	2/2	1/1
Mike Holt	6/6	1/1	2/2	1/1
Christopher Keljik	6/6	1/1	2/2	1/1
Alexandra Mackesy	5/6	1/1	2/2	0/1
David Robins[2]	2/2	1/1	1/1	N/A

[1]Ms Hitch was appointed as a Director on 26 February 2015.
[2]Mr Robins retired as a Director on 29 April 2015.

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

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpage and the Annual Report which aims to provide shareholders with a clear understanding of the Company's activities and its results.

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

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. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

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

Committees

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

The Committees of the Board have defined Terms of Reference which are available on the webpage www.asiantotalreturninvestmentcompany.com. Membership of the Committees is set out on pages 21 and 22 of this Report.

Nominations Committee

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

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

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

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

Management Engagement Committee

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

To discharge its duties, the Committee met once during the year ended 31 December 2015 and considered the performance and suitability of the Manager, the terms and conditions of the management contract, services provided by other service providers and the Committee's Terms of Reference.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

29 March 2016

Report of the Audit Committee

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in the Terms of Reference. Membership of the Committee is as set out on pages 21 and 22. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Audit Committee met twice during the year ended 31 December 2015. The Audit Committee discharged its responsibilities by:

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

Annual Report and financial statements

During its review of the Company's financial statements for the year ended 31 December 2015, the Audit Committee considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditor during its reporting:

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

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2015, 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.

Effectiveness of the independent audit process

The Audit Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its re-appointment at the forthcoming Annual General Meeting. This evaluation involved an assessment of the effectiveness of the Auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Manager on the audit process and the year end report from the Auditor, which details compliance with regulatory

requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee also met the Auditor without representatives of the Manager present.

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

The Auditor is required to rotate the Senior Statutory Auditor every five years. This is the first year that the Senior Statutory Auditor has conducted the audit of the Company's financial statements. PricewaterhouseCoopers LLP has provided audit services to the Company from its incorporation in 1987 to date. The Audit Committee is aware that the European Union has proposed changes which will substantially change the statutory audit of public interest enterprises which includes UK listed companies. These changes are in addition to guidance issued by the Finance Reporting Council and the findings of the UK Competition Commission. The Audit Committee has kept this matter under review and has concluded that, as PricewaterhouseCoopers LLP could not continue in their role as auditors after 2019, the audit should be put out for tender before that date.

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

Independent Auditors

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

Provision of information to the Auditors

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

Provision of non-audit services

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

The Auditors have provided taxation compliance services to the Company during the year, for which they received a fee of £7,000 (2014: £1,000). This appointment terminated on 1 November 2015.

Internal audit

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

Mike Holt
Audit Committee Chairman

29 March 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Report of the Directors, the Corporate Governance Statement, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the return or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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

Each of the Directors, whose names and functions are listed on pages 21 and 22, confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report contained in the Report and Accounts includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

David Brief
Chairman

29 March 2016

Remuneration Report

Introduction

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

The following Remuneration Policy is currently in force and is subject to a binding vote every three years. The full policy provisions will continue to apply until the AGM to be held in 2017 unless a revised remuneration policy is approved by shareholders prior to such AGM. In addition, the below Directors' annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the AGM held on 30 April 2014, 99.67% 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 0.33% were against. 27,003 votes were withheld.

At the AGM held on 29 April 2015, 99.92% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the year ended 31 December 2014 were in favour, while 0.08% were against. 18,095 votes were withheld.

Directors' remuneration policy

The determination of the Directors' fees is a matter dealt with by the Board.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. The Chairman of the Board and the Chairman of the Audit Committee each receive fees at a higher rate than the other Directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long term strategic objectives.

The Board and its Committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to pensions, 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 Annual General Meeting at the location of such meeting.

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

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

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

Directors' annual report on remuneration

This Report sets out how the Directors' remuneration policy was implemented during the year ended 31 December 2015.

Fees paid to Directors

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 31 December 2015 and the previous financial year:

	Salary/fees	
	2015 £	2014 £
David Brief[1]	**29,194**	20,000
Hugh Aldous[2]	**–**	18,636
Caroline Hitch[3]	**18,935**	–
Mike Holt[4]	**25,500**	10,115
Christopher Keljik	**22,500**	20,000
Alexandra Mackesy	**22,500**	20,000
Struan Robertson[5]	**–**	6,644
David Robins[6]	**10,707**	30,000
Total	**129,336**	125,395

[1]Appointed Chairman on 29 April 2015.
[2]Retired on 22 October 2014.
[3]Appointed on 26 February 2015.
[4]Appointed on 1 July 2014.
[5]Retired on 30 April 2014.
[6]Retired on 29 April 2015.
The information in the above table has been audited.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board in December 2015. The members of the Board at the time that remuneration levels were considered were as set out on pages 21 and 22 of this Annual Report. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Following the review, the Board decided to increase the current levels of remuneration payable to Directors to ensure that they remain in line with the market and take account of the current time commitment expected of the Directors. With effect from 1 January 2016, fees paid to the Chairman were increased from £32,500 to £35,000 per annum, fees paid to the Chairman of the Audit Committee were increased from £25,500 to £28,500 per annum and those to the other Directors from £22,500 to £25,000 per annum.

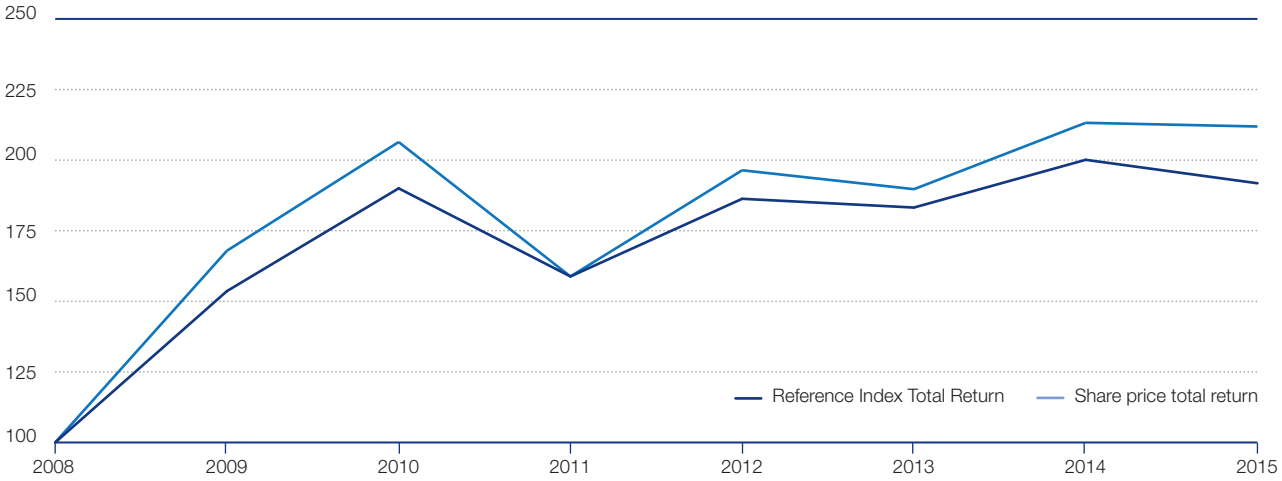
Expenditure by the Company on remuneration and distributions to shareholders

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

	2015 £'000	2014 £'000	% Change
Remuneration paid to Directors	**129**	125	3.2
Distributions to shareholders			
– Dividends	**2,379**	2,409	(1.2)
– Share buy-backs	**496**	2,182	(77.3)

Remuneration Report

Performance graph



At 31 December
Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2008.
With effect from 15 March 2013, the Reference Index has been the MSCI AC Asia Pacific ex-Japan Index (sterling adjusted). Prior to that date it was the MSCI Asia ex-Japan Index (sterling adjusted).

Directors' share interests

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

	At 31 December 2015	At 1 January 2015
David Brief	**31,171**	31,171
David Robins[1]	**N/A**	26,000
Caroline Hitch[2]	**10,000**	N/A
Mike Holt	**10,000**	Nil
Christopher Keljik[3]	**98,112**	84,748
Alexandra Mackesy	**5,290**	5,290

Ordinary shares of 5p each.
[1]Mr Robins retired as a Director on 29 April 2015.
[2]Ms Hitch was appointed as a Director on 26 February 2015.
[3]Since the end of the year, Mr Keljik has acquired an additional 3,092 Ordinary shares through a savings plan purchase scheme and his current holding as at the date of this report is 101,204 Ordinary shares.

The information in the above table has been audited (see Independent Auditors' Report on pages 34 to 37).

David Brief
Chairman

29 March 2016

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

Report on the financial statements

Our opinion

In our opinion, Asian Total Return Investment Company plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard in the UK and Republic of Ireland".

Our audit approach

Overview

Materiality

- Overall materiality: £1.5 million which represents approximately 1% of net assets.

Audit scope

- The Company is a standalone Investment Trust Company and engages Schroder Unit Trusts Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from HSBC Securities Services (the "Administrator") who the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

Areas of focus

- Income
- Valuation and existence of investments

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

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

Area of focus	How our audit addressed the area of focus
Income Refer to page 28 (Report of the Audit Committee), pages 41 to 43 (Accounting Policies) and page 43 (Notes to the Accounts). We focused on the existence and accuracy of gains/losses on investments and completeness and accuracy of dividend income and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income (both revenue and capital) could have a material impact on the Company's net asset value.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No misstatements were identified by our testing which required reporting to those charged with governance. We understood and assessed the design and implementation of key controls surrounding income recognition. In addition, we tested dividend income by agreeing dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the classification of revenue and capital special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.
Valuation and existence of investments Refer to page 28 (Report of the Audit Committee), page 41 (Accounting Policies) and page 45 (Notes to the Accounts). The investment portfolio at the year end of £155 million comprised listed equity investments, participatory notes, put options and a fund. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.	We tested the valuation of the investment portfolio as follows: • For listed equity investments, put options and for the fund, we agreed the process used in the valuation to independent third party sources; • For participatory notes we agreed the underlying value of the listed equity investments to independent third party sources as these securities give the holder the right to indirectly hold the underlying asset on predefined terms. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing the holdings for investments, other than put options to an independent custodian confirmation from HSBC Bank plc and the put options to an independent broker confirmation. No differences were identified.

How we tailored the audit scope

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

The Company's accounting is delegated to the Administrator who maintains its own accounting records and controls and reports to the Manager and the Directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment involved obtaining and reading the relevant control reports, issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work, to gain an understanding of both the Manager's and Administrator's control environment and to consider the operating and accounting structure at both the Manager and the Administrator. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

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

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

Overall materiality	£1.5 million (2014: £1.5 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £77,000 (2014: £75,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' Statement, set out on page 20, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are also required to report to you if we have anything material to add or to draw attention to in relation to the Directors' Statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

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.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 30, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 28, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 18 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 20 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review 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 Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

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

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through understanding the control environment at the Manager and the Administrator, and substantive procedures.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

29 March 2016

Notes:

- The maintenance and integrity of the Manager's website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 31 December 2015

	Note	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Gains on investments held at fair value through profit or loss	2	**–**	**2,704**	**2,704**	–	20,491	20,491
Net gains/(losses) on derivative contracts		**–**	**596**	**596**	–	(718)	(718)
Net foreign currency losses		**–**	**(940)**	**(940)**	–	(78)	(78)
Income from investments	3	**4,117**	**–**	**4,117**	3,141	440	3,581
Other interest receivable and similar income	3	**96**	**–**	**96**	150	–	150
Gross return		**4,213**	**2,360**	**6,573**	3,291	20,135	23,426
Investment management fee	4	**(259)**	**(777)**	**(1,036)**	(229)	(686)	(915)
Administrative expenses	5	**(520)**	**–**	**(520)**	(604)	–	(604)
Net return before finance costs and taxation		**3,434**	**1,583**	**5,017**	2,458	19,449	21,907
Finance costs	6	**(33)**	**(100)**	**(133)**	–	–	–
Net return on ordinary activities before taxation		**3,401**	**1,483**	**4,884**	2,458	19,449	21,907
Taxation on ordinary activities	7	**(165)**	**–**	**(165)**	(186)	(28)	(214)
Net return on ordinary activities after taxation		**3,236**	**1,483**	**4,719**	2,272	19,421	21,693
Return per share	9	**4.43p**	**2.03p**	**6.46p**	3.07p	26.28p	29.35p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no recognised gains and losses other than those included in the Income Statement and Statement of Changes in Equity.

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 53 form an integral part of these accounts.

Statement of Changes in Equity

for the year ended 31 December 2015

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2013	4,260	5	11,646	29,182	79,894	10,253	135,240
Repurchase of the Company's own shares into Treasury	–	–	–	–	(2,182)	–	(2,182)
Net return on ordinary activities	–	–	–	–	19,421	2,272	21,693
Dividend paid in the year	–	–	–	–	–	(2,409)	(2,409)
At 31 December 2014	4,260	5	11,646	29,182	97,133	10,116	152,342
Repurchase of the Company's own shares into Treasury	–	–	–	–	(496)	–	(496)
Net return on ordinary activities	–	–	–	–	1,483	3,236	4,719
Dividend paid in the year	–	–	–	–	–	(2,379)	(2,379)
At 31 December 2015	**4,260**	**5**	**11,646**	**29,182**	**98,120**	**10,973**	**154,186**

The notes on pages 41 to 53 form an integral part of these accounts.

Statement of Financial Position

at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**155,403**	150,260
Current assets	11		
Debtors		**409**	440
Cash at bank and in hand		**6,101**	1,983
Derivative financial instruments held at fair value through profit or loss		**403**	191
		6,913	2,614
Current liabilities	12		
Creditors: amounts falling due within one year		**(8,055)**	(478)
Derivative financial instruments held at fair value through profit or loss		**(75)**	(54)
		(8,130)	(532)
Net current (liabilities)/assets		**(1,217)**	2,082
Total assets less current liabilities		**154,186**	152,342
Net assets		**154,186**	152,342
Capital and reserves			
Called-up share capital	13	**4,260**	4,260
Share premium	14	**5**	5
Capital redemption reserve	14	**11,646**	11,646
Special reserve	14	**29,182**	29,182
Capital reserves	14	**98,120**	97,133
Revenue reserve	14	**10,973**	10,116
Total equity shareholders' funds		**154,186**	152,342
Net asset value per share	15	**211.36p**	208.12p

The accounts were approved and authorised for issue by the Board of Directors on 29 March 2016 and signed on its behalf by:

David Brief
Chairman

The notes on pages 41 to 53 form an integral part of these accounts.

Registered in England and Wales

Company registration number: 02153093

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("the SORP") issued by the Association of Investment Companies in November 2014 and which superseded the SORP issued in January 2009. All of the companies operations are of a continuing nature.

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

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

The Company has adopted Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the amended SORP, both of which became effective for periods beginning on or after 1 January 2015. FRS 102 replaces all extant standards applicable to the Company's accounts. As a result there are some presentational changes to the accounts but no change to the measurement of numbers.

The changes to these accounts required by FRS 102 and the amended SORP may be summarised briefly as follows:

- the reconciliation of movements in shareholders' funds has been renamed "Statement of changes in equity";
- the balance sheet has been renamed "Statement of financial position";
- the Company no longer presents a statement of cash flows or the two related notes, as it is no longer required for an investment company which meets certain specified conditions; and
- footnotes have been added to note 14, indicating which of the Company's reserves are regarded as distributable.

Other than these changes, the accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 December 2014.

The Company has early adopted an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016 regarding the categorisation of financial instruments into the fair value hierarchy in note 18. As a result of this amendment, the criteria used to allocate financial instruments into the three levels remain unchanged from prior years.

(b) Valuation of investments, including participatory notes and derivative instruments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". Investments are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. Participatory notes are valued using the quoted bid prices of the underlying securities.

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

(c) Accounting for reserves

Gains and losses on sales of investments are included in the Income Statement and in capital reserves within "gains and losses on sales of investments". Increases and decreases in the valuation of investments held at the year end are included in the Income Statement and in capital reserves within "holding gains and losses on investments".

Foreign exchange gains and losses on cash and deposit balances are included in the Income Statement and in capital reserves.

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

(d) Income

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

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

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

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

(e) Expenses

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

- The management fee is allocated 25% to revenue and 75% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 46.

(f) Finance costs

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

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

(g) Other financial instruments

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

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Bank loans and overdrafts are classified as loans and receivables and are measured at amortised cost. They are initially recorded at the proceeds received net of direct issue costs.

(h) Taxation

Current tax is provided at the amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

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

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

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

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of any related irrecoverable VAT.

(j) Foreign currency

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

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

(k) Dividends payable

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

(l) Repurchases of the Company's own shares for cancellation

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

(m) Repurchases of shares into Treasury and subsequent reissues

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

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

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

	2015 £'000	2014 £'000
Gains on sales of investments based on historic cost	3,586	5,187
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(3,958)	(3,722)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(372)	1,465
Net movement in investment holding gains and losses	3,076	19,026
Gains on investments held at fair value through profit or loss	**2,704**	20,491

3. Income

	2015 £'000	2014 £'000
Income from investments:		
Overseas dividends	4,101	3,136
Stock dividends	16	5
	4,117	3,141
Other interest receivable and similar income		
Stock lending fees	73	149
Deposit interest	5	1
Other income	18	–
	96	150
Total included in revenue	**4,213**	3,291
Capital:		
Special dividend allocated to capital	–	440

4. Investment management fee

	2015			2014		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**259**	**777**	**1,036**	229	686	915

No performance fee is payable for the year and no provision is required (2014: nil).

The bases for calculating the investment management and performance fees are set out in the Report of the Directors on page 24 and details of all amounts payable to the Manager are given in note 16 on page 48.

5. Administrative expenses

	2015 £'000	2014 £'000
Administration expenses	**241**	326
Directors' fees[1]	**129**	125
Secretarial fee	**75**	75
Custody fees	**43**	46
Auditors' remuneration for audit services	**25**	26
Auditors' remuneration for taxation compliance services	**7**	1
Charitable donations	**–**	5
	520	604

[1]Details of all amounts payable to Directors are given in the Remuneration Report on page 32.

6. Finance costs

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Interest on bank loans and overdrafts	**33**	**100**	**133**	–	–	–

7. Taxation on ordinary activities

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
(a) Analysis of charge in the year:						
Irrecoverable overseas tax	**165**	**–**	**165**	186	28	214
Tax charge for the year	**165**	**–**	**165**	186	28	214

The Company has no corporation tax liability for the year ended 31 December 2015 (2014: nil).

(b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting year would be taxed at a rate of 20.25%. However the corporation tax charge for the year is nil (2014: nil) as dividends and capital gains are not subject to corporation tax. The tax charge comprises irrecoverable withholding tax deducted at source from dividends receivable.

The table on page 45 shows how taxable income is reduced to zero by reconciling the expected corporation tax due on the net return before tax based on current tax rates, to the current year's actual tax charge.

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Net return on ordinary activities before taxation	**3,401**	**1,483**	**4,884**	2,458	19,449	21,907
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 20.25% (2014: 21.5%)	**689**	**300**	**989**	528	4,182	4,710
Effects of:						
Capital returns on investments	**–**	**(478)**	**(478)**	–	(4,234)	(4,234)
Income not subject to taxation	**(834)**	**–**	**(834)**	(675)	(95)	(770)
Overseas withholding tax	**165**	**–**	**165**	186	28	214
Unrelieved expenses	**145**	**178**	**323**	147	147	294
Tax charge for the year	**165**	**–**	**165**	186	28	214

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £2,433,000 (2014: £2,386,000) based on a prospective corporation tax rate of 18% (2014: 20%). The reduction in the standard rate of corporation tax was substantively enacted in July 2015 and is effective from 1 April 2020.

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

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

8. Dividends

Dividends paid and declared	2015 £'000	2014 £'000
2014 final dividend of 3.25p (2013: 3.25p), paid out of revenue profits	**2,379**	2,409

	2015 £'000	2014 £'000
2015 final dividend proposed of 3.80p (2014: 3.25p), to be paid out of revenue profits[1]	**2,772**	2,379

[1]The proposed final dividend amounting to £2,772,000 (2014: £2,379,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £3,236,000 (2014: £2,272,000).

Payment of dividends out of capital reserves is prohibited by the Company's Articles of Association.

9. Return per share

	2015 £'000	2014 £'000
Revenue return	**3,236**	2,272
Capital return	**1,483**	19,421
Total return	**4,719**	21,693
Weighted average number of shares in issue during the year	**73,104,209**	73,888,645
Revenue return per share	**4.43p**	3.07p
Capital return per share	**2.03p**	26.28p
Total return per share	**6.46p**	29.35p

10. Investments held at fair value through profit or loss

	2015 £'000	2014 £'000
Opening book cost	**138,094**	135,747
Opening investment holding gains/(losses)	**12,166**	(3,138)
Opening valuation	**150,260**	132,609
Purchases at cost	**62,012**	41,597
Sales proceeds	**(59,573)**	(44,437)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	**(372)**	1,465
Net movement in investment holding gains and losses	**3,076**	19,026
Closing valuation	**155,403**	150,260
Closing book cost	**144,119**	138,094
Closing investment holding gains	**11,284**	12,166
Total investments held at fair value through profit or loss	**155,403**	150,260

The following transaction costs, comprising stamp duty and brokerage commission, were incurred during the year:

	2015 £'000	2014 £'000
On acquisitions	100	71
On disposals	134	121
	234	192

11. Current assets

Debtors	2015 £'000	2014 £'000
Securities sold awaiting settlement	173	387
Dividends and interest receivable	224	28
Taxation recoverable	5	6
Other debtors	7	19
	409	440

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

Cash at bank and in hand

The carrying amount of cash, amounting to £6,101,000 (2014: £1,983,000), represents its fair value.

Derivative financial instruments held at fair value through profit or loss	2015 £'000	2014 £'000
Index put options	403	191

Details of index put options held at the year end, are given on page 13.

12. Current liabilities

Creditors: amounts falling due within one year	2015 £'000	2014 £'000
Bank loan	7,667	–
Other creditors and accruals	388	478
	8,055	478

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

The loan comprises US$11.3 million drawn down on the Company's £25 million, 364 day, multi-currency credit facility with Scotiabank. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 19 on page 51.

Derivative financial instrument held at fair value through profit or loss	2015 £'000	2014 £'000
Forward currency contract	74	54
Index futures	1	–
	75	54

Details of the forward currency contract and index futures held at the year end are given on page 13.

Details of the Company's strategy for managing currency risk are given in note 19(a)(i) on page 49.

13. Called-up share capital

	2015 £'000	2014 £'000
Allotted, called-up and fully paid:		
Ordinary shares of 5p each:		
Opening balance of 73,199,141 (2014: 74,381,141) shares	3,660	3,719
Repurchase of 250,000 (2014: 1,182,000) shares into Treasury	(13)	(59)
Subtotal of 72,949,141 (2014: 73,199,141) shares	3,647	3,660
12,255,671 (2014: 12,005,671) shares held in Treasury	613	600
Closing balance[1]	4,260	4,260

[1]Represents 85,204,812 (2014: 85,204,812) shares of 5p each, including 12,255,671 (2014: 12,005,671) held in Treasury. During the year, the Company purchased 250,000 of its own shares, nominal value £12,500, to hold in Treasury for a total consideration of £496,000 representing 0.34% of the shares outstanding at the beginning of the year.

14. Reserves

				Capital reserves		
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Special reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	5	11,646	29,182	85,535	11,598	10,116
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(372)	–	–
Net movement in investment holding gains and losses	–	–	–	–	3,076	–
Transfer on disposal of investments	–	–	–	3,958	(3,958)	–
Realised gains on derivatives	–	–	–	405	–	–
Unrealised gains on open derivative contracts	–	–	–	–	191	–
Realised exchange losses on cash and short term deposits	–	–	–	(48)	–	–
Exchange losses on foreign currency loans	–	–	–	–	(892)	–
Repurchase of the Company's own shares into Treasury	–	–	–	(496)	–	–
Management fees and finance costs allocated to capital	–	–	–	(877)	–	–
Dividend paid	–	–	–	–	–	(2,379)
Retained revenue for the year	–	–	–	–	–	3,236
Closing balance	5	11,646	29,182	88,105	10,015	10,973

[1]These reserves are not distributable.
[2]These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares. Note however that they may not be used to finance the payment of dividends, as the payment of dividends out of capital reserves is prohibited by the Company's Articles of Association.
[3]This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and would be available to repurchase the Company's own shares) and those that are unrealised.
[4]The revenue reserve may be used for the payment of dividends or to repurchase the Company's own shares.

15. Net asset value per share

	2015	2014
Total equity shareholders' funds (£'000)	154,186	152,342
Shares in issue at the year end	72,949,141	73,199,141
Net asset value per share	211.36p	208.12p

16. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive management, secretarial and performance fees.

Details of the basis of these calculations are given in the Report of the Directors on page 24. Any investments in funds managed or advised by the Manager or any of its associated companies are excluded from the assets used for the purpose of the management fee calculation and therefore incur no fee. The management fee payable in respect of the year ended 31 December 2015 amounted to £1,036,000 (2014: £915,000) of which £247,000 (2014: £242,000) was outstanding at the year end.

The secretarial fee payable for the year amounted to £75,000 (2014: £75,000) of which £19,000 (2014: £75,000) was outstanding at the year end.

No performance fee is payable for the year and no provision is required (2014: same).

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

17. Related party transactions

The Company has no related parties other than its Directors. Details of the remuneration payable to Directors are given in the Remuneration Report on page 32. Details of Directors' shareholdings are given in the Remuneration Report on page 33.

18. Disclosures regarding financial instruments measured at fair value

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

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below. Note that the criteria used to categorise investments include an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016, and which the Company has early adopted.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.
Level 2 – valued using observable inputs other than quoted prices included within Level 1.
Level 3 – valued using inputs that are unobservable.

Details of the Company's policy for valuing investments and derivative instruments are given in note 1(b) on page 41.

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

	2015			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial instruments held at fair value through profit or loss				
Equity investments and derivative financial instruments	**141,907**	**–**	**–**	**141,907**
Participatory notes	**–**	**13,824**	**–**	**13,824**
Total	**141,907**	**13,824**	**–**	**155,731**

	2014 (restated)[1]			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments and derivative financial instruments	138,837	–	–	138,837
Participatory notes	–	11,614	–	11,614
Total	138,837	11,614	–	150,451

[1]Participatory notes, which are valued using the quoted bid prices of the underlying securities, have been reallocated to Level 2 as, strictly, these are not identical assets. Participatory notes had previously been included in Level 1.

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

In pursuing its objective, the Company is exposed to a variety of financial risks including market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below.

The process for managing risk is unchanged from the previous year. The Company's financial instruments comprise:

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

(a) Market risk

Market risk comprises three elements – currency risk, interest rate risk and market price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate.

(i) Currency risk

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

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board. The Board has authorised the use of hedging of the Company's currency exposure as part of the investment strategy.

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

	2015								
	Hong Kong Dollars £'000	US Dollars £'000	Taiwan Dollars £'000	South Korean Won £'000	Thai Baht £'000	Singapore Dollars £'000	Australian Dollars £'000	Other £'000	Total £'000
Current assets	2,349	82	14	427	–	53	–	–	2,925
Borrowings on the credit facility	–	(7,667)	–	–	–	–	–	–	(7,667)
Forward currency contracts	–	14,425	–	–	–	–	(14,499)	–	(74)
Net foreign currency exposure on monetary items	2,349	6,840	14	427	–	53	(14,499)	–	(4,816)
Investments held at fair value through profit or loss	48,695	36,345	25,859	–	12,336	4,480	16,496	11,192	155,403
Index futures and index put options	89	–	107	181	–	–	25	–	402
Total net foreign currency exposure	51,133	43,185	25,980	608	12,336	4,533	2,022	11,192	150,989

	2014								
	Hong Kong Dollars £'000	US Dollars £'000	Taiwan Dollars £'000	South Korean Won £'000	Thai Baht £'000	Singapore Dollars £'000	Australian Dollars £'000	Other £'000	Total £'000
Current assets	254	282	129	560	–	–	226	–	1,451
Forward currency contracts	–	10,434	–	–	–	–	(10,488)	–	(54)
Net foreign currency exposure on monetary items	254	10,716	129	560	–	–	(10,262)	–	1,397
Investments held at fair value through profit or loss that are equities	35,807	39,828	17,326	–	16,953	7,930	15,700	16,716	150,260
Index put options	–	–	56	70	–	–	65	–	191
Total net foreign currency exposure	36,061	50,544	17,511	630	16,953	7,930	5,503	16,716	151,848

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

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2014: 10%) appreciation or depreciation in sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

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

	2015 £'000	2014 £'000
Income Statement – return after taxation		
Revenue return	**392**	296
Capital return	**(492)**	140
Total return after taxation	**(100)**	436
Net assets	**(100)**	436

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

	2015 £'000	2014 £'000
Income Statement – return after taxation		
Revenue return	**(392)**	(296)
Capital return	**492**	(140)
Total return after taxation	**100**	(436)
Net assets	**100**	(436)

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

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when rates are re-set.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board would not expect gearing to exceed 30% where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

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

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

	2015 £'000	2014 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**6,101**	1,983
Creditors: amounts falling due within one year – borrowings on the credit facility	**(7,667)**	–
Total exposure	**(1,566)**	1,983

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2014: same).

During the year, the Company arranged a £25 million multicurrency credit facility with Scotiabank which expires on 12 April 2016. Amounts are normally drawn down on the facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and period, plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 31 December 2015, the Company had drawn down US$11.3 million (2014: nil) at an interest rate of 1.12% per annum, repayable on 29 January 2016.

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

	2015 £'000	2014 £'000
Minimum debit/maximum credit interest rate exposure during the year – net (debt)/cash balances	**(1,566)**	2,849
Maximum debit/minimum credit interest rate exposure during the year – net (debt)/cash balances	**(12,431)**	643

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2014: 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.

	2015		2014	
	0.5% increase in rate £'000	**0.5% decrease in rate £'000**	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**21**	**(21)**	10	(10)
Capital return	**(29)**	**29**	–	–
Total return after taxation	**(8)**	**8**	10	(10)
Net assets	**(8)**	**8**	10	(10)

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

(iii) Market price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of its investments.

The Board meets on at least six occasions each year to consider the asset allocation of the portfolio and the risk associated with particular countries and industry sectors. The Board has authorised the Manager to enter derivative

transactions as a means of seeking capital preservation, subject to limits on the percentage of the portfolio hedged and the duration of derivatives used.

Market price risk exposure

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

	2015 £'000	2014 £'000
Investments held at fair value through profit or loss	**155,403**	150,260
Derivative instruments held at fair value through profit or loss – index futures and index put options	**402**	191
	155,805	150,451

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

An analysis of the Company's investments is given on page 13. This shows that the portfolio mainly comprises investments quoted on Asian stockmarkets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of net return after taxation for the year and net assets to an increase or decrease of 10% (2014: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments, adjusting for the hedging effect of the index put options and including the resulting effect on the management fee, but with all other variables held constant.

	2015		2014	
	10% increase in fair value £'000	**10% decrease in fair value £'000**	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**(18)**	**16**	(21)	19
Capital return	**10,977**	**(9,799)**	13,130	(11,543)
Total return after taxation and net assets	**10,959**	**(9,783)**	13,109	(11,524)
Percentage change in net asset value	**7.1%**	**(6.3%)**	8.6%	(7.6%)

(b) Liquidity risk

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

Management of the risk

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

Liquidity risk exposure

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

	Three months or less 2015 £'000	Three months or less 2014 £'000
Creditors: amounts falling due within one year		
Borrowings on the credit facility	**7,667**	–
Other creditors and accruals	**388**	478
Open derivative contracts	**75**	54
	8,130	532

(c) Credit risk

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

This risk is not significant and is managed as follows:

The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement.

Counterparties are subject to daily credit analysis by the Manager. Cash balances are deposited with the Custodian of the Company's assets, HSBC Bank plc, which has Long Term Credit Ratings of AA– with Fitch and Aa2 with Moody's.

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

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

The value of securities on loan at 31 December 2015 amounted to £5.0 million (2014: £5.0 million). The highest value of securities on loan during the year ended 31 December 2015 amounted to £9.7 million (2014: £8.4 million). Under the Stock Lending Agreement, collateral is called in on a daily basis and may comprise cash, equities, certificates of deposit or sovereign debt to a value of 105% of the value of the securities on loan.

(d) Fair values of financial assets and financial liabilities

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

20. Capital management policies and procedures

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

The Company has overdraft and credit facilities in place which may be used to maximise the return to shareholders through an appropriate level of gearing.

The Board would not expect the level of gearing to exceed 30%, where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

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

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

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Friday, 29 April 2016 at 12.00 noon. The formal Notice of Meeting is set out on page 55.

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

Special Business to be proposed at the Annual General Meeting ("AGM")

Resolution 8 – Continuation (Ordinary Resolution)

In accordance with the Company's Articles of Association, the Directors are required to put forward a proposal for the continuation of the Company to shareholders at three yearly intervals. The Board considers that the long term investment objectives of the Company remain appropriate and that the current Manager has delivered superior returns over the last three years and remains well placed to continue to do so over the long term. An ordinary resolution will therefore be proposed at the AGM to agree that the Company should continue as an investment trust for a further three year period.

Resolution 9 – Directors' authority to allot shares (Ordinary Resolution) and resolution 10 – power to disapply pre-emption rights (Special 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.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £364,745 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £364,745 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in Treasury. The Board has established guidelines for Treasury shares and will only re-issue shares held in Treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

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 2017 unless renewed, varied or revoked earlier.

Resolution 11: Authority to make market purchases of the Company's own shares (Special Resolution)

At the AGM held on 30 April 2015, the Company was granted authority to make market purchases of up to 10,972,551 ordinary shares of 5p each for cancellation. A total of 250,000 shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 10,722,551 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 net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM (excluding Treasury Shares). The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in Treasury for potential re-issue. If renewed, the authority to be given at the 2016 AGM will lapse at the conclusion of the AGM in 2017 unless renewed, varied or revoked earlier.

Notice of Annual General Meeting

Notice is hereby given that the twenty-ninth Annual General Meeting of Asian Total Return Investment Company plc will be held at 31 Gresham Street, London EC2V 7QA on Friday 29 April 2016 at 12.00 noon to consider the following resolutions of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 December 2015.
2. To approve a final dividend of 3.80 pence per share for the year ended 31 December 2015.
3. To approve the Directors' Annual Report on Remuneration for the year ended 31 December 2015.
4. To approve the re-election of Christopher Keljik as a Director of the Company.
5. To approve the re-election of Alexandra Mackesy as a Director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.
7. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.
8. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:
   "THAT in accordance with the Articles of Association, the Company should continue as an investment trust for a further three year period."
9. To consider, and if thought fit, pass the following resolution as an ordinary resolution:
   "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £364,745 (being 10% of the issued ordinary share capital at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2017, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
10. To consider and, if thought fit, to pass the following resolution as a special resolution:
    "THAT in substitution for all existing authorities and subject to the passing of resolution 9 the Directors be empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash either pursuant to the authority conferred by resolution 9 above or by way of a sale of Treasury Shares, as if section 561 of the Act did not apply to the allotment. This power shall be limited:
    (a) to the allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary shareholders and/or holders of any other securities in accordance with the rights of those securities where the equity securities respectively attributable to the interests of all ordinary shareholders and/or such holders are proportionate (or as nearly as may be) to the respective numbers of ordinary shares and such equity securities held by them (or are otherwise allotted in accordance with the rights attaching to such equity securities) subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever;
    (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to a maximum aggregate nominal value of £364,745 (being 10% of the Company's issued ordinary share capital at the date of this Notice); and
    (c) to the allotment of equity securities at a price not less than the net asset value per share and shall expire at the conclusion of the next Annual General Meeting of the Company in 2017, (unless previously renewed, varied, or revoked by the Company prior to such date) save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired."

Notice of Annual General Meeting

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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 5p each in the capital of the Company ("Shares") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:
    (a) the maximum number of Shares which may be purchased is 10,935,076, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice (excluding Treasury shares);
    (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;
        i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
        ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
    (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 5p, being the nominal value per Share;
    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2017 (unless previously renewed, varied or revoked by the Company prior to such date);
    (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
    (f) any Shares so purchased will be cancelled or held in Treasury."

By order of the Board
For and on behalf of
Schroder Investment Management Limited
Registered Number: 02153093
29 March 2016

Registered Office:
31 Gresham Street,
London EC2V 7QA

Explanatory Notes to the Notice of Meeting

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

   A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44(0) 121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 noon on 27 April 2016. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers).

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

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

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

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m. on 27 April 2016, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 27 April 2016 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

6. The biographies of the Directors offering themselves for re-election are set out on page 22 of the Company's Annual Report and Accounts for the year ended 31 December 2015.

7. As at 29 March 2016, 72,949,141 ordinary shares of 5 pence each were in issue (12,255,671 shares were held in Treasury). Therefore the total number of voting rights of the Company as at 29 March 2016 was 72,949,141.

8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.asiantotalreturninvestmentcompany.com.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Shareholder Information

Webpage and share price information

The Company has a dedicated webpage, which may be found at www.asiantotalreturninvestmentcompany.com. The webpage has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its net asset value 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 Schroders' website at www.schroders.co.uk/its.

A glossary of terms used in this Annual Report may be found on the Company's webpage at www.asiantotalreturninvestmentcompany.com.

ISA status

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

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial Calendar

Financial year end	31 December
Half year results announced	August
Annual results announced	March
Final dividend paid	May
Annual General Meeting	April

Alternative Investment Fund Managers ("AIFM") Directive

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found either in this Annual Report or on the website www.schroders.co.uk/its.

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

Preferential Treatment of Investors

The Company's investors purchase shares on the open market and therefore the Company is not in a position to influence the treatment of investors. No investor receives preferential treatment.

Liquidity Risk Management

The Company's shares are traded on the London Stock Exchange through market intermediaries. There are no special rights to redemption.

Periodic and Regular Disclosure under the Directive

(a) none of the Company's assets are subject to special arrangements arising from their illiquid nature;
(b) there are no new arrangements for managing the liquidity of the Company including, but not limited to, any material changes to the liquidity management systems and procedures employed by the Manager in place. Shareholders will be notified immediately where the issue, cancellation, sale and redemption of shares is suspended, when redemptions are suspended or where other similar special arrangements are activated;
(c) the current risk profile of the Company and the risk management systems employed by the Manager to manage those risks can be found in the Strategic Report; and
(d) the total amount of leverage employed by the Company may be found in the AIFM disclosures on the website www.schroders.co.uk/its.

Any changes to the following information will be provided through a regulatory news service without undue delay and in accordance with the Directive:

(a) the maximum level of leverage which the Manager may employ on behalf of the Company; and
(b) the right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement.

Remuneration Disclosures

The information required under the AIFM Directive to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the website www.schroders.co.uk/its.

www.asiantotalreturninvestmentcompany.com

www.schroders.co.uk/its

Advisers

Alternative Investment Fund Manager (the "Manager")
Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Investment Manager and Company Secretary
Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 3206

Registered Office
31 Gresham Street
London EC2V 7QA

Depositary and Custodian
HSBC Bank plc
8 Canada Square
London E14 5HQ

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

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk
*Calls to this number are free of charge from UK landlines

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641.

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

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

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

Dealing Codes

ISIN:	GB0008710799
SEDOL:	0871079
Ticker:	ATR

Global Intermediary Identification Number (GIIN)
TRPJG6.99999.SL.826

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