

Schroders

Schroder AsiaPacific  
Fund plc

Annual Report and Accounts

For the year ended  
30 September 2019



## Investment objective

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

## Investment policy

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

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







# Contents

## Strategic Report

Financial Highlights	2
10 Year Financial Record	3
Chairman's Statement	4
Manager's Review	6
Investment Portfolio	8
Strategic Review	10

## Governance

Board of Directors	16
Directors' Report	18
Audit and Risk Committee Report	21
Management Engagement Committee Report	23
Nomination Committee Report	24
Directors' Remuneration Report	26
Statement of Directors' Responsibilities in respect of the Annual Report and Accounts	29

## Financial

Independent Auditor's Report	30
Income Statement	36
Statement of Changes in Equity	36
Statement of Financial Position	37
Notes to the Accounts	38

## Annual General Meeting

Annual General Meeting – Recommendations	52
Notice of Annual General Meeting	53
Explanatory Notes to the Notice of Meeting	54
Definitions of Terms and Performance Measures	56
Shareholder Information	Inside back cover

# Financial Highlights

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority, and are indicated with an asterisk (\*). Definitions of these performance measures, and other terms used in this report, are given on page 56 together with supporting calculations where appropriate.

## Total returns\* for the year ended 30 September 2019



<sup>1</sup>Source: Thomson Reuters.

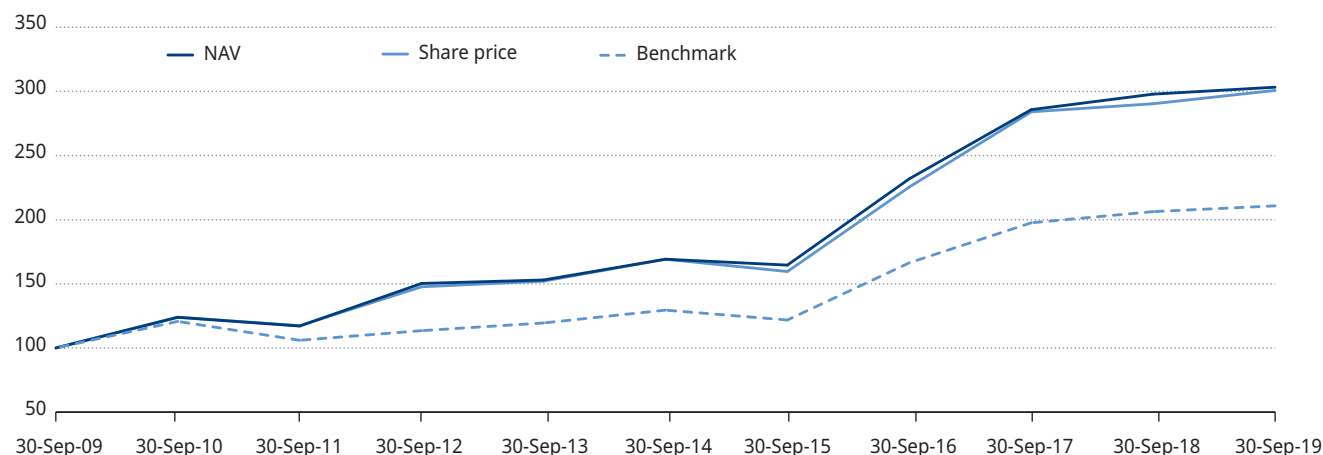
## Other financial information

	30 September 2019	30 September 2018	% Change
Shareholders' funds (£'000)	822,182	825,042	-0.3
Shares in issue	167,470,716	167,570,716	-0.1
NAV per share (pence)	490.94	492.35	-0.3
Share price (pence)	435.00	430.00	+1.2
Share price discount to NAV per share (%)	11.4	12.7	
(Net cash)/Gearing* (%)	(2.4)	2.6	

	Year ended 30 September 2019	Year ended 30 September 2018	% Change
Net revenue return after taxation (£'000)	16,590	16,885	-1.7
Revenue return per share (pence)	9.90	10.08	-1.8
Dividends per share (pence)	9.70	9.50	+2.1
Ongoing Charges* (%)	0.93	0.94	

## NAV per share, share price and Benchmark total returns for the 10 years ended 30 September 2019



Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2009.

# 10 Year Financial Record

At 30 September	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Shareholders' funds (£'000)	388,113	307,280	395,340	455,024	495,527	477,870	658,321	799,942	825,042	822,182
NAV per share, diluted where applicable (pence)	224.76	210.16	266.64	268.13	292.82	282.39	392.33	477.38	492.35	490.94
Share price (pence)	203.75	190.75	236.75	240.70	264.00	246.50	343.00	426.00	430.00	435.00
Share price discount to NAV per share (%)	9.3	9.2	11.2	10.2	9.8	12.7	12.6	10.8	12.7	11.4
(Net cash)/Gearing (%)	(3.7)	4.4	5.7	(3.3)	(0.6)	2.3	0.4	4.4	2.6	(2.4)

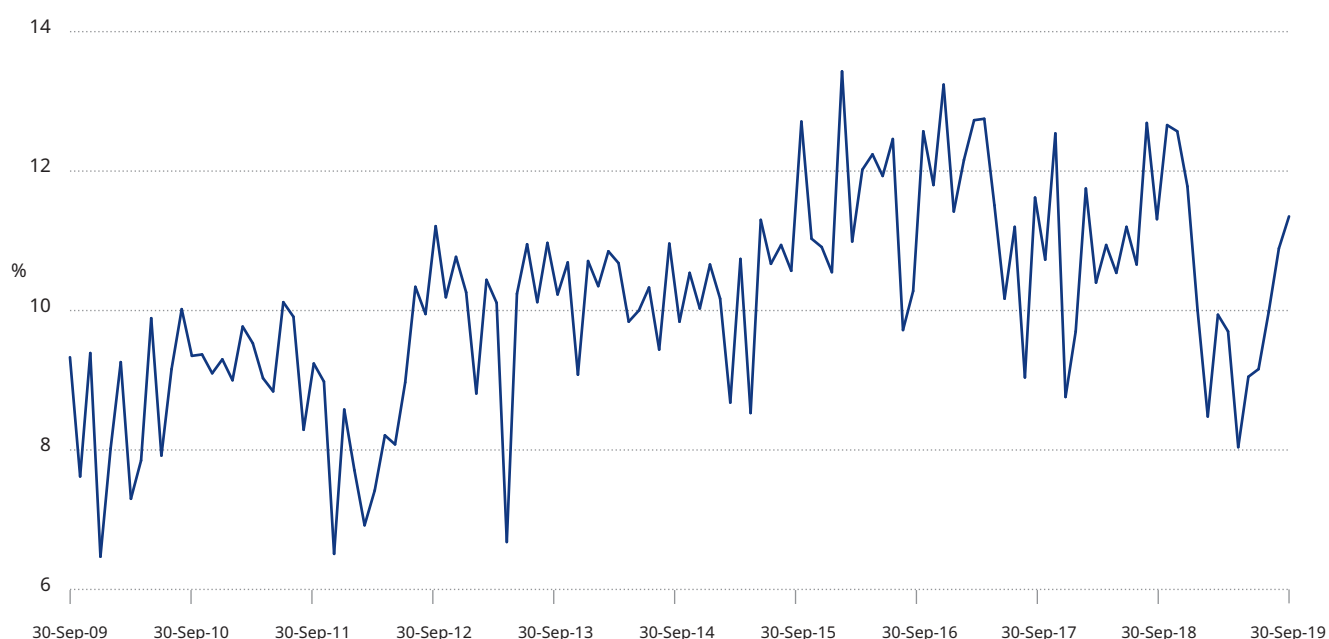
For the year ended 30 September	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net revenue return after taxation (£'000) <sup>1</sup>	4,394	4,033	4,916	5,000	4,749	7,151	8,040	9,537	16,885	16,590
Revenue return per share (pence) <sup>1</sup>	2.62	2.59	3.37	3.08	2.80	4.23	4.77	5.69	10.08	9.9
Dividends per share (pence) <sup>1</sup>	2.65	2.75	3.35	3.35	2.75	4.20	4.75	5.60	9.50	9.70
Ongoing Charges (%)	1.22	1.15	1.18	1.10	1.08	1.03	1.10	0.99	0.94	0.93

Performance <sup>2</sup>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAV total return (diluted where applicable)	100.0	123.9	117.1	150.3	153.0	169.2	164.6	231.9	285.8	297.9	303.3
Share price total return	100.0	124.0	117.4	147.7	152.1	169.2	159.6	225.5	284.1	290.4	300.8
Benchmark total return	100.0	120.7	106.0	113.5	119.5	129.5	121.8	166.4	197.6	206.3	210.8

<sup>1</sup>With effect from 1 October 2017, the Company adopted an allocation policy whereby 75% of indirect costs are allocated to the capital account.

<sup>2</sup>Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2009.

## 10 year share price discount to NAV per share



Source: Morningstar/Thomson Reuters.

The average discount for the 10 year period ending 30 September 2019 was 10.3%.

# Chairman's Statement



## Performance

“The Company continues to maintain its excellent record of outperforming the Benchmark over the longer term”

During the year to 30 September 2019, the Company's NAV produced a positive total return of 1.8%, slightly lagging the Benchmark's total return of 2.2%. In local currency terms, market performance was slightly negative but the weakness of the pound converted this to a gain overall. The Company's share price also produced a positive total return, of 3.6%. The Company continues to maintain its excellent record of outperforming the Benchmark over the longer term.

A more detailed comment on performance and investment policy may be found in the Manager's Review.

## Revenue and dividend

Net revenue after taxation has decreased by 1.7% from £16,885,000 to £16,590,000. The directors recommend the payment of a final dividend of 9.70 pence per share for the year ended 30 September 2019. This represents a slight increase of 2.1% over the 9.50 pence paid in respect of the previous financial year.

This dividend will be paid on 5 February 2020 to shareholders on the register on 3 January 2020 subject to approval by shareholders at the Annual General Meeting (“AGM”) on 30 January 2020.

## Gearing

During the year, the Company reduced its gearing. Gearing was at 2.6% at the start of the year and we ended the year ungeared, with net cash of 2.4%.

## Discount management

The board continues to follow a flexible strategy towards discount management. The average level of discount during the year under review was 10.2%, in line with our long-term discount target. We believe that it is not necessarily in the best interests of shareholders as a whole to adopt a rigid

discount control mechanism that seeks to target a defined maximum discount level regardless of market conditions. Our policy takes account of the level of discount at which the Company's peer group trades, prevailing market conditions and activity within our sector.

We bought back 100,000 shares during the year under review, as well as regularly reviewing both the discount level and the possible use of buy backs.

At the Company's last AGM, the Company was given the authority to purchase up to 14.99% of its issued share capital. We propose that share buyback authorities be renewed at the forthcoming AGM and that any shares so purchased be cancelled or held in treasury for potential reissue.

## Board succession

During the year, Vivien Gould joined the board, following work undertaken by the nomination committee to identify the best candidate to join the board. The board welcomes Vivien's depth of experience and knowledge of the investment company sector.

In line with the board's agreed succession plans, I will be retiring at the AGM in January 2021. An announcement relating to my successor will be made in 2020. The selection process will be led by Rosemary Morgan, the Company's senior independent director. The board believes that it is important for appropriate new skills to be brought to the board and will continue to look to refresh one director every two to three years. A director will serve for a period of more than nine years only in exceptional circumstances. All directors will be subject to re-election each year at the AGM.

## Outlook

Last year I commented on my optimism for the region's underlying prospects. This year, politics in the region have been highly visible globally. The China/US trade negotiations and political unrest in Hong Kong – the common theme being dissatisfaction with China – together with the worsening relations between Korea and Japan, have all weighed against stock performance. Economic conditions were more challenging than expected but, on the positive side, the weakness in sterling has worked to the Company's performance advantage.

The pace of absolute growth in economies in China, South Korea and Taiwan is becoming less pronounced. Newer developing markets, such as India, are still growing quickly. These markets are providing an increasing new tier of investee companies to add to those growing companies in the mature economies.

# Chairman's Statement

**“As we move into our twenty-fifth year... my optimism as to the region's prospects is unchanged”**

On a recent visit to Asia, your board was struck by the number of companies, whether large or small, that are thriving by adapting and flexing existing business models. In a very short space of time, many have broadened their supply chains to reduce dependence on China as a manufacturing base.

As we move into our twenty-fifth year, the rationale for investing in the Company remains unchanged: to benefit from the region's growth while adding value through the superior stock selection of your Manager. My optimism as to the region's prospects is unchanged.

## AGM

The AGM will be held on Thursday, 30 January 2020 at 12.00 noon. As in previous years, Matthew Dobbs, on behalf of the Manager, will give a presentation on the prospects for Asia and the Company's investment strategy. The board looks forward to meeting as many shareholders as are able to attend.

**Nicholas Smith**  
Chairman

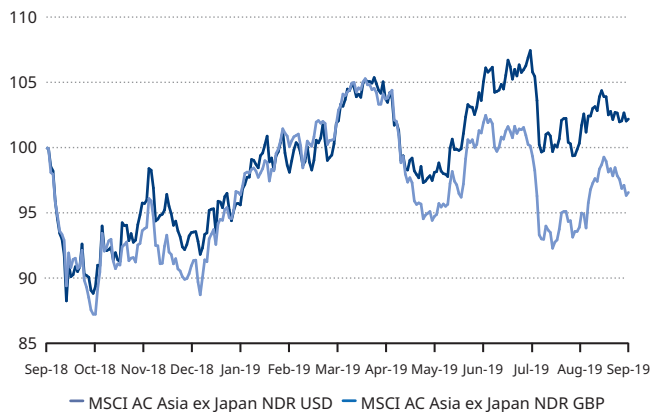
13 December 2019



# Manager's Review

The NAV per share of the Company recorded a total return of 1.8% over the year ended 30 September 2019. This was modestly behind the performance of the Benchmark, which was up 2.2% over the same period. (Source: Morningstar).

## Performance of the MSCI AC Asia ex Japan Net Dividends Reinvested Index in GBP and USD – 30 September 2018 to 30 September 2019



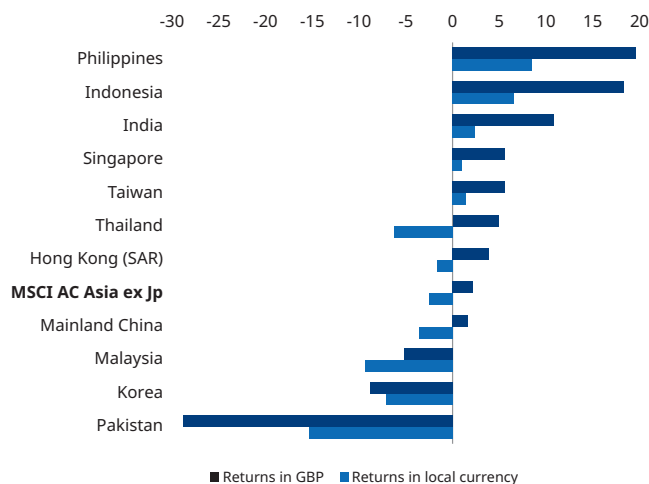
Source: Thomson Datastream.

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

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

With the notable exception of Malaysia, ASEAN markets along with India were leading performers. They were seen as less sensitive to trade and benefiting from increased scope to ease monetary conditions given quiescent inflation and relatively high real interest rates. Korea suffered as its key exports fell sharply and the administration has pursued a populist agenda, while Malaysia weakened as initial optimism surrounding the end of five decades of UMNO leadership

## Country returns of the MSCI AC Asia ex Japan Net Dividends Reinvested Index in GBP and local currency – 30 September 2018 to 30 September 2019



Source: Schroders, Factset.

faded. Mainland China and Hong Kong (SAR) were both modestly down in local currency terms. Tepid credit growth and slowing economic activity impacted Mainland China while political unrest rattled Hong Kong (SAR).

## Performance and portfolio activity

The Company's total return of 1.8% was slightly behind the Benchmark which rose 2.2%. Key positives were stock selection in Taiwan and Korea, while non-index exposures to Australia and the Netherlands also added value. Stock selection in India was also strong, partly offset by our underweighting. In country allocation terms, added value from the nil weight in Malaysia and the overweight in Hong Kong (SAR) were partly offset by the underweight in Indonesia which outperformed.

Over the period we made a substantial reduction in Korean exposure, moving firmly underweight. We also scaled back the overweighting in Thailand given relatively strong performance in currency adjusted terms. We made more modest reductions in Mainland China. Areas of addition included Singapore, India (although remaining underweight) and selected stocks listed outside the region but with significant exposure to Asian growth.

## Outlook and Policy

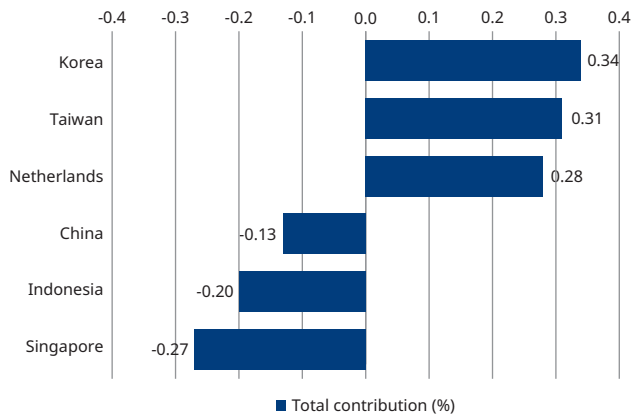
It is difficult to regard global macro and political developments over the summer as having been supportive of either equity markets or investor sentiment. Political



# Manager's Review

“Asian company valuations are ... well supported given strong cash flows, conservative capital spending intentions and strong balance sheets”

## Top 3 contributors and top 3 detractors, 12 months to 30 September 2019 (% points)



Source: Factset PA3.

developments have dominated the front pages in Asia, but have scarcely been absent closer to home. The broad threads to these tensions could be viewed as the nexus between populism and resentment at perceived widening of wealth disparities. Whether related or not, economic trends have softened, with retracement in global PMIs, soft private capital spending in a number of markets, and contraction in global trade.

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

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

The situation in Hong Kong (SAR) is obviously of concern as it remains a substantial exposure for the Company, with real estate and financials particularly vulnerable should confidence in stability be permanently impaired. While we respect the political motivations behind the protests, there is

also an economic angle as the squeezed middle classes articulate their dissatisfaction. The Hong Kong SAR administration has considerable fiscal fire power should it elect to use it, while strong corporate balance sheets should provide some reassurance as to shareholder returns.

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

## Country Weights – Company vs. Benchmark

	NAV weight (%)		Benchmark weight (%)
	30-Sep-19	30-Sep-18	30-Sep-19
Mainland China	27.5	30.4	37.6
Hong Kong (SAR)	20.6	22.0	10.7
Korea	11.4	18.5	14.3
Taiwan	10.4	10.5	13.5
India	9.7	8.3	10.4
Singapore	5.0	2.8	3.8
Thailand	2.6	4.1	3.4
Australia	1.8	2.5	-
Indonesia	1.4	1.1	2.4
Philippines	0.3	0.2	1.3
Malaysia	-	-	2.4
Pakistan	-	-	0.0
Other equities*	6.6	2.8	-
Other net assets/ (liabilities)	2.7	(3.2)	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Schroders, MSCI, 30 September 2019.

\*Vietnam, Italy, United Kingdom, the Netherlands, and Japan.

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

**Schroder Investment Management Limited**

13 December 2019

# Investment Portfolio as at 30 September 2019

Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 66.8% (30 September 2018: 60.7%).

	£'000	%
<b>Mainland China</b>		
<b>Alibaba (ADR)</b>	<b>57,735</b>	<b>7.2</b>
<b>Tencent Holdings<sup>1</sup></b>	<b>45,255</b>	<b>5.7</b>
<b>Midea (including LEPO<sup>2</sup>)</b>	<b>23,555</b>	<b>2.9</b>
<b>Ping An Insurance<sup>1</sup></b>	<b>20,997</b>	<b>2.6</b>
<b>China Petroleum &amp; Chemical H<sup>1</sup></b>	<b>15,925</b>	<b>2.0</b>
<b>China Pacific Insurance H<sup>1</sup></b>	<b>14,586</b>	<b>1.8</b>
Huazhu (ADR)	12,364	1.5
Shenzou <sup>1</sup>	10,924	1.4
Baozun (ADR)	5,115	0.6
Lenovo <sup>1</sup>	4,781	0.6
Tongcheng Elong <sup>1</sup>	4,780	0.6
Leyard A	4,212	0.5
Sands China <sup>1</sup>	3,263	0.4
51 Jobs (ADR)	2,875	0.4
<b>Total Mainland China</b>	<b>226,367</b>	<b>28.2</b>
<b>Hong Kong (SAR)</b>		
<b>AIA</b>	<b>30,991</b>	<b>3.9</b>
<b>Bank of China (Hong Kong)</b>	<b>24,261</b>	<b>3.0</b>
<b>Galaxy Entertainment</b>	<b>23,799</b>	<b>3.0</b>
<b>Swire Pacific</b>	<b>17,946</b>	<b>2.2</b>
<b>Kerry Properties</b>	<b>16,949</b>	<b>2.1</b>
<b>Jardine Strategic<sup>3</sup></b>	<b>15,380</b>	<b>1.9</b>
Techtronic Industries	11,534	1.4
Fortune Real Estate Investment Trust	10,783	1.3
Swire Properties	7,854	1.0
ASM Pacific Technology	6,120	0.8
Johnson Electric	3,378	0.4
Chow Sang Sang	700	0.1
<b>Total Hong Kong (SAR)</b>	<b>169,695</b>	<b>21.1</b>

	£'000	%
<b>South Korea</b>		
<b>Samsung Electronics (including preference shares)</b>	<b>58,576</b>	<b>7.3</b>
SK Innovation	14,177	1.8
Samsung SDI	8,037	1.0
LG Chemical	7,004	0.9
Medy-Tox	3,418	0.4
Amorepacific Group (preference shares)	2,083	0.3
<b>Total South Korea</b>	<b>93,295</b>	<b>11.7</b>
<b>Taiwan</b>		
<b>Taiwan Semiconductor</b>	<b>60,090</b>	<b>7.5</b>
Hon Hai Precision Industries	13,780	1.7
Largan Precision	11,730	1.5
<b>Total Taiwan</b>	<b>85,600</b>	<b>10.7</b>
<b>India</b>		
<b>HDFC Bank</b>	<b>23,340</b>	<b>2.9</b>
<b>ICICI Bank (including ADR)</b>	<b>22,755</b>	<b>2.8</b>
Apollo Hospitals Enterprise	10,419	1.3
Zee Entertainment Enterprises	9,437	1.2
Gujarat Pipavav Port	6,616	0.8
Container Corporation of India	4,895	0.6
Multi Commodity Exchange of India	2,135	0.3
<b>Total India</b>	<b>79,597</b>	<b>9.9</b>
<b>Singapore</b>		
<b>Oversea-Chinese Banking</b>	<b>17,922</b>	<b>2.3</b>
<b>Keppel</b>	<b>14,882</b>	<b>1.9</b>
United Overseas Bank	8,416	1.1
<b>Total Singapore</b>	<b>41,220</b>	<b>5.3</b>
<b>Thailand</b>		
Bangkok Bank (NVDR)	8,817	1.1
Kasikornbank	8,232	1.0
Intouch	3,873	0.5
<b>Total Thailand</b>	<b>20,922</b>	<b>2.6</b>

# Investment Portfolio as at 30 September 2019

	£'000	%
<b>Vietnam</b>		
Dragon Capital Vietnam Enterprise Investments <sup>4</sup>	15,419	1.9
<b>Total Vietnam</b>	<b>15,419</b>	<b>1.9</b>
<b>Australia</b>		
BHP Billiton <sup>4</sup>	15,097	1.9
<b>Total Australia</b>	<b>15,097</b>	<b>1.9</b>
<b>Italy</b>		
Prada <sup>1</sup>	12,314	1.5
<b>Total Italy</b>	<b>12,314</b>	<b>1.5</b>
<b>Indonesia</b>		
Bank Mandiri	11,737	1.5
<b>Total Indonesia</b>	<b>11,737</b>	<b>1.5</b>
<b>United Kingdom<sup>5</sup></b>		
Schroder Small Cap Discovery Fund Z Acc	11,623	1.5
<b>Total United Kingdom</b>	<b>11,623</b>	<b>1.5</b>
<b>Netherlands</b>		
ASML	8,958	1.1
<b>Total Netherlands</b>	<b>8,958</b>	<b>1.1</b>
<b>Japan</b>		
Nexon	3,099	0.4
<b>Total Japan</b>	<b>3,099</b>	<b>0.4</b>
<b>Germany</b>		
Adidas	2,635	0.3
<b>Total Germany</b>	<b>2,635</b>	<b>0.3</b>
<b>Philippines</b>		
Holcim Philippines	2,125	0.3
<b>Total Philippines</b>	<b>2,125</b>	<b>0.3</b>
<b>Total Investments</b>	<b>799,703</b>	<b>99.9</b>

## Derivative Financial Instruments

### Forward Currency Contracts

Purchase of US dollars 51.1 million for South Korean won 59.6 billion for settlement on 17 October 2019

1,085	0.1
-------	-----

Purchase of US dollars 37.6 million for Chinese yuan 269.2 million for settlement on 12 December 2019

(53)	-
------	---

<b>Total Forward Currency Contracts</b>	<b>1,032</b>	<b>0.1</b>
---	--------------	------------

<b>Total Investments and Derivative Financial Instruments<sup>6</sup></b>	<b>800,735</b>	<b>100.0</b>
---	----------------	--------------

<sup>1</sup>Listed in Hong Kong.

<sup>2</sup>Listed in the USA.

<sup>3</sup>Listed in Singapore.

<sup>4</sup>Listed in the United Kingdom.

<sup>5</sup>Predominantly invested in Asia.

<sup>6</sup>Total investments and derivative financial instruments comprises the following:

	£'000	%
Equities, including ADRs, LEPOs and NVDRs	758,505	94.7
Collective investment funds	27,042	3.4
Preference shares	14,156	1.8
Derivative financial instruments	1,032	0.1
<b>Total investments and derivative financial instruments</b>	<b>800,735</b>	<b>100.0</b>

The following abbreviations have been used above:

ADR: American Depositary Report

LEPO: Low Exercise Price Option

NVDR: Non Voting Depositary Receipt

# Strategic Review

## Business model



The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. 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 Annual General Meeting (“AGM”) in 2021 and thereafter at five yearly intervals.

## Investment objective and policy

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

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

## Gearing

The Company has a £100 million multi-currency revolving credit facility with Scotiabank, which was undrawn at the year end. In addition, the Company has a £30 million multi-currency overdraft facility with HSBC, which was not utilised during the year. The board has set parameters within which the Manager is authorised to use the credit facilities and draw down funds.

While the articles of association limit the amount of gearing the Company may have to a maximum of the Company’s adjusted capital and reserves, directors do not anticipate net effective gearing levels in excess of 20% of shareholders’ funds.

## Investment process

Stock selection is at the heart of the investment approach. A key strength of the Manager is its network of analysts in the region whose focus is on identifying companies able to grow shareholder value in the long term. Although the in-house analysts are the primary source of stock ideas, the portfolio manager also generates stock ideas through his own research and draws on a number of other sources including a proprietary quantitative screen, sell-side analysts, other investment professionals within Schroders and his own contacts in the market. A country allocation process is carried out on a monthly basis, combining the output of a proprietary quantitative model and the qualitative views of the portfolio manager.



# Strategic Review

## Stock research

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

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

## Stock selection/portfolio construction

From these inputs the portfolio manager assesses the fundamental characteristics of the stocks with a particular focus on companies with visible earnings growth, sustainable returns and valuation support, and ranks them according to a view of upside/downside potential and the level of conviction he has in the investment view.

Weightings within the portfolio reflect these considerations, with the primary objective being to create a portfolio with an appropriate level of stock-specific risk as the primary driver of returns. While much of the portfolio construction is founded on the portfolio manager's skill and intuition, he also harnesses the Manager's risk management system, to provide a quantitative view of the characteristics of the portfolio. The portfolio manager also sets, in conjunction with the board, the gearing of the portfolio.

## Investment restrictions and spread of risk

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; (b) no more than 10% of the Company's total net assets, at the date of acquisition, may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies; (c) the Company will not invest more than 15% of its gross assets in other listed investment companies or investment trusts; (d) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (e) no more than 25% of the Company's total net assets may be invested in the aggregate of unlisted investments and holdings representing 20% or more of the equity capital of any company. No breaches of these investment restrictions took place during the financial year.

The investment portfolio on pages 8 and 9 demonstrates that, as at 30 September 2019, the Company held 57 investments spread over multiple countries and in a range of industry sectors. The largest investment, Taiwan Semiconductor, represented 7.5% of total investments. At the end of the year, the Company did not hold any unlisted investments or open-ended funds, except for the open-ended Schroder Small Cap Discovery Fund Z Acc, which represents 1.5% of total investments. The board believes that the objective of spreading risk has been achieved.

## Promotion

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

Promotion is focused via three channels:

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

These activities consist of investor lunches, one-on-one meetings, regional road shows and 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. The board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate.

Details of the board's approach to discount management may be found in the Chairman's Statement on page 4 and in the Annual General Meeting – Recommendations on page 52.

## Key performance indicators

The board measures the development and success of the Company's business through achievement of its investment objective which is considered to be the principal key performance indicator for the Company.

Comment on performance against the investment objective can be found in the Chairman's Statement.

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 the management fee, directors' fees and general expenses, is submitted to each board meeting.

## Corporate and Social Responsibility

### Board gender diversity

As at 30 September 2019, the board comprised four men and two women. Candidates for board vacancies are selected based on their skills and experience, which are matched

# Strategic Review

against the balance of skills and experience of the overall board taking into account the criteria for the role being offered. Gender, and diversity generally, are taken into account when the board examines its overall balance, skill set and experience.

## **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 and corruption policy.

## **Greenhouse gas emissions**

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

## **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](http://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.

# Strategic Review

## Principal risks and uncertainties

The board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2019.

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

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

## Emerging risks and uncertainties

During the year, the board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk and climate change risk. The board has determined they are not currently material for the Company.

Political risk includes Brexit, trade wars and regional tensions. The board continues to monitor developments for the UK's departure from the European Union and to assess the potential consequences for the Company's future activities. The board believes that the Company's portfolio of equities in the Asia Pacific region shields the Company from Brexit related risks. However, currency rates and borrowings drawn down by the Company may be affected by geopolitical developments. The board is also mindful that changes to public policy in the UK, or in the Asia Pacific region, could impact the Company in the future.

Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns.

Risk	Mitigation and management
<p><b>Strategic</b></p> <p>The requirements of investors change or develop in such a way as to diverge from the Company's investment objectives, resulting in a wide discount of the share price to NAV per share.</p>	<p>The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored.</p> <p>The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis.</p> <p>The marketing and distribution activity is actively reviewed. The Company engages proactively with investors.</p>
<p>The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.</p>	<p>The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors. Annual consideration of management fee levels is undertaken.</p>
<p><b>Investment management</b></p> <p>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.</p>	<p>Review of: the Manager's compliance with its agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets.</p> <p>Annual review of the ongoing suitability of the Manager.</p> <p>Regular meetings with major shareholders to seek their views with respect to company matters, including the five-yearly continuation vote.</p>
<p><b>Financial and currency</b></p> <p>The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in regional equity markets or a substantial currency fluctuation could have an adverse impact on the market value of the Company's investments.</p>	<p>The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets or currency are discussed with the Manager.</p> <p>The Company has no formal policy of hedging currency risk but may use foreign currency borrowings or forward foreign currency contracts to limit exposure.</p>

# Strategic Review

Risk	Mitigation and management
<p><b>Custody</b></p> <p>Safe custody of the Company's assets may be compromised through control failures by the depositary, including cyber hacking.</p>	<p>The depositary reports on the safe custody of the Company's assets, including cash and portfolio holdings which are independently reconciled with the Manager's records.</p> <p>The review of audited internal controls reports covering custodial arrangements is undertaken.</p> <p>An annual report from the depositary on its activities, including matters arising from custody operations is received.</p>
<p><b>Gearing and leverage</b></p> <p>The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.</p>	<p>Gearing is monitored and strict restrictions on borrowings are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 20% of shareholders' funds.</p>
<p><b>Accounting, legal and regulatory</b></p> <p>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.</p> <p>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.</p>	<p>The confirmation of compliance with relevant laws and regulations by key service providers is reviewed.</p> <p>Shareholder documents and announcements, including the annual report, are subject to stringent review processes.</p> <p>Procedures are established to safeguard against the disclosure of inside information.</p>
<p><b>Service provider</b></p> <p>The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider, could lead to disruption, reputational damage or loss.</p>	<p>Service providers are appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations.</p> <p>Regular reports are provided by key service providers and the quality of their services is monitored.</p> <p>Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls is undertaken.</p>
<p><b>Cyber</b></p> <p>The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.</p>	<p>Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack.</p>

## Risk assessment and internal controls

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

A full analysis of the financial risks facing the Company is set out in note 19 on pages 46 to 51.



# Strategic Review

## Viability statement

The directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 30 September 2019 and the potential impacts of the principal risks and uncertainties it faces for the review period.

This period has been chosen as the board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding.

In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 13 and 14 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. The Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.

Based on the Company's processes for monitoring operating costs, the board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

## Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the Financial Reporting Council 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

13 December 2019

# Board of Directors



## Nicholas Smith

**Status:** independent non-executive Chairman

**Length of service:** 9 years – appointed a director in May 2010 and Chairman in January 2016

**Experience:** Mr Smith joined the Jardine Fleming Group in 1986 in Hong Kong serving, from 1993, as Chief Financial Officer and as a member of the Executive Committee. After returning to the UK, Mr Smith became a director of Robert Fleming International Ltd in 1998 and the director of Origination – Investment Banking serving until 2000. Mr Smith currently serves as Chairman of Aberdeen New Thai Investment Trust PLC, and is a non-executive director of JP Morgan European Smaller Companies Trust plc and Polarcus Limited.

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

**Current remuneration:** £43,000 per annum (from 1 October 2019)

**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



## Keith Craig

**Status:** independent non-executive director

**Length of service:** 4 years – appointed a director in May 2015

**Experience:** Mr Craig served with the British Army after university and subsequently joined the Swire Group in Hong Kong and Manila in the 1980s and early 1990s. He was then a diplomat with the Foreign & Commonwealth Office for some years before moving back to Asia as a stockbroker, establishing WI Carr's business in the Philippines and subsequently running their global equity sales and trading operation, based in Hong Kong. He returned to London in 2000 and was CEO of Hakluyt, a strategic intelligence company, until 2017, when he founded Westbury Partners. He is a non-executive director of Oxford Nanoimaging, a senior adviser at PJT Partners and a member of the advisory boards of the Bodleian Library and Cancer Research UK.

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

**Current remuneration:** £30,000 per annum (from 1 October 2019)

**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



## Vivien Gould

**Status:** independent non-executive director

**Length of service:** 6 months – appointed a director in May 2019

**Experience:** Ms Gould has worked in the financial services sector since 1981. She was a founder director of River & Mercantile Investment Management Limited (1985) and served there as a senior executive and deputy managing director until 1994. She then worked as an independent consultant and served on the boards of a number of investment management companies, listed investment trusts, other financial companies and charitable trusts, including the Stroke Association. Ms Gould is currently a non-executive director and audit committee chairman of The Lindsell Train Investment Trust PLC, a non-executive director of Baring Emerging Europe PLC and a non-executive director of National Philanthropic Trust UK.

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

**Current remuneration:** £30,000 per annum (from 1 October 2019)

**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



## Rosemary Morgan

**Status:** senior independent non-executive director

**Length of service:** 7 years – appointed a director in July 2012

**Experience:** Mrs Morgan studied Japanese at university in Australia, Japan and the US and worked as a Japanese equity fund manager for 16 years at John Govett before joining the institutional client team at Fidelity. She was at RBS from mid-2007 where she managed long only and alternative funds of funds specialising in Japan, the Pacific Basin and Emerging Markets. The team moved to Aberdeen Asset Management in February 2010 and she retired in March 2012. She is a non-executive director of JPMorgan Indian Investment Trust plc.

**Committee membership:** Audit and Risk, Management Engagement and Nomination Committees (Chairman of the Audit and Risk Committee)

**Current remuneration:** £38,000 per annum (from 1 October 2019)

**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



## Martin Porter

**Status:** independent non-executive director

**Length of service:** 2 years – appointed a director in October 2017

**Experience:** Martin joined Robert Fleming Asset Management in 1984, and ran equity portfolios in both London and Japan. During his tenure in Japan, he became a holding board director of Jardine Fleming, responsible for the Japanese business. Returning to the UK in 2000, he took up the role of Chief Investment Officer, Equity and Balanced of Fleming Asset Management, before becoming Global Head of Equities of JP Morgan Asset Management, a position he held from 2003 to 2016 when he retired.

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

**Current remuneration:** £30,000 per annum (from 1 October 2019)

**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



## James Williams

**Status:** independent non-executive director

**Length of service:** 5 years – appointed a director in August 2014

**Experience:** Mr Williams worked for 18 years in the investment banking industry for ING Barings, ABN AMRO and Commerzbank Securities including senior roles in Hong Kong, Bangkok and London. After leaving Commerzbank Securities in 2005 he became a partner at Saginaw Capital LLP until 2008.

**Committee membership:** Audit and Risk, Management Engagement and Nomination Committees (Chairman of the Management Engagement Committee)

**Current remuneration:** £30,000 per annum (from 1 October 2019)

**Connections with the Manager:** None

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

**Shared directorships with any other directors of the Company:** None

# Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 30 September 2019.

## Revenue and dividend

The net revenue return for the year, after finance costs and taxation, was £16,590,000 (2018: £16,885,000), equivalent to a revenue return per ordinary share of 9.90 pence (2018: 10.08 pence).

The board has recommended the payment of a final dividend for the year ended 30 September 2019 of 9.70 pence per share (2018: 9.50 pence) payable on 5 February 2020 to shareholders on the register on 3 January 2020, subject to approval by shareholders at the AGM on Thursday, 30 January 2020.

## Directors and their interests

The directors of the Company and their biographical details can be found on pages 16 and 17. All directors held office throughout the year under review with the exception of Vivien Gould who was appointed on 21 May 2019. Details of directors' share interests in the Company are set out in the Directors' Remuneration Report on page 28.

## Share capital

As at the date of this report, the Company had 167,470,716 ordinary shares of 10p in issue. No shares were held in treasury. Accordingly, the total number of voting rights in the Company at the date of this report is 167,470,716. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 44.

## Substantial share interests

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Ordinary shares as at 30 September 2019	% of total voting rights
Investec Wealth & Investment Ltd	18,207,877	10.87
City of London Investment Management Ltd	16,699,874	9.97
Standard Life Aberdeen plc	8,299,097	4.95
Schroders plc	8,483,022	5.06
Wells Capital Management, Inc	8,255,649	4.93
Lazard Asset Management LLC	7,387,117	4.41

Following the year end and at the date of this report Rathbone Investment Management Ltd and Rathbone Investment Management International Ltd has established a holding of 8,524,340 in the Company's shares, representing 5.09% of total voting rights.

## Key service providers

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

### Manager

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

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

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

Prior to 1 April 2019, the Manager was entitled to a fee of 0.90% per annum on the first £300 million of "chargeable assets", 0.80% per annum on the next £300 million and 0.75% per annum on chargeable assets in excess of £600 million.

With effect from 1 April 2019 the Manager has been entitled to a fee of 0.80% per annum on the first £600 million of assets chargeable and 0.75% per annum on chargeable assets in excess of £600 million.

Chargeable assets represent total assets less current liabilities other than short-term borrowings, less any cash up to the level of borrowings.

The management fee payable in respect of the year ended 30 September 2019 amounted to £6,385,000 (2018: £6,991,000).

The Manager is also entitled to receive a fee for providing administrative, accounting and company secretarial services to the Company. For these services, in the year ended 30 September 2019 it received a fee of £106,000 (2018:



# Directors' Report

£103,000). The fee continues to be subject to annual adjustment in line with changes in the Retail Prices Index.

Details of amounts payable to the Manager are set out in note 16 on page 45 of this report.

The board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver superior returns over the longer term. The Manager is supported by significant depth of knowledge and experience in Asia, with regional resources and local analysts. Thus, the board considers that the Manager's appointment under the terms of the AIFM agreement is in the best interests of shareholders as a whole.

## Depositary

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

## Registrar

Equiniti Limited has been appointed as the Company's registrar. Equiniti's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

## 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 "Code"). The disclosures in this statement report against the provisions of the Code, as revised in April 2016. The Code is published by the UK Financial Reporting Council and is available to download from [www.frc.org.uk](http://www.frc.org.uk).

The board will start reporting against the revised UK Corporate Governance Code, published in July 2018, which applies to financial years beginning on or after 1 January 2019, for the financial year beginning on 1 October 2019.

## Compliance statement

The UK Listing Authority requires all companies with a listing on the premium segment of the London Stock Exchange to disclose how they have complied with the provisions of the Code. This corporate governance statement, together with the Statement of Directors' Responsibilities on page 29 and the viability statement and going concern statement set out on page 15, indicate how the Company has applied the Code's principles of good governance and its requirements on internal control.

The board believes that the Company has, throughout the year under review, complied with all provisions set out in the Code except those relating to executive directors, as the Company, in line with most investment companies, has delegated management functions to third-party service providers.

## 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 16. He has no conflicting relationships.

### Role and operation of the board

The board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The board also ensures that the Manager adheres to the investment restrictions set by the board and acts within the parameters set by it in respect of any gearing. The Strategic Report on pages 10 to 15 sets out further detail of how the board reviews the Company's strategy, risk management and internal controls.

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.

# Directors' Report

## Training and development

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

## Conflicts of interest

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

## Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place 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 is a qualifying third party indemnity policy and was in place throughout the year under review for each director and to the date of this report.

## Directors' attendance at meetings

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

The number of scheduled meetings of the board and its committees held during the financial year and the attendance of individual directors is shown below. Whenever possible all directors attend the AGM.

Director	Board	Audit and Risk Committee	Nomination Committee	Management Engagement Committee
Nicholas Smith	5/5	N/A	2/2	1/1
Keith Craig	5/5	3/3	2/2	1/1
Vivien Gould <sup>1</sup>	1/1	1/1	N/A	N/A
Rosemary Morgan	5/5	3/3	2/2	1/1
Martin Porter	5/5	3/3	2/2	1/1
James Williams	5/5	3/3	2/2	1/1

<sup>1</sup>Appointed as a director on 21 May 2019.

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 webpages and the annual and half year reports which aim to provide shareholders with a clear understanding of the Company's activities and its results.

In addition to the engagement and meetings held during the year described on page 11, the chairs of the board and committees, as well as the senior independent director and the other directors, attend the 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 reports of the audit and risk committee, management engagement committee and nomination committee are incorporated into and form part of the Directors' Report.

By order of the board

## Schroder Investment Management Limited

Company Secretary

13 December 2019

# Audit and Risk Committee Report

The responsibilities and work carried out by the audit and risk committee during 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 which are set out on the Company's webpages, [www.schroders.co.uk/asiapacific](http://www.schroders.co.uk/asiapacific). Membership of the committee is as set out on pages 16 and 17. The board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence.

The committee discharged its responsibilities by:

- considering its terms of reference;

- reviewing the operational controls maintained by the Manager, depositary and registrar;
- 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;
- holding an audit tender and selecting a new auditor;
- evaluating the auditor's performance; and
- 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 30 September 2019, the committee, having deliberated on the Company's principal risks and uncertainties, considered the following significant issues,

including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the 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.
- 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, depositary and registrar, including assurance reports on their controls.
- Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	- Consideration of the Manager's report confirming compliance, and review of minimum distribution calculation.

### Recommendations made to, and approved by, the board:

As a result of the work performed, the committee has concluded that the annual report and accounts for the year ended 30 September 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the board. The board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 29.

# Audit and Risk Committee Report

## Effectiveness of the independent audit process

The committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the 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 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.

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

## Change of Auditor

As announced during the year, Ernst & Young LLP were appointed by the board as the Company's auditor. This follows completion of a tender process carried out as a consequence of EU audit regulations, which required the Company to replace the previous auditor, PricewaterhouseCoopers LLP as its statutory audit firm due to length of tenure.

Three firms were invited to complete requests for proposals based on key criteria set by the audit and risk committee. Two firms were invited to present to the committee members and both were recommended to the board with a preference for Ernst & Young LLP based on, amongst other factors, its depth of resource, technological competencies and experienced senior statutory auditors.

The board agreed with the audit and risk committee's recommendation.

The Company is compliant with the provisions of the September 2014 Competition and Markets Authority Order.

## Independent auditor

Ernst & Young LLP have indicated their willingness to continue to act as auditor. Accordingly, resolutions to re-appoint Ernst & Young LLP as auditor to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM.

## Provision of information to the auditor

The directors at the date of approval of this report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that 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 auditor is aware of that information.

## Provision of non-audit services

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

The auditor has not provided any non-audit services to the Company during the year (2018: none).

## 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 will continue to annually review whether an internal audit function is needed.

## Rosemary Morgan

Audit and Risk Committee Chairman

13 December 2019

# Management Engagement Committee Report

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

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



Application during the year	
<p>The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.</p> <p>The committee reviewed the management fee structure and agreed a change with the Manager, resulting in a reduction in overall fees.</p> <p>The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.</p> <p>The committee reviewed the other services provided by the Manager and agreed they were satisfactory.</p>	<p>The annual review of each of the service providers was satisfactory.</p> <p>The committee noted that the audit and risk committee had undertaken a detailed evaluation of the Manager, registrar, and depository and custodian's internal controls.</p> <p>The committee noted that the previous auditor had resigned following a tender process initiated by the audit and risk committee, where the previous auditor was barred from participating due to length of service.</p>



Recommendations made to, and approved by, the board:
<ul style="list-style-type: none"> <li>That the restructured management fee, resulting in a lower overall fee, was in shareholders' best interests.</li> <li>That the ongoing appointment of the Manager on the terms of the AIFM agreement was in the best interests of shareholders as a whole.</li> <li>That the Company's service providers' performance remained satisfactory.</li> </ul>



# Nomination Committee Report

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

## Oversight of directors



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

# Nomination Committee Report

Application during the year		
Selection and induction	Board evaluation and directors' fees	Succession
<ul style="list-style-type: none"> <li>The committee discussed the need to appoint a new non-executive director during the year.</li> <li>A job specification was agreed for the role.</li> <li>The committee appointed Webster Partners to run the search process. Webster Partners is independent of the Company and directors.</li> <li>The committee interviewed candidates in the early part of 2019 and recommended Vivien Gould for appointment to the board in May 2019.</li> </ul>	<ul style="list-style-type: none"> <li>The board evaluation was undertaken in May 2019.</li> <li>The committee also reviewed each director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All directors were considered to be independent in character and judgement.</li> <li>Based on its assessment, the committee provided individual recommendations for each director's re-election.</li> <li>The committee reviewed directors' fees, using external benchmarking, and recommended an increase in directors' fees, as detailed in the remuneration report.</li> </ul>	<ul style="list-style-type: none"> <li>The committee reviewed the succession policy and agreed it was still fit for purpose.</li> <li>The committee noted that Nicholas Smith would be retiring at the AGM in 2021, and the selection process to choose a new Chairman would be led by the SID during 2020.</li> </ul>



**Recommendations made to, and approved by, the board:**

- That Vivien Gould be appointed to the board.
- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the board and remain free from conflicts with the Company and its directors, so should all be recommended for re-election by shareholders at the AGM.
- That directors' fees be increased, as detailed in the Directors' Remuneration Report on page 26.

# Directors' Remuneration Report

## Introduction

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

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the forthcoming AGM and the current policy provisions will apply until that date. An ordinary resolution to approve the directors' remuneration policy will be put to shareholders at the forthcoming AGM (no changes are proposed). 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 25 January 2017, 99.78% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration policy were in favour, while 0.22% were against. 95,754 votes were withheld.

At the AGM held on 23 January 2019, 99.88% 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 30 September 2018 were in favour, while 0.12% were against. 56,200 votes were withheld.

## Directors' remuneration policy

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

It is the board's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of board and committee responsibilities, and time committed to the Company's affairs taking into account the aggregate level of fees set out in the Company's articles of association. This aggregate level of fees is currently set at £300,000 per annum and any increase in this level requires approval by the board and the Company's shareholders.

The Chairman of the board and the chair of the audit and risk committee each receive fees at a higher rate than the other directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

The board and its committees exclusively comprise non-executive directors. No director past or present has an entitlement to a pension from the Company and the Company has not and does not intend to operate a share scheme for directors or to award any share options or long-term performance incentives to any director. No director has a service contract with the Company. However directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to directors other

than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

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

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

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

## Directors' annual report on remuneration

This report sets out how the directors' remuneration policy was implemented during the year ended 30 September 2019.

## Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the nomination committee and the board in November 2019. The members of the board at the time that remuneration levels were considered were as set out on pages 16 and 17 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, as was independent third party research.

Following this review, the board agreed that directors' fees should be increased, with non-executive directors' fees increasing to £30,000 per annum, the audit and risk committee chairman's fee increasing to £38,000 per annum and the Chairman's fee increasing to £43,000 per annum. The changes took effect from 1 October 2019. The directors' fees were last increased with effect from 1 October 2016.

# Directors' Remuneration Report

## 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 30 September 2019 and the previous financial year:

Director	Fees		Taxable benefits <sup>1</sup>		Total	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
Nicholas Smith	40,000	40,000	136	254	40,136	40,254
Keith Craig	28,000	28,000	102	254	28,102	28,254
Anthony Fenn <sup>2</sup>	-	9,302	-	254	-	9,556
Vivien Gould <sup>3</sup>	10,177	-	-	-	10,177	-
Rosemary Morgan	33,000	33,000	136	190	33,136	33,190
Martin Porter <sup>4</sup>	28,000	28,000	102	277	28,102	28,277
James Williams	28,000	28,000	326	1,683	28,326	29,683
	<b>167,177</b>	166,302	<b>802</b>	2,912	<b>167,979</b>	169,214

<sup>1</sup>Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

<sup>2</sup>Retired on 30 January 2018.

<sup>3</sup>Appointed as a director on 21 May 2019.

<sup>4</sup>Appointed as a director on 2 October 2017.

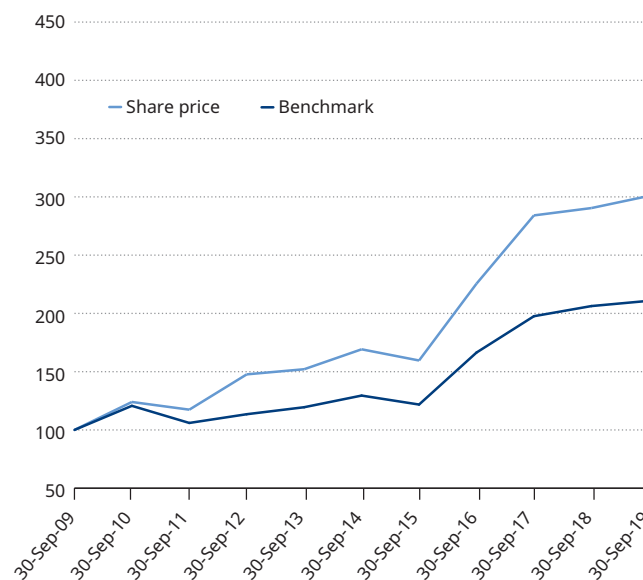
The information in the above table has been audited.

## Expenditure by the Company on remuneration and distributions to shareholders

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

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000	% Change
Remuneration payable to directors	168	169	(0.6)
Distributions paid to shareholders			
- Dividends paid during the year	15,910	9,384	+69.5
- Share buybacks	412	-	-
<b>Total distributions paid to shareholders</b>	<b>16,322</b>	<b>9,384</b>	<b>+73.9</b>

## Ten year share price and Benchmark total returns



Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2009.

# Directors' Remuneration Report

## 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.

	Ordinary shares of 10p each at 30 September 2019	Ordinary shares of 10p each at 1 October 2018
Nicholas Smith	20,000	20,000
Keith Craig	7,544	7,544
Vivien Gould <sup>1</sup>	-	N/A
Rosemary Morgan	7,035	7,077
Martin Porter	10,000	-
James Williams	10,125	5,500

<sup>1</sup>Appointed as a director 21 May 2019.

The information in the above table has been audited.

Since the year end, Ms Gould has bought 5,000 shares and Mrs Morgan sold 21 shares, reducing her holding to 7,014.

On behalf of the board

**Nicholas Smith**

Chairman

13 December 2019



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

The directors are responsible for preparing the annual 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, comprising Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions in FRS 102, used in the preparation of 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 Directors' 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 webpage dedicated to the Company. 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 16 and 17, 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.

On behalf of the board

**Nicholas Smith**  
Chairman

13 December 2019

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

## Opinion

We have audited the financial statements of Schroder AsiaPacific Fund plc (the 'Company') for the year ended 30 September 2019 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2019 and of its profit 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 13 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 13 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 15 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 15 in the annual report as to how they have assessed the prospects of the entity, 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 entity 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.

## Overview of our audit approach

### Key audit matters

- Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement
- Incorrect valuation and defective title of the investment portfolio

### Materiality

- Overall materiality of £8.22m which represents 1% of shareholders' funds

### Key audit matters

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

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement</b> (as described on page 21 in the Audit and Risk Committee Report and as per accounting policy set out on page 38).</p> <p>The total revenue received for the year to 30 September 2019 was £20.61m, consisting primarily of dividend income from listed investments.</p> <p>The income receivable by the Company during the year directly affects the Company's revenue return and in turn, the dividend that must be paid by the Company. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or applying appropriate accounting treatment.</p> <p>In addition to the above, the directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.</p> <p>We have identified a fraud risk with respect to the incomplete or inaccurate recognition through incorrect classification of special dividends.</p>	<p><b>We have performed the following procedures:</b></p> <p>We obtained an understanding of the Schroder Investment Management Limited (the 'Manager') and HSBC Securities Services' (the 'Administrator') processes and controls around revenue recognition and classification of special dividends by reviewing their internal controls reports and performing walkthrough procedures. For the classification of special dividends, we also evaluated the design and implementation of controls</p> <p>We agreed all dividends received as noted in the income report to the corresponding announcement made by the investee company. We recalculated the dividend income by multiplying the investment holdings at the XD date by the dividend per share as agreed to an external source. Where applicable, we also agreed the exchange rates to an external source and we agreed a sample of dividends received to bank statements.</p> <p>We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded.</p> <p>For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 30 September 2019. We agreed the dividend rate to corresponding announcements made by the investee company. We recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements, if paid post year end.</p> <p>We performed a review of the income and capital reports to identify all dividends received and accrued during the period that were above our testing threshold.</p> <p>We identified which of the dividends above our testing threshold were special dividends with reference to an external source. In total there were six special dividends received in the year amounting to £1.70m, three of which</p>	<p><b>The results of our procedures are:</b></p> <p>We have no issues to report to the Audit and Risk Committee with respect to our procedures performed over the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement.</p>

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<p>were above our testing threshold. £0.97m of special dividend income was inc classified as capital and £0.73m was classified as revenue.</p> <p>We recalculated and assessed the appropriateness of management's classification between revenue and capital for each of the six special dividends identified.</p>	
<p><b>Risk of incorrect valuation and defective title of the investment portfolio</b> (as described on page 21 in the Audit and Risk Committee Report and as per the accounting policy set out on page 38).</p> <p>The valuation of the portfolio at 30 September 2019 was £800.74m mainly consisting of listed equity investments.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at the reporting date.</p>	<p><b>We performed the following procedures:</b></p> <p>We obtained an understanding of the Administrator's process around investment pricing by reviewing their internal controls report and by performing walkthrough procedures.</p> <p>For all listed equity investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end.</p> <p>We reviewed the stale pricing report produced by the Administrator to investigate any stale priced investments held as at the year end. We also assessed the liquidity of the investment portfolio through analysing the monthly average trading volume of the investments.</p> <p>We agreed the Company's investments to the independent confirmation received from the Company's Custodian and Depositary as at 30 September 2019.</p>	<p><b>The results of our procedures are:</b></p> <p>We have no issues to report to the Audit and Risk Committee with respect to our procedures performed over the risk of incorrect valuation and defective title of the investment portfolio.</p>

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedure.*

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

We determined materiality for the Company to be £8.22m which is 1% of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

## Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £4.11m. We set the performance materiality at 50% of our planning materiality as it is our first year as auditor of the Company.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Income Statement of £0.89m being 5% of net return on ordinary activities before taxation.

## Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.41m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 29** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and risk committee reporting set out on page 21** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit and risk committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 19** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.



# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

## Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital. Further discussion of our approach is set out in the section on key audit matters above.

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Other matters we are required to address

- Following the recommendation of the Audit and Risk Committee we were appointed by the Company on 26 July 2019 to audit the financial statements of the Company for the year ending 30 September 2019 and subsequent financial periods. Our total uninterrupted period of engagement is 1 year, covering the period from our appointment through to the period ending 30 September 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Caroline Mercer (Senior Statutory Auditor)  
for and on behalf of  
Ernst & Young LLP, Statutory Auditor  
Edinburgh

13 December 2019

# Income Statement

## for the year ended 30 September 2019

	Note	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	-	(738)	(738)	-	26,589	26,589
Gains on derivative contracts		-	2,137	2,137	-	-	-
Net foreign currency gains/(losses)		-	48	48	-	(2,644)	(2,644)
Income from investments	3	20,471	971	21,442	21,092	293	21,385
Other interest receivable and similar income	3	138	-	138	42	-	42
<b>Gross return</b>		<b>20,609</b>	<b>2,418</b>	<b>23,027</b>	21,134	24,238	45,372
Investment management fee	4	(1,596)	(4,789)	(6,385)	(1,748)	(5,243)	(6,991)
Administrative expenses	5	(1,069)	-	(1,069)	(1,022)	-	(1,022)
<b>Net return/(loss) before finance costs and taxation</b>		<b>17,944</b>	<b>(2,371)</b>	<b>15,573</b>	18,364	18,995	37,359
Finance costs	6	(78)	(232)	(310)	(289)	(867)	(1,156)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>17,866</b>	<b>(2,603)</b>	<b>15,263</b>	18,075	18,128	36,203
Taxation on ordinary activities	7	(1,276)	(525)	(1,801)	(1,190)	(529)	(1,719)
<b>Net return/(loss) on ordinary activities after taxation</b>		<b>16,590</b>	<b>(3,128)</b>	<b>13,462</b>	16,885	17,599	34,484
<b>Return/(loss) per share</b>	9	<b>9.90p</b>	<b>(1.87)p</b>	<b>8.03p</b>	10.08p	10.50p	20.58p

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

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

The notes on pages 38 to 51 form an integral part of these accounts.

# Statement of Changes in Equity

## for the year ended 30 September 2019

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2017		16,757	100,956	3,387	8,704	31,575	628,822	9,741	799,942
Net return on ordinary activities		-	-	-	-	-	17,599	16,885	34,484
Dividend paid in the year	8	-	-	-	-	-	-	(9,384)	(9,384)
At 30 September 2018		16,757	100,956	3,387	8,704	31,575	646,421	17,242	825,042
Repurchase and cancellation of the Company's own shares		(10)	-	10	-	(412)	-	-	(412)
Net (loss)/return on ordinary activities		-	-	-	-	-	(3,128)	16,590	13,462
Dividend paid in the year	8	-	-	-	-	-	-	(15,910)	(15,910)
<b>At 30 September 2019</b>		<b>16,747</b>	<b>100,956</b>	<b>3,397</b>	<b>8,704</b>	<b>31,163</b>	<b>643,293</b>	<b>17,922</b>	<b>822,182</b>

The notes on pages 38 to 51 form an integral part of these accounts.

# Statement of Financial Position at 30 September 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	10	799,703	851,031
<b>Current assets</b>			
Debtors	11	4,325	2,128
Cash at bank and in hand		19,438	20,439
Derivative financial instrument held at fair value through profit or loss		1,085	-
		<b>24,848</b>	22,567
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	(2,316)	(48,556)
Derivative financial instrument held at fair value through profit or loss		(53)	-
<b>Net current assets/(liabilities)</b>		<b>22,479</b>	(25,989)
<b>Total assets less current liabilities</b>		<b>822,182</b>	825,042
<b>Net assets</b>		<b>822,182</b>	825,042
<b>Capital and reserves</b>			
Called-up share capital	13	16,747	16,757
Share premium	14	100,956	100,956
Capital redemption reserve	14	3,397	3,387
Warrant exercise reserve	14	8,704	8,704
Share purchase reserve	14	31,163	31,575
Capital reserves	14	643,293	646,421
Revenue reserve	14	17,922	17,242
<b>Total equity shareholders' funds</b>		<b>822,182</b>	825,042
<b>Net asset value per share</b>	15	<b>490.94p</b>	492.35p

These accounts were approved and authorised for issue by the board of directors on 13 December 2019 and signed on its behalf by:

**Nicholas Smith**  
Chairman

The notes on pages 38 to 51 form an integral part of these accounts.  
Registered in England and Wales as a public company limited by shares  
Company registration number: 03104981

# Notes to the Accounts

## 1. Accounting Policies

### (a) Basis of accounting

Schroder AsiaPacific Fund plc ("the Company") is registered in England and Wales as a public company limited by shares. The Company's registered office is 1 London Wall Place, London EC2Y 5AU.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in November 2014 and updated in February 2018. All of the Company's operations are of a continuing nature.

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

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 30 September 2018.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial years.

### (b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment objective 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.

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

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 and unrealised exchange gains and losses on foreign currency loans are included in the Income Statement and in capital reserves.

The cost of repurchasing shares, including the related stamp duty and transaction costs, is charged to "Share repurchase 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.

Overseas dividends are included gross of any withholding tax.

Where the Company has elected to receive scrip 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.

Interest receivable from debt securities, together with any premium or discount on purchase, is recognised using the effective interest method.

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



# Notes to the Accounts

## (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.
- Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 42.

## (f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of 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) Financial instruments

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.

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.

Bank loans and overdrafts are initially measured at fair value and subsequently at amortised cost. They are recorded at the proceeds received net of direct issue costs.

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

## (h) Taxation

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

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

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 held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at 1600 hours on the accounting date.

## (k) Dividends payable

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

## (l) Repurchases of shares for cancellation

The cost of repurchasing the Company's own shares including the related stamp duty and transactions costs is charged to "Share purchase reserve" and 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".

# Notes to the Accounts

## 2. (Losses)/gains on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Gains on sales of investments based on historic cost	32,819	76,850
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(37,293)	(43,887)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(4,474)	32,963
Net movement in investment holding gains and losses	3,736	(6,374)
(Losses)/gains on investments held at fair value through profit or loss	(738)	26,589

## 3. Income

	2019 £'000	2018 £'000
<b>Income from investments:</b>		
Overseas dividends	19,060	19,466
UK dividends	1,411	1,505
Interest on government bonds	-	121
	20,471	21,092
<b>Other interest receivable and similar income:</b>		
Deposit interest	138	42
	20,609	21,134
<b>Capital:</b>		
Special dividend allocated to capital	971	293

## 4. Investment management fee

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Management fee	1,596	4,789	6,385	1,748	5,243	6,991

The basis for calculating the investment management fee is set out in the Directors' Report on page 18.

## 5. Administrative expenses

	2019 £'000	2018 £'000
Administration expenses	773	731
Directors' fees <sup>1</sup>	167	166
Company secretarial fee	106	103
Auditor's remuneration for audit services	23	22
	1,069	1,022

<sup>1</sup>Full details are given in the Directors' Remuneration report on pages 26 to 28.

# Notes to the Accounts

## 6. Finance costs

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Interest on bank loans and overdrafts	78	232	310	289	867	1,156

## 7. Taxation on ordinary activities

### (a) Analysis of tax charge for the year

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Irrecoverable overseas withholding tax	1,276	-	1,276	1,492	-	1,492
Overseas capital gains tax	-	525	525	-	529	529
Taiwanese withholding tax recovered	-	-	-	(302)	-	(302)
<b>Taxation on ordinary activities</b>	<b>1,276</b>	<b>525</b>	<b>1,801</b>	<b>1,190</b>	<b>529</b>	<b>1,719</b>

The Company has no corporation tax liability for the year ended 30 September 2019 (2018: nil).

### (b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2018: lower) than the Company's applicable rate of corporation tax for the year of 19.0% (2018: 19.0%).

The factors affecting the current tax charge for the year are as follows:

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	17,866	(2,603)	15,263	18,075	18,128	36,203
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2018: 19.0%)	3,394	(495)	2,899	3,434	3,444	6,878
Effects of:						
Capital returns on investments	-	(275)	(275)	-	(4,550)	(4,550)
Income not chargeable to corporation tax	(3,764)	(184)	(3,948)	(3,718)	(55)	(3,773)
Overseas withholding tax	1,276	-	1,276	1,492	-	1,492
Taiwanese withholding tax recovered	-	-	-	(302)	-	(302)
Overseas capital gains tax	-	525	525	-	529	529
Unrelieved expenses	370	954	1,324	284	1,161	1,445
<b>Taxation on ordinary activities</b>	<b>1,276</b>	<b>525</b>	<b>1,801</b>	<b>1,190</b>	<b>529</b>	<b>1,719</b>

### (c) Deferred taxation

The Company has an unrecognised deferred tax asset of £8,168,000 (2018: £6,984,000) based on a prospective corporation tax rate of 17% (2018: 17%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

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

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 UK capital gains tax on any capital gains or losses arising on the revaluation or disposal of investments.

# Notes to the Accounts

## 8. Dividends

### Dividends paid and proposed

	2019 £'000	2018 £'000
2018 final dividend of 9.50p (2017: 5.60p) paid out of revenue profits <sup>1</sup>	15,910	9,384
2019 final dividend proposed of 9.70p (2018: 9.50p) to be paid out of revenue profits	16,245	15,919

<sup>1</sup>The 2018 final dividend amounted to £15,919,000. However the amount actually paid was £15,910,000 as shares were repurchased and cancelled after the accounting date but prior to the dividend Record Date.

The proposed final dividend amounting to £16,245,000 (2018: £15,919,000) 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 for the year is £16,590,000 (2018: £16,885,000).

## 9. Return/(loss) per share

	2019 £'000	2018 £'000
Revenue return	16,590	16,885
Capital (loss)/return	(3,128)	17,599
<b>Total return</b>	<b>13,462</b>	34,484
Weighted average number of shares in issue during the year	167,491,812	167,570,716
Revenue return per share	9.90p	10.08p
Capital (loss)/return per share	(1.87)p	10.50p
<b>Total return per share</b>	<b>8.03p</b>	20.58p

## 10. Investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Opening book cost	655,079	590,145
Opening investment holding gains	195,952	246,213
Opening valuation	851,031	836,358
Amortisation of premium on fixed interest securities	-	(7)
Purchases at cost	358,549	306,855
Sales proceeds	(409,139)	(318,764)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(4,474)	32,963
Net movement in investment holding gains and losses	3,736	(6,374)
Closing valuation	799,703	851,031
Closing book cost	637,308	655,079
Closing investment holding gains	162,395	195,952
<b>Total investments held at fair value through profit or loss</b>	<b>799,703</b>	851,031

# Notes to the Accounts

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

	2019 £'000	2018 £'000
On acquisitions	429	347
On disposals	843	471
	<b>1,272</b>	818

## 11. Current assets

	2019 £'000	2018 £'000
<b>Debtors</b>		
Securities sold awaiting settlement	1,276	-
Dividends and interest receivable	2,821	1,698
Taxation recoverable	210	203
Other debtors	18	227
	<b>4,325</b>	2,128

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

### Cash at bank and in hand

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

### Derivative financial instrument held at fair value through profit or loss

Comprises a forward currency contract to purchase US dollars 51.1 million for South Korean won 59.6 billion, for settlement on 17 October 2019.

## 12. Current liabilities

### Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loan	-	42,141
Securities purchased awaiting settlement	-	4,375
Other creditors and accruals	2,316	2,040
	<b>2,316</b>	48,556

The Company's £100 million, 364 day, multi-currency credit facility with Scotiabank Europe plc was undrawn at the year end.

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. The loan at the prior year end comprised US\$55.0 million (£42.1 million) drawn down on the facility. Further details of the facility are given in note 19 on page 48.

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

### Derivative financial instrument held at fair value through profit or loss

Comprises a forward currency contract to purchase US dollars 37.6 million for Chinese yuan 269.2 million for settlement on 12 December 2019.



# Notes to the Accounts

## 13. Called-up share capital

	2019 £'000	2018 £'000
Ordinary shares allotted, called up and fully paid:		
Ordinary shares of 10p each:		
Opening balance of 167,570,716 (2018: 167,570,716) shares	16,757	16,757
Repurchase and cancellation of 100,000 (2018: nil) shares	(10)	-
Closing balance of 167,470,716 (2018: 167,570,716) shares	16,747	16,757

During the year, the Company made market purchases of 100,000 of its own shares, nominal value £10,000, for cancellation, representing 0.06% of the shares outstanding at the beginning of the year. The total consideration paid for these shares amounted to £412,000. The reason for these purchases was to seek to manage the volatility of the share price discount to NAV per share.

## 14. Reserves

	Share premium <sup>1</sup> £'000	Capital redemption reserve <sup>2</sup> £'000	Warrant exercise reserve <sup>3</sup> £'000	Share purchase reserve <sup>4</sup> £'000	Capital reserves Gains and losses on sales of investments <sup>5</sup> £'000	Investment holding gains and losses <sup>6</sup> £'000	Revenue reserve <sup>7</sup> £'000
Opening balance	100,956	3,387	8,704	31,575	452,391	194,030	17,242
Losses on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	-	(4,474)	-	-
Net movement in investment holding gains and losses	-	-	-	-	-	3,736	-
Transfer on disposal of investments	-	-	-	-	37,293	(37,293)	-
Gains on derivative contracts	-	-	-	-	1,105	1,032	-
Realised exchange gains on cash and short-term deposits	-	-	-	-	112	-	-
Exchange (losses)/gains on the credit facility	-	-	-	-	(2,175)	2,111	-
Capital gains tax	-	-	-	-	(31)	(494)	-
Special dividend allocated to capital	-	-	-	-	971	-	-
Management fees and finance costs allocated to capital	-	-	-	-	(5,021)	-	-
Repurchase and cancellation of the Company's own shares	-	10	-	(412)	-	-	-
Dividend paid	-	-	-	-	-	-	(15,910)
Retained revenue for the year	-	-	-	-	-	-	16,590
<b>Closing balance</b>	<b>100,956</b>	<b>3,397</b>	<b>8,704</b>	<b>31,163</b>	<b>480,171</b>	<b>163,122</b>	<b>17,922</b>

The Company's articles of association permit dividend distributions out of realised capital profits.

<sup>1</sup>The share premium is a non distributable reserve and represents the amount by which the fair value of the consideration received from shares issued exceeds the nominal value of shares issued.

<sup>2</sup>The capital redemption reserve represents the accumulated nominal value of shares repurchased for cancellation. This reserve is not distributable.

<sup>3</sup>The warrant exercise reserve is a non distributable reserve and arose via an apportionment of the premium on the issue of shares with warrants attached.

<sup>4</sup>The share purchase reserve arose following the cancellation of the balance of share premium in 1998 and was created for the purpose of financing share buybacks. This is a realised (distributable) capital reserve which may be used to repurchase the Company's own shares or distributed as dividends.

<sup>5</sup>This is a realised (distributable) capital reserve which may be used to repurchase the Company's own shares or distributed as dividends.

<sup>6</sup>This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.

<sup>7</sup>The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

# Notes to the Accounts

## 15. Net asset value per share

	2019	2018
Net assets attributable to shareholders (£'000)	822,182	825,042
Shares in issue at the year end	167,470,716	167,570,716
Net asset value per share	490.94p	492.35p

## 16. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee and a company secretarial fee. Details of the basis of the management fee calculation are given in the Directors' Report on pages 18 and 19. 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 calculation and therefore incur no fee.

The management fee payable in respect of the year ended 30 September 2019 amounted to £6,385,000 (2018: £6,991,000), of which £1,577,000 (2018: £1,705,000) was outstanding at the year end. The company secretarial fee payable in respect of the year ended 30 September 2019 amounted to £106,000 (2018: £103,000), of which £27,000 (2018: £26,000) was outstanding at the year end.

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

Details of the remuneration payable to directors are given in the Directors' Remuneration Report on page 27 and details of directors' shareholdings are given in the Directors' Remuneration Report on page 28. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2018: nil).

## 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 comprise its investment portfolio and derivative financial instruments.

FRS 102 requires that financial instruments held at fair value are categorised into a hierarchy consisting of the three levels below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement.

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 38 and 1(g) on page 39.

At 30 September 2019, the Company's investment portfolio and derivative financial instruments were categorised as follows:

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in equities and equity linked securities	799,703	-	-	799,703
Derivative financial instruments – forward currency contracts	-	1,032	-	1,032
Total	799,703	1,032	-	800,735

# Notes to the Accounts

	Level 1 £'000	2018 Level 2 £'000	Level 3 £'000	Total £'000
Investments in equities and equity linked securities	851,031	–	–	851,031
Total	851,031	–	–	851,031

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

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

The investment objective is set out on the inside front cover of this report. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These financial risks include market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The directors' policy for managing these risks is set out below. The board coordinates the Company's risk management policy.

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

The Company's classes of financial instruments may comprise the following:

- investments in shares, warrants, depositary receipts and government bonds which are held in accordance with the Company's investment objective;
- short-term debtors, creditors and cash arising directly from its operations;
- a multi-currency overdraft facility with HSBC Bank plc, the purpose of which is to assist in financing the Company's operations;
- a multi-currency revolving credit facility with Scotiabank Europe plc, the purpose of which is to assist in financing the Company's operations; and
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the Company's investment activities.

### (a) Market risk

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

#### (i) Currency risk

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.

#### *Management of currency risk*

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

#### *Foreign currency exposure*

The fair value of the Company's monetary items that have foreign currency exposure at 30 September are shown below. The Company's investments (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

# Notes to the Accounts

	2019									
	Hong Kong Dollars £'000	US Dollars £'000	South Korean Won £'000	Taiwan Dollars £'000	Singapore Dollars £'000	Thai Baht £'000	Indian Rupees £'000	Chinese Yuan £'000	Other £'000	Total £'000
<b>Current assets</b>	1,130	5,974	453	639	425	-	2,618	8,279	243	19,761
<b>Current liabilities</b>										
Creditors: amounts falling due within one year	-	-	(68)	(95)	-	-	(307)	(19)	-	(489)
Derivative instruments held at fair value through profit or loss – forward currency contracts	-	71,899	(40,389)	-	-	-	-	(30,478)	-	1,032
<b>Foreign currency exposure on net monetary items</b>	1,130	77,873	(40,004)	544	425	-	2,311	(22,218)	243	20,304
Investments held at fair value through profit or loss <sup>1</sup>	287,140	117,191	93,295	85,600	41,220	20,922	75,232	8,410	28,554	757,564
<b>Total net foreign currency exposure</b>	288,270	195,064	53,291	86,144	41,645	20,922	77,543	(13,808)	28,797	777,868

	2018									
	Hong Kong Dollars £'000	US Dollars £'000	South Korean Won £'000	Taiwan Dollars £'000	Singapore Dollars £'000	Thai Baht £'000	Indian Rupees £'000	Chinese Yuan £'000	Other £'000	Total £'000
<b>Current assets</b>	666	(2,588)	419	189	3,035	117	259	7,976	1,038	11,111
<b>Current liabilities</b>										
Creditors: amounts falling due within one year	-	(42,141)	(3,495)	(49)	(942)	(12)	-	-	-	(46,639)
<b>Foreign currency exposure on net monetary items</b>	666	(44,729)	(3,076)	140	2,093	105	259	7,976	1,038	(35,528)
Investments held at fair value through profit or loss <sup>1</sup>	290,647	125,502	152,474	86,670	23,194	34,163	64,126	20,458	14,230	811,464
<b>Total net foreign currency exposure</b>	291,313	80,773	149,398	86,810	25,287	34,268	64,385	28,434	15,268	775,936

<sup>1</sup>Excluding any stocks priced in sterling.

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

## Foreign currency sensitivity

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each accounting date and assumes a 10% (2018: 10%) appreciation or depreciation in sterling against all 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:

	2019 £'000	2018 £'000
Income Statement – return after taxation		
Revenue return	1,771	1,811
Capital return	1,955	(3,663)
Total return after taxation	3,726	(1,852)
Net assets	3,726	(1,852)

# Notes to the Accounts

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

	2019 £'000	2018 £'000
Income Statement – return after taxation		
Revenue return	(1,771)	(1,811)
Capital return	(1,955)	3,663
<b>Total return after taxation</b>	<b>(3,726)</b>	1,852
<b>Net assets</b>	<b>(3,726)</b>	1,852

In the opinion of the directors, the above sensitivity analysis with respect to monetary financial assets and liabilities is broadly representative of the whole of the current and comparative year. The sensitivity with regard to the Company's investments and foreign currency is subsumed into market price risk sensitivity on page 49.

## (ii) Interest rate risk

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

### *Management of interest rate risk*

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The board would not expect gearing to exceed 20% where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

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

### *Interest rate exposure*

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

	2019 £'000	2018 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	19,438	20,439
Creditors: amounts falling due within one year – borrowings on the credit facility	–	(42,141)
<b>Net exposure</b>	<b>19,438</b>	(21,702)

Interest receivable on cash balances is at a margin below LIBOR (2018: same).

During the year, the Company extended its 364 day, multi-currency credit facility with Scotiabank Europe plc to 24 April 2020, and extended the limit to £100 million (2018: £75 million). The limit may be extended by a further £30 million, subject to satisfying certain conditions. 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 period, plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. The facility was undrawn at 30 September 2019.

At the prior year end, the Company had drawn down US\$55.0 million (£42.1 million) at an interest rate of 2.92% per annum.

The Company also has a £30 million overdraft facility with HSBC Bank plc, secured by a floating charge, but which was not utilised during the current or comparative year.



# Notes to the Accounts

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:

	2019 £'000	2018 £'000
Minimum credit/maximum debit interest rate exposure during the year – net cash/(debt)	1,700	(36,898)
Maximum credit/minimum debit interest rate exposure during the year – net cash/(debt)	52,601	(10,321)

## Interest rate sensitivity

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

	2019		2018	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	97	(97)	49	(49)
Capital return	-	-	(158)	158
Total return after taxation	97	(97)	(109)	109
Net assets	97	(97)	(109)	109

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 investments.

### Management of market price risk

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

### Market price risk exposure

The Company's total exposure to changes in market prices at 30 September comprises the following:

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	799,703	851,031

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

### Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 8 and 9. This shows that the portfolio comprises investments trading in Asian countries. Accordingly there is a concentration of exposure to that region.

### Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 20% (2018: 20%) in the fair values of the Company's investments. This level of change is considered to be a reasonable

# Notes to the Accounts

illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments and adjusting for the change in the management fee, but with all other variables held constant.

	2019		2018	
	20% increase in fair value £'000	20% decrease in fair value £'000	20% increase in fair value £'000	20% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(300)	300	(319)	319
Capital return	159,041	(159,041)	169,249	(169,249)
Total return after taxation and net assets	158,741	(158,741)	168,930	(168,930)
Percentage change in net asset value	19.3%	(19.3%)	20.8%	(20.8%)

## (b) Liquidity risk

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

### Management of the risk

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

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

### Liquidity risk exposure

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

	Three months or less 2019 £'000	Three months or less 2018 £'000
<b>Creditors: amounts falling due within one year</b>		
Bank loan – including interest	-	42,148
Securities purchased awaiting settlement	-	4,375
Other creditors and accruals	2,316	2,033
Derivative financial instrument held at fair value through profit or loss	53	-
	<b>2,369</b>	<b>48,556</b>

## (c) Credit risk

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

### Management of credit risk

This risk is not significant and is managed as follows:

#### Portfolio dealing

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

#### Exposure to the Custodian

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

# Notes to the Accounts

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

## Credit risk exposure

The amounts shown in the balance sheet under debtors and cash at bank and in hand represent the maximum exposure to credit risk at the current and comparative year ends. No debtors are past their due date and none have been provided for. There has been no stock lending during the current or prior year.

## (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 objectives, policies and processes for managing capital are unchanged from the preceding year.

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

	2019 £'000	2018 £'000
<b>Debt</b>		
Bank loan	-	42,141
<b>Equity</b>		
Called-up share capital	16,747	16,757
Reserves	805,435	808,285
	<b>822,182</b>	825,042
<b>Total debt and equity</b>	<b>822,182</b>	867,183

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

The board would not expect gearing to exceed 20%. Gearing for this purpose is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the figure so calculated is negative, this is shown as a "Net cash" position.

	2019 £'000	2018 £'000
Borrowings used for investment purposes, less cash	(19,438)	21,702
Net assets	822,182	825,042
(Net cash)/gearing	(2.4%)	2.6%

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 opportunity for issue of new shares; and
- the amount of dividends to be paid, in excess of that which is required to be distributed.

# Annual General Meeting – Recommendations

The Annual General Meeting (“AGM”) of the Company will be held on Thursday, 30 January 2020 at 12.00 noon. The formal Notice of Meeting is set out on page 53.

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

## Ordinary business

Resolutions 1 to 12 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolutions 3 and 4 concern the Directors’ Remuneration Policy and the Directors’ Remuneration Report, on pages 24 to 26. Resolutions 5 to 10 invite shareholders to elect Vivien Gould, and re-elect each of the other directors for another year, following the recommendations of the nomination committee, set out on pages 24 and 25 (their biographies are set out on pages 18 and 19). Resolutions 11 and 12 concern the re-appointment and remuneration of the Company’s auditor, discussed in the Audit and Risk Committee Report on pages 21 and 22.

## Special business

### Resolution 13 – directors’ authority to allot shares (ordinary resolution) and resolution 14 – 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 £1,674,707 (being 10% of the issued share capital (excluding any shares held in treasury) 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 £1,674,707 (being 10% of the Company’s issued share capital (excluding any shares held in treasury) 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 reissue 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 2021 unless renewed, varied or revoked earlier.

### Resolution 15: Authority to make market purchases of the Company’s own shares (special resolution)

At the AGM held on 23 January 2019, the Company was granted authority to make market purchases of up to 25,118,850 ordinary shares of 10p each for cancellation or holding in treasury. No shares have been bought back into treasury under this authority and the Company therefore has remaining authority to purchase up to 25,118,850 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. The directors will exercise this authority only if the directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority to be given at the 2020 AGM will lapse at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

## Recommendations

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

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder AsiaPacific Fund plc will be held at 1 London Wall Place, London EC2Y 5AU on Thursday, 30 January 2020 at 12.00 noon to consider the following resolutions of which resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14 and 15 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2019.
2. To approve a final dividend of 9.70 pence per share for the financial year ended 30 September 2019.
3. To approve the Directors' Remuneration Policy.
4. To approve the Directors' Remuneration Report for the year ended 30 September 2019.
5. To elect Vivien Gould as a director of the Company.
6. To re-elect Nicholas Smith as a director of the Company.
7. To re-elect Keith Craig as a director of the Company.
8. To re-elect Rosemary Morgan as a director of the Company.
9. To re-elect Martin Porter as a director of the Company.
10. To re-elect James Williams as a director of the Company.
11. To re-appoint Ernst & Young LLP as auditor to the Company.
12. To authorise the directors to determine the remuneration of Ernst & Young LLP as auditor to the Company.
13. To consider, and if thought fit, pass the following resolution as an ordinary resolution:  
"THAT 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 £1,674,707 (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 next Annual General Meeting of the Company, 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."
14. To consider and, if thought fit, to pass the following resolution as a special resolution:  
"THAT, subject to the passing of resolution 13 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said resolution 13 and/or where such allotment

constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,674,707 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."

15. 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 Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p 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 25,103,860, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;
  - (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 10p, 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 2021 (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 for potential reissue."

By order of the board  
For and on behalf of  
Schroder Investment Management Limited  
Registered Number: 03104981

13 December 2019

Registered Office:  
1 London Wall Place,  
London EC2Y 5AU



# 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](http://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](http://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 28 January 2020. 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 6.30 p.m. on 28 January 2020, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 28 January 2020 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](http://www.euroclear.com). A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether

# Explanatory Notes to the Notice of Meeting

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 articles of association, 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 pages 16 and 17 of the Company's annual report and accounts for the year ended 30 September 2019.
7. As at 10 December 2019, 167,470,716 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 10 December 2019 was 167,470,716.
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 webpages dedicated to the Company:  
[www.schroders.co.uk/asiapacific](http://www.schroders.co.uk/asiapacific).
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

# Definitions of Terms and Performance Measures

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

## Net asset value ("NAV") per share

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

## Benchmark

The measure against which the Company compares its performance, which is deemed to be the most appropriate comparison and which is used for management information purposes. The Company's benchmark is the MSCI All Countries Asia excluding Japan Index (with net income reinvested), sterling adjusted. The Company changed its benchmark with effect from 1 October 2016. Prior to that date the benchmark was the MSCI All Countries Asia excluding Japan Index (with gross income reinvested), sterling adjusted, and prior to 31 January 2011 the benchmark was the MSCI All Countries Far East excluding Japan Index, sterling adjusted.

## Discount/premium

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

## Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the figure so calculated is negative, this is shown as a "Net cash" position. The gearing calculation is included in note 20 on page 51.

## Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year of £803,121,000 (2018: £854,948,000). Ongoing charges figures for 2011 and prior years represent the expenses calculated as above, expressed as a percentage of the average month end net asset values during the year.

## Leverage

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

## Total return

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

The NAV total return for the year ended 30 September 2019 is calculated as follows:

Opening NAV at 30/09/18	492.35p
Closing NAV at 30/09/19	490.70p

Dividend received	XD date	NAV on XD date	Factor
9.5p	27/12/2018	443.23p	1.021

NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV: 1.8%

The share price total return for the year ended 30 September 2019 is calculated as follows:

Opening share price at 30/09/18	430.00p
Closing share price at 30/09/19	435.00p

Dividend received	XD date	Share price on XD date	Factor
9.5p	27/12/2018	395.00p	1.024

Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price: 3.6%

# Shareholder Information

## Webpages and share price information

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

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

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

## Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, [www.theaic.co.uk](http://www.theaic.co.uk).

## Individual Savings Account ("ISA") status

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

## Non-Mainstream Pooled Investments status

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

## Financial calendar

Annual General Meeting	January
Final dividend paid	January/February
Half year results announced	June
Financial year end	30 September
Annual results announced	December

## Alternative Investment Fund Managers ("AIFM") Directive

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

## Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFM Directive are published on the Company's webpages and within this report. The Company is also required to publish periodically its actual leverage exposures. As at 30 September 2019 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.1
Commitment method	2.0	1.2

## Illiquid assets

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

## Remuneration disclosures

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

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

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

## Directors

Nicholas Smith (Chairman)  
Keith Craig  
Vivien Gould  
Rosemary Morgan  
Martin Porter  
James Williams

## Advisers

### Alternative Investment Fund Manager (the “Manager”)

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

### Investment Manager and Company Secretary

Schroder Investment Management Limited  
1 London Wall Place  
London EC2Y 5AU  
Telephone: 020 7658 3847

### Registered Office

1 London Wall Place  
London EC2Y 5AU

### Depositary and Custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Lending Bank

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

### Corporate Broker

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

## Independent auditor

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

## Registrars

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder Helpline: 0800 032 0641\*  
Website: [www.shareview.co.uk](http://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 the above address.

## Shareholder enquiries

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

## Dealing Codes

ISIN: GB0007918872  
SEDOL: 0791887  
Ticker: SDP

## Global Intermediary Identification Number (GIIN)

SWLQRM.99999.SL.826

## Legal Entity Identifier (LEI)

549300A71N7LE35KWU14

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