

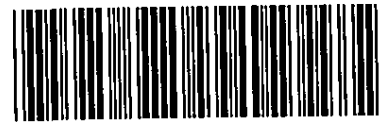
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Asian Total Return Investment Company plc

(formerly Henderson Asian Growth Trust plc)

Report and Accounts for the year ended 31 December 2013

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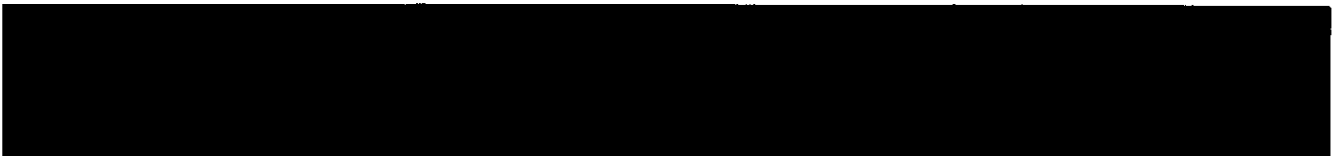
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Change of name, objective and investment policy

During the year ended 31 December 2013, the Company changed its name to Asian Total Return Investment Company plc and, with effect from the close of business on 15 March 2013, appointed a new Investment Manager ("Schroders" or "the Manager"), and changed its objective and investment policy to those shown below

On 27 March 2013, 74,091,140 of the Company's ordinary shares were repurchased by the Company following a tender offer. Of these, 62,977,469 shares were cancelled and 11,113,671 were transferred to Treasury

Objective

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

Investment policy

The Company will invest principally in a diversified portfolio of 40-65 companies operating primarily in Asia, including Australasia but excluding Japan. It is intended that the Company will have a bias to investing in small and mid cap companies.

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

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

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

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

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

Investment Management

With effect from 15 March 2013, Schroder Investment Management Limited has been the Manager and Company Secretary. The current terms of appointment are given in the Report of the Directors on page 20. Prior to that date, the Manager was Henderson Global Investors Limited and the Company Secretary was Henderson Secretarial Services Limited.

Advisers

Investment Manager and Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Registered Office

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London EC2V 7QA
Telephone 020 7658 3206

Custodian and Bankers

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8 Canada Square
London E14 5HQ

UK Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Stockbrokers

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The Atrium Building
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London EC4R 2GA

New Zealand Stockbrokers

First NZ Capital Securities Ltd
Level 20, ANZ Centre
23-29 Albert Centre
PO Box 5333
Auckland, New Zealand

New Zealand Registrars

Computershare Investor Services Limited
PO Box 92119
Victoria Street West
Auckland 1142, New Zealand

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Financial Highlights

	2013	2012	
Total returns (including dividends reinvested) for the year ended 31 December			
Net asset value ("NAV") per share ¹	(8.4)%	22.1%	
Share price ¹	(3.4)%	23.7%	
Reference Index ²	(1.6)%	17.3%	
Peer group NAV per share ³	1.7%	19.0%	
			% Change
Shareholders' funds, NAV per share, share price and share price discount at 31 December			
Shareholders' funds (£'000)	135,240	298,076	(54.6)
Shares in issue, excluding shares held in Treasury	74,381,141	148,182,281	(49.8)
NAV per share	181.8p	201.2p	(9.6)
Share price	176.0p	185.0p	(4.9)
Share price discount to NAV per share	3.2%	8.1%	
Revenue for the year ended 31 December			
Net revenue return after taxation (£'000)	1,793	4,526	(60.4)
Revenue return per share	1.98p	2.92p	(32.2)
Dividends per share	3.25p	3.25p	-
Gearing/(net cash)⁴	(1.4)%	(0.2)%	
Ongoing Charges⁵	0.7%	0.9%	

Ten Year Financial Record

At 31 December	2004 ^a	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Shareholders' funds (£'000)	170,911	213,952	248,987	312,560	181,687	290,451	357,570	269,417	298,076	135,240	
NAV per share (pence)	88.5	114.8	135.5	183.5	112.5	179.9	221.5	167.5	201.2	181.8	
Share price (pence)	76.8	99.5	122.0	161.3	101.0	165.5	201.3	152.3	185.0	176.0	
Gearing/(net cash) (%) ⁴	5.0	10.8	9.5	14.8	8.5	7.8	14.1	4.1	(0.2)	(1.4)	
Year ended 31 December											
Net revenue after taxation (£'000)	2,873	3,653	2,557	3,904	3,976	3,517	5,372	5,760	4,526	1,793	
Net revenue return per share (pence)	1.45	1.92	1.38	2.18	2.41	2.18	3.33	3.57	2.92	1.98	
Dividends per share (pence)	1.40	1.85	1.30	2.00	2.40	1.90	2.90	3.25	3.25	3.25	
Ongoing Charges (%) ⁵	1.3	1.2	0.9	0.9	0.5	0.9	0.9	0.6	0.9	0.7	
Performance⁷	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
NAV per share total return ⁸	100.0	98.6	130.1	157.0	214.4	131.9	215.6	268.2	205.8	251.2	230.2
Share price total return	100.0	91.3	120.4	150.2	200.6	127.6	214.3	263.5	202.6	250.7	242.2
Reference Index total return ²	100.0	109.8	151.5	177.4	245.1	162.1	249.0	308.0	257.3	301.9	296.9
Peer group NAV per share total return ³	100.0	108.9	147.9	175.4	243.4	151.1	240.6	305.3	258.2	307.5	312.6

Source: Morningstar

¹Source: Thomson Financial Datastream. With effect from 15 March 2013, the Reference Index has been the MSCI AC Asia Pacific ex-Japan Index (sterling adjusted). Prior to that date it was the MSCI Asia ex-Japan Index (sterling adjusted). The current year performance therefore comprises the cumulative performance of both of these indices over their respective parts of the year.

²Source: Morningstar. The performance of a group of nine investment trust peers (arithmetic average).

³Borrowings used for investment purposes less cash expressed as a percentage of net assets. If the amount so calculated is negative this is shown as a "net cash" position.

⁴Ongoing Charges represents the management fee and all other operating expenses excluding finance costs expressed as a percentage of the average daily net asset values during the year. The figures for 2011 and prior years represent the expenses calculated as above expressed as a percentage of the average opening and closing net asset values in the year.

⁵The results for the year ended 31 December 2004 have been restated, where necessary, in accordance with Financial Reporting Standards 21, 25 and 26.

⁶Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 31 December 2003.

⁷Calculated using capital net asset values plus income reinvested for the period to 31 December 2008 and cum income net asset values plus income reinvested thereafter.

Contents

Investment Objective and Policy	Inside front cover
Financial Highlights and Ten Year Financial Record	1
Chairman's Statement	3
Portfolio Managers' Review	5
Strategic Report	13
Directors	18
Report of the Directors	19
Remuneration Report	26
Independent Auditors' Report	29
Income Statement	32
Reconciliation of Movements in Shareholders' Funds	33
Balance Sheet	34
Cash Flow Statement	35
Notes to the Accounts	36
Annual General Meeting	48
Glossary of Terms	51
Company Summary and Shareholder Information	Inside Back Cover

Chairman's Statement

The change in your Company's Investment Manager at the end of the first quarter of 2013 was largely predicated on the strategy followed by the chosen Portfolio Managers, which is focused on absolute return. This should, in normal market conditions, lead to a protection of capital in falling markets, and may result in underperformance in rapidly rising markets.

Thus, it is disappointing to report that your Company's share price total return fell by 3.4%, and the NAV total return by 8.4% in 2013, whilst the Reference Index (sterling adjusted) fell by 1.6% and the peer group returned on average 1.7%.

Performance

The underperformance was largely the result of a confluence of factors impacting markets, stock selection and the hedging strategy, as well as the adjustment of the portfolio during the transition.

These factors are explained in more detail in the Portfolio Managers' Review.

Despite the disappointing overall performance of the portfolio since the middle of the year, your Board remains satisfied that the investment strategy employed by your Portfolio Managers is unique in the sector. The strategy is well defined, supported by a research network and infrastructure across the region, and is understood by both investors and analysts alike. It is your Board's contention that this strategy will pay off for investors in the Company over the longer term.

Indeed, partly as a reflection of the excellent long term track record of the open ended vehicle managed by your Portfolio Managers, and partly due to the marketability of your Company's amended investment strategy, the year under review actually saw a re-rating of the Company's share price. As a result, the net asset value (NAV) discount narrowed from 8.1% at the start of the year to 3.2% by the year end.

Share issuance and buy-backs

This narrowing of the discount meant that your Company's shares remain amongst the best rated shares in the peer group. Earlier in the year, a total of 290,000 shares were issued from Treasury as the shares traded at a premium to net asset value.

The Board agreed at the time of the tender to target a discount of no more than 9% over the long term, but, in view of the re-rating of the share price since March, it was subsequently decided to target a much tighter discount level nearer 5% during the year. The average discount since the change in Investment Manager has been 1.6% and the Board continues to be committed to active management of the discount and/or premium.

Since the share price moved back from a premium to a discount in the second half of the year, a total of 250,000 shares were purchased by the Company after the year end, to be held in Treasury. Further details of the discount policy may be found in the Strategic Report.

Dividend

The Board indicated earlier in the year that, whilst total return remained the focus for the new investment strategy, the yield to be generated by the strategy was less certain and would, in all likelihood, represent a lower contributor to total return than in the past. Indeed, the revenue generated during the year decreased from 2.92p per share to 1.98p per share. Notwithstanding this, the Board has decided to declare an unchanged dividend of 3.25p per share, utilising revenue reserves brought forward, to fund the uncovered portion of the payment. This will be payable as an interim dividend on 4 April 2014 to shareholders on the register on 21 March 2014.

Shareholders should note that this level of dividend does not necessarily provide an indication of future dividend payments.

Fees and expenses

As a result of the six month management fee holiday following the change of Investment Manager, along with the reduction in size of the Company, management fees for the year totalled £835,000 compared with £1.84m in 2012. Accordingly, Ongoing Charges represented only 0.7% of funds under management compared with an average for the peer group of 1.1%.

Whilst, traditionally, investment trusts have had a cost advantage over open ended vehicles, following implementation of the Retail Distribution Review last year, open ended management fees are being reduced significantly, thereby eroding investment trusts' advantage. This is something that the Board will keep under review, particularly as the Company's Ongoing Charges will rise in 2014 following the fee holiday in 2013.

Board refreshment

The Board continues to consider its composition, balance and diversity alongside its longer term refreshment and succession policy. As a result of recent discussions, and in the light of the reduction in the size of the Company, your Board considers that it would be more appropriate for the Board to comprise five non executive Directors rather than six.

Chairman's Statement

The Board has, therefore, agreed that Struan Robertson will retire at the Annual General Meeting and will not seek re-election as a Director of your Company

I would like to take this opportunity, on behalf of the Board, to thank Mr Robertson for his invaluable contribution, in particular for his dedication to the discussions and negotiations in the run up to the change in Investment Manager last year. Mr Robertson's role as Senior Independent Director will be taken by Christopher Keljik after the Annual General Meeting.

In addition, at least one additional long-serving Director will retire at the 2015 Annual General Meeting. The process to identify new Directors has commenced and an external agency has been engaged for this purpose.

Regulatory environment

The Alternative Investment Fund Manager Directive (AIFMD) is a European Union Directive which creates a European wide framework for the regulation of all 'alternative investment managers'. We have a one year transitional period in which to comply with the Directive. Following considerable debate amongst the Board as to whether the Company should be the AIFM, it has been agreed that a Schroders Group company will act as the Company's AIFM at no additional cost to the Company. However, the Directive also requires that the Company, in conjunction with the AIFM, appoints a depositary. HSBC will be appointed in this role, but the provision of depositary services will come at an additional cost to those incurred for HSBC's custodian services.

Annual General Meeting

The Annual General Meeting will be held at 12.30 p.m. on Wednesday 30 April, 2014 at 31 Gresham Street, London, EC2V 7QA, the offices of Schroders. One of the Portfolio Managers will attend to give a presentation on the prospects for Asia and the Company's investment strategy. The Annual General Meeting will be followed by a buffet lunch.

Outlook

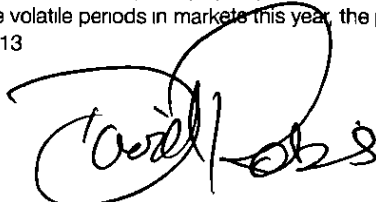
Whilst there are signs that economic growth in the developed economies is set to be stronger in 2014 than in 2013, there are still significant risks to growth and to the outlook for stock markets. There is little evidence that the experiment of quantitative easing by the major economies has done anything much more than provide a boost to asset prices, whilst fiscal austerity programmes in a number of countries, particularly the EU periphery, have resulted in extremely high levels of unemployment. Government debt levels in the US, Japan, the EU and UK have hardly been impacted, and the banking system in Europe remains fragile.

Equity markets in the developed countries performed extremely well last year, but this was largely as a result of multiple expansion and if earnings do not grow in the coming year, there is significant scope for disappointment. Any setback in this respect, particularly in the US, will almost certainly affect markets in the Asian region.

Meanwhile, concerns over the outlook for emerging economies, particularly those with weak external balances, are probably well placed. But with the exception of India and Indonesia, there seems little reason for countries in the region to be impacted. Nevertheless, sentiment towards emerging markets as an asset class has waned as investors worry about the impact of tapering in the US, whilst worries also remain about issues of economic adjustment and lower growth in China.

However, your Portfolio Managers are actually becoming more positive on the outlook for China, given the commitment of China's new political regime to structural reform. The indiscriminate sell off across all markets in the region has thrown up some interesting opportunities to pick up quality stocks at depressed levels. All in all, your Board expects that whilst there may continue to be volatile periods in markets this year, the prospects are in place for better performance from Asian markets than in 2013.

David Robins
Chairman



13 March 2014

Portfolio Managers' Review

Market background

Global markets started 2013 on a positive note, rallying after US lawmakers decided not to push the US economy over the fiscal cliff. Optimism remained buoyant over the first quarter as upbeat economic data and supportive central bank policies boosted investor confidence. Much of that optimism, however, started to dissipate as concerns over US monetary and fiscal policy resurfaced, exacerbated by an inconclusive Italian election and a bailout for Cyprus. Worries over China and global growth further weighed on sentiment. As a result, Asian markets were mostly directionless over the first few months of 2013 with the more cyclical North Asian markets (China, Hong Kong, Korea and Taiwan) drifting lower on thin volumes whilst the more domestically focused ASEAN markets outperformed.

An early second quarter rally in Asian markets was short-lived as fears over the likely effect of scaling back of US quantitative easing sparked a sharp sell-off in June. The realisation that Abenomics was unlikely instantly to energise Japan, coupled with tighter liquidity conditions and weak data from China, further dampened investor sentiment.

Following the sell-off, Asian markets staged a rebound in the third quarter as confidence in the recovery of the US economy rose, and as worries of a hard landing in China eased. Notably, cyclical markets and stocks staged the sharpest rebound, with China, Korea and Australia leading gains. ASEAN and more domestically focused stocks lagged, with India and Indonesia being the worst performers in US dollar terms as their currencies depreciated.

Performance analysis

Schroders started managing the portfolio on 15 March 2013, using the subsequent two weeks to sell assets to fund the tender and to change the remaining holdings onto the new mandate. The portfolio's performance over the remaining nine months of the year is shown in the adjacent table.

The dispersion in performance between Developed Asia and Emerging Asian markets widened in the fourth quarter as investors rotated into North Asia on hopes of a cyclical recovery in global growth. China outperformed on the back of improving macroeconomic data, while export-dependent economies (Korea and Taiwan) rose on optimism over a pick-up in exports. In contrast, Indonesia, Thailand and the Philippines all witnessed sell-offs as currency weakness, coupled with domestic growth and political concerns, fuelled capital outflows. Worries over capital flight then triggered a mini-panic as parallels with the Asian financial crisis of 1997/98 were drawn.

Overall, the Reference Index fell 1.6% in Sterling terms over the year. The contrast between developed markets and underperforming emerging markets was sharp, as was the performance within Asia with Australia, Taiwan and Korea sharply outperforming the weaker ASEAN markets.

2013 market movements

MSCI Indices	Local currency %	Sterling %
Australia	15.7	-2.1
China	0.4	-1.5
Hong Kong	8.1	6.1
India	6.9	-7.0
Indonesia	-5.3	-26.4
Korea	1.6	1.2
Malaysia	11.6	2.2
New Zealand	6.4	4.2
Philippines	3.4	-6.1
Singapore	1.5	-3.6
Taiwan	9.4	4.6
Thailand	-10.7	-18.5
Reference Index	N/A	-1.6%

Source: MSCI, net income reinvested. The Company's Reference Index is chain-linked.

Nine month performance attribution (31 March 2013 – 31 December 2013) (Sterling %)

	Contribution to returns	Comments
Australia	-1.0	Newcrest Mining
China	2.5	Wuxi Pharmatech, China Lodging, Shenzhou Intl
Hong Kong	-2.7	Jardine Strategic/Matheson, Swire Properties, HKLand
India	-1.3	Axis Bank, Shriram Transport Finance
Indonesia	-2.2	Bank Mandiri, Sumber Alfaria Trijaya
Korea	0.7	LVMH
Malaysia	-0.1	
Philippines	-1.5	Ayala Land, GMA Holdings
Singapore	-1.0	Jardine Cycle and Carriage, UOL Group
Taiwan	0.0	
Thailand	-2.6	Kasikornbank, Hemaraj Land & Dev, Land & Houses
Others	0.0	LVMH
Derivatives	-2.2	Puts on regional market indices
Currency forwards	0.5	Hedging the Australian dollar exposure
Cash	-0.2	
Fees/costs	-0.5	Reduced by 6 months fee holiday
Residual	0.2	
Total return	-11.4	

Source: Schroders

Portfolio Managers' Review

Performance

The NAV fell 8.4% over the year, compared to a decline in the chain-linked Reference Index of 1.6%

From the end of March, following Schroders' appointment as Investment Manager, the NAV declined 11.4% to the end of December 2013, underperforming the Reference Index which fell 7.0% over the same period. Holdings in Hong Kong, Thailand and Indonesia were the main contributors to the negative performance. By comparison, selection in Chinese securities was supportive.

Performance in Hong Kong was largely weighed down by the exposure to the Jardines group, namely Jardine Matheson, Jardine Strategic and Hongkong Land, which declined on concerns over Indonesian Rupiah weakness and a slower earnings growth outlook. Interest rate sensitive stocks, including Swire Properties and Sun Hung Kai Properties, also came under pressure due to concerns over interest rate volatility and a softer outlook for the Hong Kong property market.

In Thailand and Indonesia, much of the negative performance was driven by the sell-off in ASEAN stocks on fears of a looming crisis. Political unrest in Thailand exacerbated the negative sentiment and stock selection across ASEAN detracted from the Company's performance. In Thailand, Kasikornbank was the largest detractor as concerns over a weak loan growth outlook amidst slowing economic momentum and potential delays in infrastructure investment weighed on the stock. In Indonesia, Bank Mandiri came under pressure as slowing growth and macroeconomic headwinds led to a sharp sell-off.

Stock selection in China helped to offset some of the negative returns. Healthcare stocks such as Wuxi Pharmaceutical and Sino Biopharmaceutical were helped by strong corporate results. China Lodging Group, a budget hotel chain, was another consistent outperformer on the back of improving margins and the continued rapid roll-out of its budget hotel brands.

Our capital protection policies did not work as well as hoped. The Company held put options to provide protection against global macro risks. These puts were mostly on the liquid North Asian markets and Australia. With the second half market falls mostly in the smaller ASEAN markets and India, where no liquid puts are available, it was impossible to hedge against market weakness. On a more positive note, the Australian dollar hedge was profitable and, with put prices relatively low, there was only a small drag on performance from the hedging strategies.

Principal contributors	£ Return (%)	Contribution to return (%)
Wuxi Pharmatech	104.8	1.6
China Lodging Group	69.7	1.0
Wing Hang Bank	46.5	0.6
Johnson Electric	21.6	0.5
Shenzhou International	27.9	0.4

Source: Schroders

Principal detractors	£ Return (%)	Contribution to return (%)
Kasikornbank	-38.0	-1.3
Jardine Strategic	-25.7	-1.2
Bank Mandiri	-41.5	-1.1
Jardine Matheson	-25.8	-1.0
Swire Properties	-33.2	-0.8

Source: Schroders

Portfolio Managers' Review

Principal contributors (Source of Charts Bloomberg)

WuXi PharmaTech is the largest China-based Contract Research Organisation for pharmaceutical, biotechnology and medical device research and development with operations in China and the US. The company has delivered solid results over the period on the back of strong fundamentals and improving profitability in its biologics division. It is looking to strengthen its leadership position within the CRO industry with strong momentum expected across its business lines. Its new businesses, including toxicology, biologic testing and clinical capabilities, are expected to be ramped up which will position WuXi for long term growth.

China Lodging Group is a leading and fast-growing economy hotel chain based in China which adopts a combination of "lease-and-operate" and "franchise-and-manage" models. The stock price appreciated on strong growth from its franchise business and continued cost saving efforts. The outlook for China Lodging is positive as leisure travel demand is expected to remain robust and as the company seeks to diversify into developing mid-tier hotels.

Wing Hang Bank is one of the largest listed banks in Hong Kong providing a wide range of banking services through a network of 43 branches domestically. The share price rallied sharply in September following the announcement of takeover interest and at the time of writing was in exclusive negotiation with Singapore's OCBC Bank. We believe that the Hong Kong banking industry is ripe for a long-term consolidation and Wing Hang Bank presents an attractive acquisition opportunity.

Johnson Electric is the world's second largest independent electric micro-motor manufacturer. The share price accelerated on improving global auto demand which led to stronger than expected margin expansion. The demand for autos is expected to remain positive in the long term and with relatively benign competition, this presents opportunities for the company.

Shenzhou International Group is a textile company in China producing casualwear and sportswear. The share price gained on a strong set of results. The company is looking to make changes to its product mix which is expected to lead to an expansion in its gross margins.

Portfolio Managers' Review

Principal detractors (Source of Charts Bloomberg)

Kasikornbank is one of the largest banks in Thailand. The share price came under pressure on a weak outlook for the domestic banking industry and was impacted by the broader de-risking across the region on concerns of US tapering. Political stalemate further weighed on performance. The bank's fundamentals and corporate governance however remain sound and in the long term Kasikornbank remains our preferred pick within Thailand's banking industry.

Jardine Strategic is a holding company with its principal interests in Jardine Matheson, Hongkong Land, Dairy Farm, Mandarin Oriental, Jardine Cycle & Carriage and Astra International. The share price was weighed down by concerns over a weaker earnings growth outlook for Astra International amidst a more challenging macroeconomic backdrop in Indonesia. In the long term, the company's fundamentals remain intact and the company remains a favoured defensive play in the region.

Bank Mandiri is the largest state-owned bank in Indonesia. The share price retreated as a broad decline in risk appetite fuelled foreign capital outflows from the region. Slowing economic growth in Indonesia further depressed performance. Within Indonesia's banking industry, Bank Mandiri remains better positioned than its peers given the headwinds to growth and from a corporate governance perspective.

Jardine Matheson is one of Hong Kong's largest conglomerates. The share price was weighed down by negative sentiment over Indonesian Rupiah weakness which impacted its Indonesia business (Astra International) as well as a slower earnings growth outlook. In the long term, Jardine Matheson remains a favoured defensive play in the region.

Swire Properties develops mixed-use commercial properties in Hong Kong and China. The share price declined on concerns over interest rate volatility and a softer outlook for the domestic property market. However, we remain invested as the company's fundamentals remain solid and the stock continues to offer upside to fair value.

Portfolio Managers' Review

Portfolio positioning and key transactions

Transactions during the year were dominated by the sales in March to fund the tender, and changing the portfolio to fit the new mandate. The initial positioning focused on pockets of opportunities in Hong Kong and Singapore property stocks as well as banks, retail, construction and conglomerates in ASEAN. It also favoured cash flow-generative industrial companies listed in Singapore, Hong Kong and Australia.

Apart from the new holdings, there were two structural changes to the portfolio, in line with the new policy agreed at the Company's General Meeting in March 2013.

The first was the inclusion of a number of Asian small and midcap companies, such as Zee Entertainment (media company), International Housewares (household goods retailer), Ace Hardware (commercial and industrial supplies), Semen Indonesia (cement), Emperador (beverages), Thai Stanley Electric Public (automotive bulbs) and Phoenix Mills (property developer) which was retained from the inherited portfolio.

Secondly, equity market derivatives and exchange rate forwards were used, with the goal of protecting part of the portfolio's value. Put options were bought on the S&P ASX 200 Index, Hang Seng Index, KOSPI 200 and Taiwan Stock Exchange Index to hedge cyclical risks in the portfolio as the costs of capital protection were also cheap. We also hedged most of the Australian dollar exposure as we were cautious on the outlook for the Australian economy.

Top 10 positions

The following tables show the top 10 positions at 31 March 2013 and at the year end.

Top 10 stocks	As at 31 March 2013 (% of portfolio)
Jardine Strategic	4.2
Bank Mandiri	3.7
Jardine Matheson	3.5
Brambles	2.9
AIA Group	2.9
Hyundai Motor	2.8
Sun Hung Kai Properties	2.7
Taiwan Semiconductor Manufacturing	2.5
HSBC Holdings	2.5
Kasikornbank	2.5

Source: Schroders

Top 10 stocks	As at 31 December 2013 (% of portfolio)
Jardine Strategic	3.9
Hyundai Motor	3.3
Taiwan Semiconductor Manufacturing	3.3
Jardine Matheson	3.3
Wuxi Pharmatech	3.3
AIA Group	3.2
Brambles	3.1
Techtronics Industries	2.9
Keppel Corporation	2.8
Kasikornbank	2.5

Source: Schroders

After the initial transition of the portfolio, we took the opportunity to add to ASEAN domestic stocks, property securities in Hong Kong and Singapore, and cash flow-generating industrials on weakness. In Hong Kong, we added to real estate developer Hysan Development and industrial stock Hutchison Whampoa. We also bought power tool manufacturer Techtronic Industries as well as selected healthcare stocks. We built positions in Apollo Hospital in India along with China Shineway Pharmaceutical and Mindray Medical in China.

The charts on page 10 show the geographical and sector weights of the portfolio, after the initial transition of the portfolio (31 March 2013) and as at 31 December 2013. At the start of that period, cash levels were higher than normal as the portfolio was still being transitioned to the new strategy.

Portfolio Managers' Review

Geographical Analysis

Source: Schroders

Sector Distribution

Source: Schroders

Investment trends and outlook

Whilst we are not negative on the global growth outlook, we think recovery expectations are too high, especially in Europe and Japan. The US economy looks in better shape but market valuations are excessive and are being artificially boosted by share buybacks. Given relative valuations and stock market performance, we think the consensus view that developed markets are a buy and Asian markets a sell is wrong. We anticipate that tapering and inflation worries are at a crescendo and will dissipate this year.

Asian economies are financially in good shape, such that a financial crisis resulting from interest rate normalisation is unlikely, unless policy mistakes are made. We also think the world is profoundly deflationary and thus interest rate normalisation is likely to be gradual. Asian markets overall, however, are not cheap. North Asian markets in particular offer little value, with low headline market multiples masking the fact that those companies with sound long term prospects are in the main expensive.

We currently find better value in individual Thai, Philippine, Hong Kong, Indian, Taiwanese and Australian stocks. Within ASEAN, we favour Thailand and the Philippines for structural reasons. In Thailand we can find relatively high

Portfolio Managers' Review

quality companies, and geographically Thailand is at the centre of what we consider is probably the most interesting region in Asia (Laos, Vietnam, Myanmar and Cambodia – or LVMC)

For the Philippines the story is simpler and now perhaps better understood and we would admit increasingly reflected in stockmarket valuations. The Philippines has lagged the rest of the region for most of the last 30 years, basically surviving on overseas workers' remittances. Cleaner government and a huge boom in call centres and relatively low end business processing and services, however, are now invigorating the economy. Investment is finally taking off from a low base and a whole new lower middle class is being generated by the BPO industry and the continuing boom in overseas remittances. The Philippines has significant potential and we think we are only at the beginning of a catch up phase. We are not adding to Philippine positions at current levels but would use pull backs to accumulate favoured names exposed to the domestic economy.

Elsewhere, we continue to like healthcare stocks in China, India and Thailand given ageing populations and increased government healthcare funding in China and Thailand. In Australia, we hold overseas focused companies in niche sectors with strong secular growth. We selectively like Information Technology companies in Taiwan and India that have exposure to the trends of data mobility, automation, control equipment, connectivity, software design and implementation. In Hong Kong, we continue to favour selected property stocks, which at 50% discounts to NAVs are at stressed valuation levels. We continue to avoid state owned enterprises and low-end manufacturers of generic products like PCs and handsets. We remain cautious about Asian consumer staples, utilities and telecom stocks due to high valuations and Australian banks, consumer and property stocks due to concerns about the Australian domestic economy.

We maintain hedges (via put options) on the portfolio due to the material risks, with the outlook for China the key to our decision on hedging policies and whether to turn more bullish. A panic sell off in Asian stockmarkets resulting from the announcement of large scale bad debts and slower GDP growth in China, both of which could be an inevitable consequence of the Chinese authorities genuinely undertaking reforms to rebalance the economy, would be likely to turn us bullish. Rebalancing in China should ultimately lead to better stockmarket returns both in China and the Asian region generally.

Robin Parbrook, King Fui Lee
Schroder Investment Management Limited

13 March 2014

Investment Portfolio

As at 31 December 2013

Stocks in bold are the 20 largest investments, which by value account for 52.7% of the total portfolio

	£'000	%		£'000	%
AUSTRALIA					
Ancor	2,127	1.6			
BHP Billiton	1,295	1.0			
Brambles	4,123	3.1			
Recall Australia	761	0.6			
Resmed	2,259	1.7			
Rio Tinto	1,757	1.3			
TOTAL AUSTRALIA	12,322	9.3			
CHINA					
China Lodging Group¹	3,248	2.4			
Mindray Medical ¹	1,673	1.3			
Mintih	1,814	1.4			
Shenzou International	2,854	2.1			
Wuxi Pharmatech¹	4,372	3.3			
TOTAL CHINA	13,961	10.5			
HONG KONG					
AAC Technologies	1,596	1.2			
AIA Group	4,255	3.2			
Cheung Kong	1,421	1.1			
Chow Sang Sang Holdings	2,359	1.8			
Hongkong Land²	2,600	2.0			
HSBC	1,940	1.4			
Hutchison Whampoa	2,571	1.9			
Hysan Development	2,286	1.7			
International Housewares Retail	2,134	1.6			
Jardine Matheson²	4,396	3.3			
Jardine Strategic²	5,207	3.9			
Johnson Electric Holding	3,046	2.3			
Sino Biopharmaceutical	742	0.5			
Swire Properties	3,028	2.3			
Techtronic Industries	3,886	2.9			
Wing Hang Bank	2,633	2.0			
TOTAL HONG KONG	44,100	33.1			
INDIA					
Eredene Capital ³	88	0.1			
Infosys ¹	2,234	1.7			
Apollo Hospitals Enterprise (JPM) 07/11/17⁴	2,601	1.9			
Phoenix Mills (Merrill Lynch) 18/05/18 ⁴	529	0.4			
Phoenix Mills (Merrill Lynch) 18/06/18 ⁴	1,227	0.9			
Zee Entertainment Enterprises (JPM) 20/03/17 ⁴	2,239	1.7			
TOTAL INDIA	8,918	6.7			
INDONESIA					
Bank Mandiri	2,465	1.9			
Bank Permata	404	0.3			
Semen Indonesia Persero	1,266	1.0			
Sumber Alfana Trijaya	733	0.5			
TOTAL INDONESIA	4,868	3.7			
KOREA					
Halla Visteon Climate Control	2,239	1.7			
Hyundai Motor	4,436	3.3			
Samsung Electronics	3,044	2.3			
TOTAL KOREA	9,719	7.3			
MALAYSIA					
Astro Malaysia Holdings	1,291	1.0			
TOTAL MALAYSIA	1,291	1.0			
PHILIPPINES					
Alliance Global	1,665	1.2			
Ayala Land	2,533	1.9			
Emperador	1,412	1.0			
GMA Network	1,546	1.2			
GT Capital Holdings	2,516	1.9			
RFM Corporation	1,548	1.2			
TOTAL PHILIPPINES	11,220	8.4			
SINGAPORE					
Great Eastern Holding	1,621	1.2			
Keppel Corporation	3,659	2.8			
UOL Group	1,445	1.1			
TOTAL SINGAPORE	6,725	5.1			
TAIWAN					
Delta Eit Industrial	999	0.8			
Giant Manufacturing	2,577	1.9			
Mediatek	1,122	0.8			
Radiant Opto Electronics	1,345	1.0			
Taiwan Semiconductor Manufacturing	4,429	3.3			
TOTAL TAIWAN	10,472	7.8			
THAILAND					
Hemara Land & Development	1,803	1.4			
Kasikornbank	3,258	2.5			
Land & Houses	1,447	1.1			
Thai Stanley Electric	293	0.2			
TOTAL THAILAND	6,801	5.2			
OTHER					
LVMH ⁵	2,212	1.7			
TOTAL OTHER	2,212	1.7			
TOTAL INVESTMENTS	132,609	99.8			
OPTIONS					
KOSPI 200 Put Option 262 5 March 2014	47	-			
Hang Seng Put Option 23000 February 2014	93	0.1			
Hang Seng Put Option 23800 January 2014	85	0.1			
S&P/ASX 200 Put Option 5075 February 2014	17	-			
S&P/ASX 200 Put Option 5100 February 2014	14	-			
S&P/ASX 200 Put Option 5350 January 2014	24	-			
TWSE Put Option 8300 February 2014	26	-			
TWSE Put Option 8400 January 2014	4	-			
TOTAL OPTIONS⁶	310	0.2			
TOTAL INVESTMENTS AND OPTIONS	132,919	100.0			

¹Listed in the USA

²Listed in Singapore

³Listed in the UK, on AIM

⁴Participatory notes

⁵Listed in France

⁶The combined effect of the options gives downside protection to 8.1% of total investments

Investments are classified by the investment manager in the country of their main business operations

With the exception of the options and participatory notes shown above, all other investments are equities

Strategic Report

Introduction

The Strategic Report contains a review of the Company's business including the business model, the principal risks and uncertainties it faces, Board oversight and the Company's future development. An analysis of its performance during the financial year has been covered in the Portfolio Managers' Review.

Investment objective and policy

The Company's investment objective and policy are set out on the inside front cover of this Annual Report.

Strategy/investment approach

The Company's intent and strategy is to provide investors with exposure to a diverse range (40 to 65) of quality, well managed companies whose success, profitability, shareholder focus and shareholder returns come from the enormous potential of North and South East Asia, India and Australasia ("the region") and to do so with a degree of capital protection over the full market cycle as well as participation in one of the world's most dynamic and changing regions. The Company invests principally in equity and equity related securities of companies operating primarily in the region, wherever they may be listed, with a bias towards small and mid cap companies. With the use of quantitative models, a top-down overlay to stock selection enables the strategic and a tactical use of derivatives (principally futures and options on markets and forwards on currencies) so as to reduce volatility and offer a degree of capital preservation. The Company may significantly disinvest from markets and hold high levels of cash. The overall objective is to secure a high rate of total return (capital growth plus dividend income) with less volatility than the Company's investing peer group.

The Company's recently appointed Portfolio Managers have achieved strong risk adjusted absolute returns over the last 7 years by operating a similar approach to stock selection in an open ended vehicle. This is undertaken by fundamental, bottom up analysis and is not constrained by the constituents of any benchmark. The portfolio is therefore constructed on an absolute basis from the Portfolio Managers' view of the best potential risk adjusted returns and this has been the current Portfolio Managers' consistent approach over the life of this strategy.

Whilst the Company's objective of total return remains much as it has been in the past, the strategy for its achievement changed when the Company appointed Schroders as its Manager in place of Henderson Global Investors Limited ("Henderson") (see the Report of the Directors). In changing Managers the Board selected Portfolio Managers, Robin Parbrook in Hong Kong and King Fui Lee in Singapore, who have worked together for more than 10 years, have an outstanding track record and brought the following three important refinements to the Company's investment strategy:

- (a) up to 40% of the portfolio is intended to be invested in small to mid cap companies,
- (b) whenever practical, hedging will be applied as an overlay to stock selection to provide downside protection, and
- (c) guidance on gearing and de-gearing the portfolio is provided by a range of bottom-up market and price indicators. The Portfolio Managers are free to exit markets and go into cash or cash equivalents if they judge markets to be over priced or on the point of collapse.

Business model

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

Strategic Report

The process of portfolio construction is illustrated by the following diagram

Investment process – an overview

Source: Schroders
The above is for illustrative purposes only

The Portfolio Managers seek fundamental value by bottom-up analysis of companies that look likely to grow shareholder value in the long term. For this they have the support of 29 analysts in the region. The Portfolio Managers' contention, which the Board supports, is that Asian markets are not efficient, are subject to irrational sentiments and many of the best investment ideas are not well researched. Their analysis seeks to identify stocks valued by the market at less than the Portfolio Managers' assessment of fair value but, in making that assessment, both quality of earnings and quality and integrity of management are critical. Investments must also consistently earn a higher return than their weighted average cost of capital and demonstrably grow shareholder value. For the latter reason, your Company has been reluctant to invest in state owned enterprises. The Portfolio Managers have wide scope in stock selection and they are not constrained by benchmark composition, geographic or sector allocation – although diversity is a strong element of risk management. They have freedom to increase market exposure by bank borrowing and the use of contracts for difference. The Company may use gearing up to 30% of net asset value and the Portfolio Managers are free to move into cash or other defensive holdings in order to decrease market exposure. Portfolio management is strictly segregated from support functions, with dealing, administration, compliance and risk management handled for the region and for your Company from Singapore.

Resolutions relevant to the changes in investment policy and a return of capital to shareholders were passed at a General Meeting on 15 March 2013. The prospectus put to that General Meeting set out the consequent scope for the Portfolio Managers under the amended strategy and described the overlay as follows, "the use of derivatives to protect the capital value of the portfolio, or for efficient portfolio management, is fundamental to the strategy – such derivatives may include listed futures, call options, long puts, OTC instruments and instruments to hedge currency exposure". This means that assessment of markets and currencies by the Company's Portfolio Managers is a separate discipline from the selection of stocks.

The new Portfolio Managers have only been in charge of the portfolio for 12 months and therefore this strategy has only been in place for that time. The Portfolio Managers' track record with a similar strategy, selecting predominantly quality stocks and in an open-ended (and therefore unleveraged) portfolio, since inception has been a compound annual return of 15.6% with a volatility of 17.4% per annum.

This strategy, with its top-down hedging overlay, is unique across the Company's peer group. The Company's ability to manage its balance sheet (to gear and de-gear, to buy back shares and issue new shares) should, over time, enhance that strategy whilst further containing volatility for shareholders.

Performance measurement, management fees and key performance indicators ("KPI")

The Company's key performance indicator is to be significantly better than the average of its peer group of investment trusts in its rate of total return and containment of market and currency risk over a three to five year period. A year is a short testing period, particularly during a time of poor sentiment for emerging markets. The Company has a continuation

Strategic Report

vote after the first three years of the new Portfolio Managers' strategy to provide investors with the ability to express their views on whether the Portfolio Managers are achieving what they have set out to do

The performance objective is also reflected in the Manager's fee which reflects performance above an absolute hurdle. The annual management fee is 0.65% p.a. A performance fee is payable amounting to 10% of any outperformance of the NAV over an annual hurdle of 7%, provided that the closing NAV per share exceeds the "high water mark" NAV at the date of the change of manager or the date when any performance fee was last paid. The sum of the base fee and any performance fee payable will be capped at 2% of the closing net assets. Other KPIs are low volatility and consistency of style which the Board reviews through the use of BarraOne and Statpro style and risk analysis reports. Over the shorter term, a Reference Index is used in order to provide an indication of attribution analysis.

Borrowings

The Company's custodian provides an overdraft facility which allows the Company to borrow as and when it is appropriate. At 31 December 2013 the Company had no borrowings (2012: nil). The Board monitors the use of gearing in the light of market conditions, and ensures that the Company is at all times in compliance with the covenants attached to its borrowings at each of its meetings. Borrowings are limited to 30% of the net assets of the Company.

Board oversight

The Board oversees strategy not only in Board meetings but also through regular reports and frequent ad hoc exchanges between the Board and the Portfolio Managers. Every Board meeting covers the Portfolio Managers' market assessment through their detailed reports, trip notes and conclusions. It reviews any policy changes, where the Portfolio Managers see opportunities and risks, their composite valuation indicators, tactical and country views and consequent hedging (the portfolio has been typically 60% to 70% net long) and includes a risk report, a management controls report and performance indicators including attribution analysis (using a Reference Index) style and risk analyses. The Board spends the major part of Board meetings in discussion with the Portfolio Managers focusing on the constituents of the portfolio, its construction and performance and the Portfolio Managers' current thinking and strategy. Once a year the Board visits the region and in 2013, as well as visiting companies relevant to the portfolio, it spent time with the analysts and the team in Hong Kong and with the analysts, trading, compliance, risk and administration teams in Singapore.

The Portfolio Managers' review on pages 5 to 12 reflects the difficult times in the last year for regional stocks and for emerging markets generally.

In addition to its overview detailed above, the Board has been active in seeking to improve the Company's communication with current and potential shareholders and in developing an active, regular, direct and constructive communication with the Portfolio Managers, given their geographical location.

The Board operates its governance in full accord with the AIC Guidance on Corporate Governance, available from the AIC website. One Director will be retiring at this year's AGM and the Board will be seeking to refresh its membership further between now and the 2015 AGM.

Risk management

The Board is active in overseeing and concerning itself with risk management. However, outside the extensive, regular routine of risk assessment for portfolio construction referred to above, there are strategic considerations relevant to this particular Company. China is a huge and still steadily growing economy that is subject to strong and contrary views. The Board, with the Portfolio Managers, considers a very wide range of economic and analytic commentary on China. Partly as a consequence of that, the Board supports the Portfolio Managers' reluctance to invest in state owned enterprises. In other respects the Portfolio Managers are diligent, in the Board's view, in providing balanced commentary on what is becoming the world's second largest national economy. The Portfolio Managers' country and market analyses keep the Board aware of potential regional economic crises, but global influences (sometimes paranoia), deleveraging and swings in sentiment still have an exaggerated impact on regional markets. Other risks might obviously include under-performance by the analysts and management team but, if that were to become a serious matter, it is catered for by the continuation vote in 2016 and the Board is currently content with the sound reasoning of the Portfolio Managers. Regulatory or mandate non-compliance is covered by regular reports. Operational errors, counterparty failures, fraud, and systems deficiencies are mitigated by constant monitoring by segregated teams whom the Board have met and have probed their presentations and from whom regular reports are received.

Share value, discount management and share issues

The Board indicated in its February 2013 prospectus that it intended to keep the discount at less than 9%. After the March 2013 General Meeting the shares rose to a premium to NAV for a period, and 290,000 shares were issued from Treasury to meet demand. As a consequence the Board has amended its discount policy and has demonstrated a determination to keep the discount within 5% (as far as difficult markets may allow). The new strategy of the Company has proved attractive, even with the current lack of sentiment for emerging markets. It is the Board's intention to keep the share price

Strategic Report

as close as possible to the NAV by the judicious use of buy-backs and, when sentiment improves and if the shares return to NAV or a premium once more, to issue further shares from Treasury. The Board believes that if it issues shares then it is duty bound to buy back shares, in normal markets at least.

Share price (discount)/premium to net asset value per share in calendar year 2013

Investment restrictions and spread of risk

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

The key restrictions imposed on the manager are that

- (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company, or group of companies,
- (b) subject to the approval of the Board, the Company may invest in collective vehicles. If it was to do so, however, no more than 10% of the Company's total net assets, at the date of acquisition, may be invested in UK listed closed-ended investment funds unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other UK listed closed-ended investment funds,
- (c) no more than 50% of the Company's total net assets may be invested in equities listed on a single stock exchange, and
- (d) the manager will not invest in unlisted equities other than with the approval of the Board or when entitlements are received or immediately prior to a listing.

Principal risks and uncertainties

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company in a detailed risk map. It reviews these risks and the controls to mitigate these risks, including whistleblowing policies where appropriate, on a regular basis. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 and revised in October 2005 and June 2006 ("the Turnbull Guidance").

The Board, assisted by the Manager, has undertaken an annual review of the effectiveness of the Company's system of internal control, for which it relies upon Schroders, by on-site visits and questioning staff. No significant failings or weaknesses in respect of the Company were identified in the year under review or up to the date of this Report. The Board receives a report on controls within the custody and funds product lines of HSBC to whom services are delegated. The Board also receives a letter of comfort from Schroders on its internal controls report currently being completed.

The Board is responsible for overseeing the system of internal controls implemented by Schroders and for reviewing its effectiveness on an ongoing basis. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Control of the risks identified is embedded in the controls of the Company. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate identified risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

Strategic Report

Portfolio and market

Although the Company invests entirely in securities that are quoted on recognised markets, share prices may move sharply. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse impact on shareholders' funds. Details of the Company's policy for managing portfolio and market risk are given in note 20(a)(ii) on page 45.

Investment activity and performance

An inappropriate investment strategy (for example in terms of asset allocation or the level of gearing) may result in underperformance against the market and the companies in its peer group. The Board monitors at each Board meeting the Manager's compliance with the Company's objectives.

Tax and regulatory risks

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange, as it has a listing in that country.

Financial

By its nature as an investment trust, the Company's business activities are exposed to market risk (including currency risk, interest rate risk and market price risk), liquidity risk, and credit and counterparty risk. Details of these risks, how they are managed and the exposures to these risks are given in this note and in note 20 to the Financial Statements on pages 43 to 46.

Corporate, social and environmental policy

The Company's primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Providing that this objective is not compromised in the process, the Board believes that it is also possible to develop a framework that, in the interests of the Company's shareholders, allows a broader range of considerations, including environmental and social issues (including those relating to human rights), to be taken into account when selecting and retaining investments.

Gender representation on the Board

The composition of the Board as at 31 December 2013 is set out on page 18 of this Report. The Company has no employees.

Future development and long term strategic view

The future performance of the Company depends on the success of the Company's investment strategy in the light of economic factors, equity market developments and the performance of individual investments.

The Board and Portfolio Managers take a long term view of Asian economic and market indicators and compare them to the rest of the world. At the same time, political developments are monitored and, whilst these seldom have a major impact on the long term, major changes, such as those taking place in China, do have an impact on your Portfolio Managers' thinking.

The long term view over 5 years and beyond suggests that based on the comparison of global growth (which is currently modest) with regional growth, the prospects for economic adjustment, deleveraging, the burden of long term debt, and the background of demographics and rapid technological change, the Asian region will continue to offer significant prospects for generating corporate value. The Board continues to believe that the Company's current investment strategy will achieve its objectives of a high rate of total return for its shareholders.

Additional comment on the outlook for regional markets may be found in the Chairman's Statement and the Portfolio Managers' Review on pages 3 and 5 respectively.



By Order of the Board

Schroder Investment Management Limited

Company Secretary

13 March 2014

Directors

From left to right Struan Robertson, David Brief, David Robins, Alexandra Mackesy, Christopher Keljik and Hugh Aldous

David Robins* (Chairman) was appointed to the Board in 2002 and became Chairman in April 2004. He began his career as an economist covering the Pacific Region and has a wide experience of Asian financial markets. After a series of senior management roles for the UBS Group in Tokyo, New York and Zurich, he became CEO of UBS Ltd in London and subsequently Head of Europe, Africa and the Middle East. Following the merger of UBS and SBC in 1998, he became CEO and then Chairman of ING Barings until 2000. A former Chairman of LCH Clearent Ltd and director of RWC Partners LLP, he is currently Chairman of Fidelity Japanese Values PLC, Deputy Chairman of Oriel Securities Limited, and a director of Meggitt plc, SVG Capital PLC, Pemberton Capital Advisors LLP and SerraLux Limited.

Hugh Aldous*† was appointed to the Board in 2003. He is Chairman of Capita Sinclair Henderson Limited and SPL Guernsey ICC Limited. He is also a director of Polar Capital Holdings plc, Innospec Inc, Elderstreet VCT plc and is a past member of the Competition Commission. He was a DTI Inspector with appointments from 1987 to 2003. He is a Chartered Accountant and was a partner in Robson Rhodes LLP, latterly Grant Thornton LLP, up to 2008.

David Brief* was appointed to the Board in November 2007. He is the former Chief Investment Officer of BAE Systems Pension Funds Investment Management Limited. He is a non executive director of The City of London Investment Trust plc. He is an investment advisor to the Rio Tinto and J. Sainsbury Pension Scheme.

Christopher Keljik OBE*† was appointed to the Board in November, 2007. He was a group executive director of Standard Chartered plc with responsibilities for Africa, the Middle East, South Asia, North and South America, Europe and the UK. During his 29 year career with Standard Chartered he held a number of leadership positions in general management, corporate finance, treasury and risk management working in London, Singapore, Hong Kong and New York. He is the Senior Independent Director of Foreign & Colonial Investment Trust plc and a former non executive director of Jardine Lloyd Thompson Group plc and Millennium & Copthorne Hotels plc. He is a Chartered Accountant.

Alexandra Mackesy*† was appointed to the Board in November 2008. She is a non-executive director of The Scottish Oriental Smaller Companies Trust Plc and RENN Universal Growth Investment Trust PLC. Since 2000, she has worked as a part-time consultant in Asia. Prior to this, she held posts in Hong Kong with Credit

Suisse as Director, Head of Hong Kong and China Equity Research, JP Morgan as Director, Asian Equity Research and with SBC Warburg/SG Warburg as Director, Hong Kong Equity Research.

Struan Robertson*† was appointed to the Board in 2004. He is Chairman of Eredene Capital PLC and Senior Independent Director of Salamander Energy plc. He is a former non-executive director of Tomkins plc, International Power plc, and Forth Ports plc. He was previously Group Chief Executive of the Wates Group Ltd and was Senior Independent Director of WS Atkins plc. He retired from BP in May 2000 where he was Senior Vice President Technology and Marketing following an international career during which he held posts as Executive Chairman of BP Asia Pacific, Chief Executive Oil Trading International and Chief Executive of BP Malaysia. He lived and worked in Asia between 1989 and 1997.

*Independent Director and member of the Management Engagement Committee and the Nominations Committee, of which David Robins is Chairman.

†Member of the Audit Committee, of which Hugh Aldous is Chairman.

Report of the Directors

The Directors submit their Report and the Audited financial statements of the Company for the year ended 31 December 2013

Tax status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010. The Company will continue to conduct its affairs in a manner which will enable it to retain this status, which exempts the Company from liability for capital gains tax on the revaluation or disposal of investments.

Information disclosed in the Strategic Report and elsewhere in the Annual Report

Details of the Company's financial risk management objectives and policies as well as its exposure to price risk, credit risk and liquidity risk and an indication of likely future developments in the Company's business may be found in the Strategic Report on pages 15 to 17.

Details of the Company's net asset value total return for the year, revenue and dividend recommendation are set out in the Chairman's Statement on pages 3 and 4 and the "Financial Highlights" on page 1 of this Report.

Directors and their interests

The Directors of the Company and their biographical details and gender can be found on page 18 of this Report. All Directors held office throughout the year under review and up to the date of signing this Report and all are considered to be independent. The Board believes that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account when considering the appointment of new Directors and when considering whether existing Directors should stand for re-election. The Board does not consider it appropriate or to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

The Company's Articles of Association provide that one third of Directors retire by rotation each year. Whilst the Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment, Directors are also required to retire if they have served more than nine years on the Board, but may then offer themselves for re-election. Having served on the Board for over nine years, David Robins and Hugh Aldous will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election – as will Alexandra Mackesy and Christopher Keljik. The Board supports the re-elections of all retiring directors who continue to provide valuable input into the deliberations of the Board.

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown below:

Director	Ordinary shares of 5p each at 31 December 2013*	Ordinary shares of 5p each at 1 January 2013*
David Robins	26,000	26,000
Hugh Aldous	50,741	50,573
David Brief	31,171	31,171
Christopher Keljik	70,188	60,666
Alexandra Mackesy	5,290	5,290
Struan Robertson	20,000	20,000

*Audited

Since the end of the financial year, Christopher Keljik has acquired 3,449 ordinary shares in the Company. There have been no other changes in the Directors' interests.

Share capital

As at the date of this Report, the Company had 74,131,141 ordinary shares of 5p shares in issue. A total of 11,073,671 shares were held in Treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 74,131,141. Details of changes to the Company's share capital during the year under review and its policies on share issuance and buy-backs are set out in the Chairman's Statement on page 3 and note 13 on page 41 of this Report.

Report of the Directors

Substantial share interests

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

	Number of Ordinary shares	Percentage of total voting rights
Lazard Asset Management LLC	7,268,090	9.80
F&C Asset Management plc	3,853,507	5.19
Investec Wealth & Investment Limited	3,652,058	4.93

Investment management arrangements

From 15 March 2013, investment management, accounting, secretarial and administrative services have been provided to the Company by Schroders

The investment management fee comprises a base fee and a performance fee. Further details of these fees may be found in the Strategic Report

Schroders agreed to waive its base and performance fees for a period of six months following its appointment in March 2013

In the opinion of the Directors, the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole

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 Board will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the Directors annually review whether a function equivalent to internal audit is needed

Charitable projects

Since 2009 the Board has supported two charities in India, which deal with early childhood development and education

They are Prerana, which provides rescue, care and education for the children of women involved in the sex industry in Mumbai, and Mobile Creches, which promotes day care in and around Delhi for the children of migrant construction workers and slum dwellers, with a particular focus on providing and/or lobbying for nutrition, health and education

Each charity received £5,000 during the year and the Board has set specific targets for the utilisation of its donations, and will monitor the performance of the two organisations against these targets

Greenhouse gas emissions

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

Going concern

The assets of the Company consist mainly of securities which are readily realisable and the Company has adequate financial resources to continue in operational existence for the foreseeable future. For these reasons the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered the guidance on this matter issued by the Financial Reporting Council in October 2009

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations

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

Report of the Directors

affairs of the Company and of the return or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report, 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.

Each of the Directors, whose names and functions are listed on page 18, 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 loss of the Company, and
- 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

Independent auditors

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

Corporate Governance Statement

Applicable Corporate Governance Codes

The Board has elected to follow the principles and recommendations contained in the AIC Code of Corporate Governance produced by the Association of Investment Companies (the "AIC Code"), and believes that reporting against the AIC Code will provide the most appropriate information to shareholders. The AIC Code, as explained by the Corporate Governance Guide for Investment Companies (the "AIC Guide"), addresses all the principles of the UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts. Copies of the AIC Code and the AIC Guide can be found on www.theaic.co.uk.

The Directors believe that this Annual Report and the Financial Statements present a balanced and understandable assessment of the Company's position and prospects.

New Zealand

It should be noted that the UK Codes of Corporate Governance may differ materially from the New Zealand Stock Exchange's Corporate Governance rules and principles of the Corporate Best Practice Code.

Statement of compliance

The AIC Code comprises 21 principles. The Board attaches importance to the matters set out in the AIC Code and lists below how the AIC Code's principles have been applied. The Directors believe that during the year under review they have complied with all relevant provisions of the AIC Code and, insofar as they apply to the Company's business as an investment trust, with the provisions of the UK Code.

Report of the Directors

Operation and composition of the Board

Composition

The Board has no executive directors and has not appointed a Chief Executive Officer as it has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services. The Company has no employees.

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chairman's other significant commitments are detailed on page 18 of this Report. He has no conflicting relationships.

Senior Independent Director

Struan Robertson is the Senior Independent Director and, following his retirement at the Annual General Meeting, Christopher Keljik will be appointed in his place. The Senior Independent Director leads the evaluation of the performance of the Chairman and is available to the Directors and shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Role of the Board

A formal schedule of matters specifically reserved for decision by the full 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 in a timely manner relevant management, regulatory and financial information and 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 Investment 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 and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

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

Conflicts of interest

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

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough appraisal process has been put in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman, discussions are held between the Directors and the Senior Independent Director. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors as well as building on and developing individual and collective strengths.

Directors' liability insurance and indemnity

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

Report of the Directors

Board attendance at meetings

Six Board meetings are scheduled for the coming year to deal with matters including the setting and monitoring of investment strategy, approval of borrowings, the review of investment performance, the level of the discount or premium to net asset value and the evaluation of the service providers. In addition, a full day's strategy meeting is held each year. Additional meetings of the Board may be arranged as required.

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

Director	Board	Nomination Committee	Audit Committee	Management Engagement Committee
David Robins	6/7	1/1	N/A	1/1
Hugh Aldous	7/7	1/1	3/3	1/1
David Brief	7/7	1/1	3/3	1/1
Christopher Keljik	7/7	1/1	3/3	1/1
Alexandra Mackesy	7/7	1/1	3/3	1/1
Struan Robertson	7/7	1/1	2/3	1/1

Board committees and their activities

Terms of Reference

The Committees of the Board have defined Terms of Reference which are available on the website www.asiantotalreturninvestmentcompany.com. Membership of the Committees is set out on page 18 of this Report.

Audit Committee

The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The Board considers each member of the Committee to be independent.

The Audit Committee is chaired by Hugh Aldous and met three times during the year to consider the operational controls maintained by the Manager and Custodian, the half-year and Annual Accounts. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience (see Directors' biographies on page 18 of this Report).

During its review of the Company's financial statements for the year ended 31 December 2013, the Audit Committee considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during their reporting:

Issue considered

- Overall accuracy of the Annual Report and Accounts
- Calculation of investment management and performance fees
- Valuation and existence of holdings
- Compliance with S1158 of the Corporation Tax Act 2010
- Internal Controls and risk management

How the issue was addressed

- Consideration of the draft Annual Report, letter from the Manager in support of the letter of representation to the Auditors and the audit plan
- Consideration of methodology used to calculate fees, matched against the criteria set out in the Investment Management Agreement
- Review of portfolio holdings and assurance reports on controls from the Manager and Custodian
- Consideration of compliance criteria
- Consideration of several key aspects of internal control and risk management operating within the management company

Effectiveness of the Independent Audit Process

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

Report of the Directors

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

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

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

Provision of non-audit services

The Audit Committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's Auditors. The Audit Committee has determined that the Company's appointed Auditors will never be considered for the provision of non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The Auditors may, if required, provide non-audit services relating to a review of the Company's half yearly report and a review of the calculation of any performance fee provision. All other non-audit services will be judged on a case-by-case basis.

As required by the laws in Taiwan and India for tax compliance services the Company has engaged PricewaterhouseCoopers in Taiwan and Ernst & Young in India for tax compliance services in respect of the Taiwanese and Indian investments respectively. PricewaterhouseCoopers were also engaged for services in connection with the Tender Offer.

The Chairman of the Audit Committee will be present at the Annual General Meeting to answer questions relating to the financial statements.

Nominations Committee

The Nominations Committee met once during the year to consider the balance and composition of the Board. The Committee is responsible for Board succession planning and the review of the performance of the Company, the manager's representatives, the Board as a whole and each individual Director. The Chairman of the Board acts as Chairman of the Nominations Committee but does not participate when the Chairman's performance, re-election or successor is being considered.

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

Before the appointment of a new Director, the Nominations Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, it aims to promote diversification and the Board also recognises the importance of diversity.

Once a decision is made to recruit additional Directors to the Board, a sub-committee of two independent Directors is formed and authorised to consider candidates. Candidates are drawn from suggestions put forward by other Directors and by the use of an external agency. The sub-committee puts forward up to two candidates for consideration by the Nominations Committee which then makes a recommendation to the Board. Re-appointment as a Director is not automatic and follows a formal process of evaluation of each Director's performance by the Chairman. Any Director who is subject to annual re-election due to length of service or appointment to other trusts also managed by Schoders is subject to particularly rigorous assessment of their contribution.

Management Engagement Committee

The Management Engagement Committee meets annually and is responsible for the review of the terms of the management contract. All Directors are members of the Management Engagement Committee which is chaired by the Chairman of the Board.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Half Year Update and the Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and its results. In addition Interim Management Statements are issued twice per annum in accordance with the Transparency Directive. This information is supplemented by the daily calculation and publication at the London and New Zealand Stock Exchanges of the NAV of the Company's ordinary shares.

Report of the Directors

The Chairmen of the Board and the Committees attend the Annual General Meeting ("AGM") and are available to respond to queries and concerns from shareholders

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least twenty 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 inside front cover

Exercise of voting powers and the UK Stewardship Code

The Company has delegated responsibility for voting to Schroders which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website. The Board considers the UK Stewardship Code to be an important tool in shareholder engagement. Schroders' compliance with the principles of the UK Stewardship Code, as revised in September 2012, is reported on its website at www.schroders.com

Anti-Bribery policy

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

Internal control and risk management systems

Information on the Company's internal control and risk management systems can be found in the Strategic Report on pages 15 to 17



By Order of the Board

Schroder Investment Management Limited

Company Secretary

13 March 2014

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 Report is presented in a different format this year in order to comply with new legislative requirements. Both the Directors' remuneration policy and the Directors' Annual Report on remuneration are subject to shareholder approval at the forthcoming Annual General Meeting ("AGM") as described below

Directors' remuneration policy

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

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs

The Board and its Committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to pensions, and the Company has not, and does not intend to, award any share options or long term performance incentives to any Director. No element of Directors' remuneration is performance-related. Although no Director has a service contract with the Company, Directors have a letter of appointment with the Company, under which there are no termination notice provisions

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 expenses incurred in carrying out business for the Company. 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

Component parts of the Directors' remuneration

Directors do not receive any amounts in respect of performance targets, nor do they receive pensions-related benefits. The elements which comprise the basis of remuneration paid to Directors are set out in the table below (see also related notes 1 to 4 below the table)

Salary/fees	Taxable benefits
Fees only payable	Reimbursement of certain expenses

Notes to the above table

- 1 The Chairman of the Board and the Chairman of the Audit Committee each receive fees at a higher rate than the other Directors to reflect their additional responsibilities
- 2 The fees payable to Directors are not performance-related. They are set at a level to recruit and retain individuals of sufficient calibre with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long term strategic objectives
- 3 The Company's Articles of Association do not limit the fees payable to the Directors
- 4 As the Company has no employees, there are no comparisons to be made between this Directors' remuneration policy and a policy on the remuneration of employees

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

Remuneration Report

Directors' Annual Report on remuneration

This Report sets out how the Directors' remuneration policy was implemented during the year ended 31 December 2013

Fees paid to Directors

During the year ended 31 December 2013, the Chairman was paid a fee of £29,000 and the other members of the Board were each paid a fee of £19,000. The Chair of the Audit Committee received an additional £1,500 for his additional responsibilities.

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 31 December 2013 and the previous financial year

	Salary/Fees 2013 £	Salary/Fees 2012 £	Taxable Benefits 2013 £	Taxable Benefits 2012 £	Total 2013 £	Total 2012 £
David Robins	29,000	29,000	295	59	29,295	29,059
Hugh Aldous	20,500	20,500	175	59	20,675	20,559
David Bnef	19,000	19,000	282	59	19,282	19,059
Christopher Keljik	19,000	19,000	455	222	19,455	19,222
Alexandra Mackesy	19,000	19,000	119	59	19,119	19,059
Struan Robertson	19,000	19,000	394	147	19,394	19,147

The information in the above table has been audited (see Independent Auditors' Report on pages 29 to 31)

Consideration of matters relating to Directors' remuneration

Directors' remuneration levels were reviewed by the Board during the year under review. The members of the Board at the time that remuneration levels were considered were as set out on page 18 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 Company's Investment Manager and corporate broker was taken into consideration.

Following the review of Directors' remuneration levels, the Board decided to increase the current levels of remuneration payable to Directors and with effect from 1 January 2014, fees paid to the Chairman were increased to £30,000 per annum, fees paid to the Chairman of the Audit Committee were increased to £23,000 per annum and those to the other Directors to £20,000 per annum.

Performance graph

A graph showing the Company's share price total return compared with its Reference Index, the MSCI All Countries Asia Pacific ex Japan Index (sterling adjusted) over the last five years is shown below.

Remuneration Report

Distributions to shareholders

The table below compares the remuneration paid to Directors and distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective to provide a high rate of total return from companies trading in the Asia Pacific region (excluding Japan)

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000	% Change
Remuneration paid to Directors	127	126	0.8
Distributions to shareholders			
- Dividends	4,816	5,129	(6.1)
- Share buy-backs	151,758	21,434	608.0

'A total of 74,091,140 shares were tendered in March 2013 under the terms of a tender offer

Directors' share interests (audited)

The Company's Articles of Association do not contain any provisions relating to Directors owning shares in the Company. The shareholdings of Directors, including those of connected persons, at the beginning and end of the financial year under review are set out in the Report of the Directors on page 19.

The Company does not operate a share scheme for Directors nor does it award share options to Directors.

Implementation of the Directors' remuneration policy for the year ending 31 December 2014

The Board does not intend to make any significant changes to the implementation of the Directors' remuneration policy as set out in this Report for the year ending 31 December 2014.

Shareholder approval

Directors' remuneration policy

The above remuneration policy is currently in force and is subject to a binding vote every three years. An ordinary resolution to approve this policy will be put to shareholders at the forthcoming AGM, following which the full policy provisions will continue to apply until the AGM to be held in 2017 unless a revised remuneration policy is approved prior to such AGM.

Directors' Annual Report on remuneration

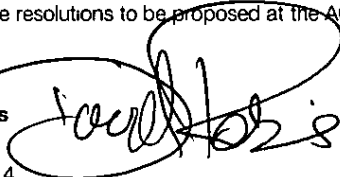
The above Report on Directors' remuneration is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the Annual General Meeting held on 22 April 2013, 99.9% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Remuneration Report were in favour while 0.1% were against. 905 votes were withheld.

Recommendation

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

David Robins
Chairman
13 March 2014



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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its net loss and cash flows 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by Asian Total Return Investment Company plc (the "Company"), comprise

- the balance sheet as at 31 December 2013,
- the income statement for the year then ended,
- the reconciliation of movements in shareholders' funds for the year then ended,
- the cash flow statement for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

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

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

Overview of our audit approach

Materiality

We set certain thresholds for materiality These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole

Based on our professional judgement, we determined an overall materiality for the financial statements as a whole of £1.4 million, which is approximately 1% of Net Assets

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £68,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons

Overview of the scope of our audit

The Company is a standalone Investment Trust Company managed by an independent investment manager, Schroder Investment Management Limited (the "Investment Manager")

The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Investment Manager The Investment Manager has, with the consent of the Directors, delegated the provision of certain administrative functions to HSBC Securities Services (UK) Limited (the "Company Administrator")

In establishing the overall approach to our audit we assessed the risks of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement As part of our risk assessment, we considered the Company's interaction with the Investment Manager and Company Administrator, and we assessed the control environment in place at both organisations to the extent relevant to our audit of the Company

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

Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements

Areas of particular audit focus

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 23.

Area of focus	How the scope of our audit addressed the area of focus
Valuation and existence of investments We focused on this area because investments represent the principal element of the financial statements	The majority of the investment portfolio comprised listed equity investments We agreed the valuation of these investments to independent third party sources and confirmed the existence of the investment portfolio by agreeing the holdings to an independent custodian confirmation
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this	We tested journal entries to determine whether adjustments were supported by evidence and appropriately authorised We also built an element of "unpredictability" into our detailed testing

Going concern

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

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

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

Corporate Governance Statement

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

On page 21 of the Annual Report, as required by the Code Provision C 1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and that it provides the information necessary for members to assess the Company's performance, business model and strategy. On page 23, as required by C 3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit, or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit, or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

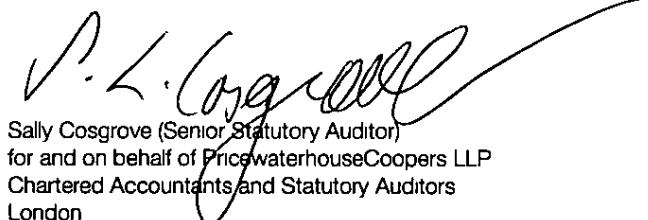
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 20 and 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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



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

13 March 2014

Income Statement

for the year ended 31 December 2013

	Note	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	-	(5,141)	(5,141)	-	50,996	50,996
Net losses on derivative contracts		-	(2,755)	(2,755)	-	-	-
Net foreign currency (losses)/gains		-	(71)	(71)	-	1,107	1,107
Income from investments	3	2,741	-	2,741	6,198	-	6,198
Other interest receivable and similar income	3	33	-	33	414	-	414
Gross return/(loss)		2,774	(7,967)	(5,193)	6,612	52,103	58,715
Investment management fee	4	(266)	(569)	(835)	(647)	(1,193)	(1,840)
Administrative expenses	5	(581)	-	(581)	(751)	-	(751)
Net return/(loss) before finance costs and taxation		1,927	(8,536)	(6,609)	5,214	50,910	56,124
Finance costs	6	(1)	(2)	(3)	(71)	(214)	(285)
Net return/(loss) on ordinary activities before taxation		1,926	(8,538)	(6,612)	5,143	50,696	55,839
Taxation on ordinary activities	7	(133)	(103)	(236)	(617)	-	(617)
Net return/(loss) on ordinary activities after taxation		1,793	(8,641)	(6,848)	4,526	50,696	55,222
Return/(loss) per share	9	1 98p	(9.55)p	(7 57)p	2 92p	32 68p	35 60p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

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 36 to 47 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2013

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2011	8,044	-	7,862	50,616	189,016	13,879	269,417
Repurchase and cancellation of the Company's own shares	(635)	-	635	(21,434)	-	-	(21,434)
Net return on ordinary activities	-	-	-	-	50,696	4,526	55,222
Dividend paid in the year	-	-	-	-	-	(5,129)	(5,129)
At 31 December 2012	7,409	-	8,497	29,182	239,712	13,276	298,076
Repurchase and cancellation of the Company's own shares following a Tender Offer	(3,149)	-	3,149	-	(129,184)	-	(129,184)
Repurchase of the Company's own shares into Treasury following a Tender Offer	-	-	-	-	(22,574)	-	(22,574)
Reissue of shares from Treasury	-	5	-	-	581	-	586
Net (loss)/return on ordinary activities	-	-	-	-	(8,641)	1,793	(6,848)
Dividend paid in the year	-	-	-	-	-	(4,816)	(4,816)
At 31 December 2013	4,260	5	11,646	29,182	79,894	10,253	135,240

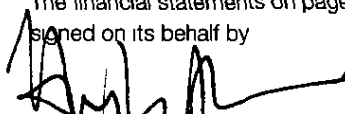
The notes on pages 36 to 47 form an integral part of these accounts

Balance Sheet

at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	132,609	298,003
Current assets			
Debtors	11	922	395
Cash at bank and in hand		1,824	451
Derivative financial instruments held at fair value through profit or loss		310	-
		3,056	846
Current liabilities			
Creditors amounts falling due within one year	12	(394)	(773)
Derivative financial instrument held at fair value through profit or loss		(31)	-
		(425)	(773)
Net current assets		2,631	73
Total assets less current liabilities		135,240	298,076
Net assets		135,240	298,076
Capital and reserves			
Called-up share capital	13	4,260	7,409
Share premium	14	5	-
Capital redemption reserve	14	11,646	8,497
Special reserve	14	29,182	29,182
Capital reserves	14	79,894	239,712
Revenue reserve	14	10,253	13,276
Total equity shareholders' funds		135,240	298,076
Net asset value per share	15	181.82p	201.15p

The financial statements on pages 32 to 47 were approved and authorised for issue by the Board of Directors on 13 March 2014 and signed on its behalf by



Hugh Albous
Director

The notes on pages 36 to 47 form an integral part of these accounts

Cash Flow Statement

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	16	1,008	3,696
Servicing of finance			
interest paid		(20)	(288)
Net cash outflow from servicing of finance		(20)	(288)
Investment activities			
Purchases of investments		(201,690)	(120,851)
Sales of investments		361,168	154,420
Cash flows on derivative instruments		(3,034)	–
Net cash inflow from investment activities		156,444	33,569
Dividend paid		(4,816)	(5,129)
Net cash inflow before financing		152,616	31,848
Financing			
Repurchase and cancellation of the Company's own shares following a Tender Offer		(129,184)	–
Repurchase of the Company's own shares into Treasury following a Tender Offer		(22,574)	–
Reissue of shares from Treasury		586	–
Repurchase and cancellation of the Company's own shares		–	(21,434)
Net cash outflow from financing		(151,172)	(21,434)
Net cash inflow in the year	17	1,444	10,414

The notes on pages 36 to 47 from an integral part of these accounts

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") 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 January 2009. All of the Company's operations are of a continuing nature.

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

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

(b) Valuation of investments, including derivative instruments

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

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

(c) Accounting for reserves

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

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

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

(d) Income

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

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

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

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

(e) Expenses

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

- The management fee is allocated 25% to revenue and 75% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 40.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of FRS 25 "Financial Instruments Presentation" and FRS 26 "Financial Instruments Measurement".

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

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

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

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

Notes to the Accounts

(h) Taxation

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

Deferred tax is accounted for in accordance with FRS 19 "Deferred Tax"

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

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

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of any related irrecoverable VAT.

(j) Foreign currency

In accordance with FRS 23 "The effects of changes in Foreign Currency Exchange Rates" 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. Sterling is also the currency in which the accounts are presented.

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

(k) Dividends payable

In accordance with FRS 21 "Events after the Balance Sheet Date", the final dividend is included in the accounts in the year in which it is approved by shareholders.

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

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

(m) Repurchases of shares into Treasury and subsequent reissues

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

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

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

	2013 £'000	2012 £'000
Gains on sales of investments based on historic cost	58,596	10,057
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(57,170)	(8,430)
Gains on sales of investments based on the carrying value at the previous balance sheet date	1,426	1,627
Net movement in investment holding gains and losses	(6,567)	49,369
(Losses)/gains on investments held at fair value through profit or loss	(5,141)	50,996

Notes to the Accounts

3 Income

	2013 £'000	2012 £'000
Income from investments		
Overseas dividends	2,737	5,626
Stock dividends	4	572
	2,741	6,198
Other interest receivable and similar income		
Stock lending fees	30	414
Deposit interest	3	–
	33	414
	2,774	6,612

4 Investment management fee

	2013			2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee payable to Henderson	126	378	504	397	1,193	1,590
Accounting, secretarial and administration costs payable to Henderson	76	–	76	250	–	250
Investment management fee payable to Schroders	64	191	255	–	–	–
	266	569	835	647	1,193	1,840

No performance fee is payable for the year and no provision is required at 31 December 2013 (2012: nil). Schroders agreed to waive its investment management fee and any performance fee, for a period of six months following its appointment on 15 March 2013.

The bases for calculating the investment management and performance fees are set out in the Strategic Report on page 15.

5. Administrative expenses

	2013 £'000	2012 £'000
Administration expenses	255	321
Directors' fees	127	126
Custody fees	89	136
Professional fees, for advice regarding the proposed change of manager	72	128
Auditors' remuneration for audit services	25	25
Auditors' remuneration for taxation compliance services	3	5
Charitable donations	10	10
	581	751

6. Finance costs

	2013			2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	1	2	3	71	214	285

Notes to the Accounts

7. Taxation on ordinary activities

	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
(a) Analysis of charge for the year						
Irrecoverable overseas tax	133	-	133	617	-	617
Overseas capital gains tax	-	103	103	-	-	-
Current tax charge for the year	133	103	236	617	-	617

The Company has no corporation tax liability for the year ended 31 December 2013 (2012 nil)

(b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for this accounting year would be taxed at a rate of 23.25%

The table below reconciles the expected corporation tax due on net return/(loss) before tax based on current tax rates, to the current year's actual tax charge. The adjustments to arrive at the total current tax charge for the year of £236,000 consist of overseas withholding tax suffered on dividends received of £133,000 and overseas capital gains tax of £103,000. The corporation tax for the year is however nil (2012 nil), primarily due to the fact that overseas dividends and capital gains are not subject to UK corporation tax.

	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	1,926	(8,538)	(6,612)	5,143	50,696	55,839
Net return/(loss) on ordinary activities before taxation multiplied by the corporation tax rate for the year of 23.25% (2012 24.5%)	448	(1,985)	(1,537)	1,260	12,421	13,681
Effects of						
Capital losses/(returns) on investments	-	1,852	1,852	-	(12,765)	(12,765)
Non taxable overseas dividends	(637)	-	(637)	(1,518)	-	(1,518)
Overseas withholding tax	133	-	133	617	-	617
Overseas capital gains tax	-	103	103	-	-	-
Expenses not deductible for tax purposes	-	-	-	2	-	2
Unrelieved expenses	189	133	322	256	344	600
Current tax charge for the year	133	103	236	617	-	617

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £2,112,000 (2012 £2,111,000) based on a prospective corporation tax rate of 20% (2012 23%). The reduction in the standard rate of corporation tax was substantively enacted in July 2013 and is effective from 1 April 2015. 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 continue to meet the conditions required to obtain approval as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

(a) Dividends paid and declared

	2013 £'000	2012 £'000
2012 interim dividend paid of 3.25p (2011 3.25p)	4,816	5,129
	2013 £'000	2012 £'000
2013 interim dividend proposed of 3.25p (2012 3.25p)	2,417	4,816

Notes to the Accounts

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ("Section 1158")

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £1,793,000 (2012 £4,526,000)

	2013 £'000	2012 £'000
2013 interim dividend proposed of 3 25p (2012 3 25p)	2,417	4,816

9 Return/(loss) per share

	2013 £'000	2012 £'000
Revenue return	1,793	4,526
Capital (loss)/return	(8,641)	50,696
Total (loss)/return	(6,848)	55,222
Weighted average number of shares in issue during the year ¹	90,510,583	155,131,153
Revenue return per share	1 98p	2 92p
Capital (loss)/return per share	(9 55)p	32 68p
Total (loss)/return per share	(7 57)p	35 60p

¹The weighted average calculation takes into consideration the proportion of the year that the number of issued shares remains unchanged

10. Investments held at fair value through profit or loss

	2013 £'000	2012 £'000
Opening book cost	237,404	260,344
Opening investment holding gains	60,599	19,660
Opening valuation	298,003	280,004
Purchases at cost	201,698	121,423
Sales proceeds	(361,951)	(154,420)
Gains on sales of investments based on the carrying value at the previous balance sheet date	1,426	1,627
Net movement in investment holding gains and losses	(6,567)	49,369
Closing valuation	132,609	298,003
Closing book cost	135,747	237,404
Closing investment holding (losses)/gains	(3,138)	60,599
Total investments held at fair value through profit or loss	132,609	298,003

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

	2013 £'000	2012 £'000
On acquisitions	276	334
On disposals	604	475
	880	809

11 Current assets

Debtors	2013 £'000	2012 £'000
Securities sold awaiting settlement	783	-
Dividends and interest receivable	111	384
Taxation recoverable	7	7
Other debtors	21	4
	922	395

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

Notes to the Accounts

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.

	2013 £'000	2012 £'000
Derivative financial instruments held at fair value through profit or loss		
Index put options	310	-

12. Current liabilities

	2013 £'000	2012 £'000
Creditors amounts falling due within one year		
Securities purchased awaiting settlement	4	-
Other creditors and accruals	390	773
	394	773

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

	2013 £'000	2012 £'000
Derivative financial instrument held at fair value through profit or loss		
Forward foreign currency contract	31	-

At 31 December 2013, the Company held a single contract to purchase 15.6 million US Dollars for 17.6 million Australian Dollars, for settlement on 28 March 2014. Details of the Company's strategy for managing currency risk are given in note 20(a) (i) on pages 43 and 44.

13 Called-up share capital

	2013 £'000	2012 £'000
Allotted, called-up and fully paid		
Ordinary shares of 5p each		
Opening balance of 148,182,281 (2012: 160,888,407) shares	7,409	8,044
Repurchase and cancellation of 62,977,469 (2012: nil) shares following a Tender Offer	(3,149)	-
Repurchase of 11,113,671 (2012: nil) shares into Treasury following a Tender Offer	(556)	-
Reissue of 290,000 (2012: nil) shares from Treasury	15	-
Repurchase and cancellation of 12,706,126 shares	-	(635)
Subtotal of 74,381,141 (2012: 148,182,281) shares	3,719	7,409
10,823,671 (2012: nil) shares held in Treasury	541	-
Closing balance ¹	4,260	7,409

¹ Represents 85,204,812 (2012: 148,182,281) shares of 5p each including 10,823,671 (2012: nil) shares held in Treasury.

During the year, the Company purchased 74,091,140 of its own shares, following a Tender Offer representing 50% of the shares outstanding at the beginning of the year for a total net consideration of £151,758,000. Of these 62,977,469 shares, nominal value £3,148,873, were cancelled and the remaining 11,113,671 shares were held in Treasury. A total of 290,000 shares have subsequently been reissued to the market from Treasury for a total consideration of £586,000.

Notes to the Accounts

14. Reserves

	Share premium £'000	Capital redemption reserve ¹ £'000	Special reserve ² £'000	Capital reserves		Revenue reserve £'000
				Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	
Opening balance	-	8,497	29,182	179,113	60,599	13,276
Gains on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	1,426	-	-
Net movement in investment holding gains and losses	-	-	-	-	(6,567)	-
Transfer on disposal of investments	-	-	-	57,170	(57,170)	-
Realised losses on derivatives	-	-	-	(2,164)	-	-
Unrealised losses on open derivative contracts	-	-	-	-	(591)	-
Realised exchange losses on cash and short term deposits	-	-	-	(71)	-	-
Repurchase and cancellation of the Company's own shares following a Tender Offer	-	3,149	-	(129,184) ³	-	-
Repurchase of the Company's own shares into Treasury following a Tender Offer	-	-	-	(22,574)	-	-
Reissue of shares from Treasury	5	-	-	581	-	-
Management fees allocated to capital	-	-	-	(569)	-	-
Finance costs allocated to capital	-	-	-	(2)	-	-
Overseas capital gains tax	-	-	-	(103)	-	-
Dividend paid	-	-	-	-	-	(4,816)
Retained revenue for the year	-	-	-	-	-	1,793
Closing balance	5	11,646	29,182	83,623	(3,729)	10,253

¹Represents the accumulated nominal value of shares repurchased and cancelled

²Formerly Share Premium, but converted into a distributable reserve

³Includes £15,000 paid to PricewaterhouseCoopers for services in connection with the Tender Offer

15 Net asset value per share

	2013	2012
Total equity shareholders' funds (£'000)	135,240	298,076
Shares in issue at the year end	74,381,141	148,182,281
Net asset value per share	181 82p	201 15p

16 Reconciliation of total (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2013 £'000	2012 £'000
Total (loss)/return on ordinary activities before finance costs and taxation	(6,609)	56,124
Less capital loss/(return) on ordinary activities before finance costs and taxation	8,536	(50,910)
Stock dividends received as income	(4)	(572)
Decrease in prepayments and accrued income	351	308
(Increase)/decrease in other debtors	(17)	3
(Decrease)/increase in creditors	(366)	553
Management fee allocated to capital	(569)	(1,193)
Overseas withholding tax deducted at source	(314)	(617)
Net cash inflow from operating activities	1,008	3,696

Notes to the Accounts

17. Analysis of changes in net funds

	2012 £'000	Cash flow £'000	Exchange movements £'000	2013 £'000
Cash at bank and in hand	451	1,444	(71)	1,824
Net funds	451	1,444	(71)	1,824

18 Transactions with the Manager

During the year, notice was given to Henderson Global Investors ("Henderson") who had provided investment management, accounting, secretarial and administration services to the Company. A termination fee amounting to £580,000 was paid to Henderson in lieu of these services to the end of the notice period on 25 March 2013. No performance fee was payable for this period (year ended 31 December 2012 nil). The total fees payable to Henderson for the year ended 31 December 2012 amounted to £1,904,000, which included £250,000 for accounting and secretarial costs and £64,000 for marketing services.

The Company appointed Schroder Investment Management Limited ("Schroders"), a wholly owned subsidiary of Schroders plc, to provide investment management services, including accounting, company secretarial and administration services, with effect from 15 March 2013. There are also performance fee arrangements in place. Details of the management and performance fee calculations are given in the Strategic Report on page 15. If the Company invests in funds managed or advised by Schroders or any of its associated companies, those funds are excluded from the assets used for the purpose of the management fee calculation and therefore attract no fee. Schroders agreed to waive its management and performance fees for six months from the date of appointment. Thus the management fee payable to Schroders in respect of the year ended 31 December 2013 is based on the chargeable period from 15 September to 31 December 2013 and amounts to £255,000. The whole of this amount is outstanding at the year end. No performance fee is payable for the period and no provision is required at 31 December 2013.

No Director of the Company served as a director of Schroder Investment Management Limited, or any member of the Schroders plc group, at any time during the year.

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 29 that are held at fair value include its investment portfolio and derivative financial instruments.

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

Level 1 – valued using quoted prices in active markets

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

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

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 36.

At 31 December 2013, the Company's investment portfolio and derivative financial instruments are all categorised as Level 1 (2012 same).

There have been no transfers between Levels 1, 2 or 3 during the year (2012 nil).

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

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

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

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

(a) Market risk

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

(i) Currency risk

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

Notes to the Accounts

Management of currency risk

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

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31 December 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.

	2013									
	Hong Kong	US	Taiwan	South	Thai	Singapore	Australian	Indian	Other	Total
	Dollars £'000	Dollars £'000	Dollars £'000	Korean Won £'000	Baht £'000	Dollars £'000	Dollars £'000	Rupees £'000	£'000	£'000
Current assets	25	445	62	415	537	-	364	-	15	1,863
Current liabilities	-	-	-	-	-	-	(242)	-	(4)	(246)
Derivative financial instrument held at fair value through profit or loss - forward currency contract	-	9,428	-	-	-	-	(9,459)	-	-	(31)
Foreign currency exposure on net monetary items	25	9,873	62	415	537	-	(9,337)	-	11	1,586
Investments held at fair value through profit or loss that are equities	36,566	30,326	10,471	9,720	6,801	6,725	12,322	-	19,590	132,521
Derivative instruments held at fair value through profit or loss - index put options	178	-	30	47	-	-	55	-	-	310
Total net foreign currency exposure	36,769	40,199	10,563	10,182	7,338	6,725	3,040	-	19,601	134,417

	2012									
	Hong Kong	US	Taiwan	South	Thai	Singapore	Australian	Indian	Other	Total
	Dollars £'000	Dollars £'000	Dollars £'000	Korean Won £'000	Baht £'000	Dollars £'000	Dollars £'000	Rupees £'000	£'000	£'000
Current assets	-	-	637	339	-	-	-	-	-	976
Current liabilities	-	(189)	-	-	-	-	-	-	-	(189)
Foreign currency exposure on net monetary items	-	(189)	637	339	-	-	-	-	-	787
Investments held at fair value through profit or loss that are equities	118,479	31,961	23,188	60,027	-	3,368	-	25,627	35,129	297,779
Total net foreign currency exposure	118,479	31,772	23,825	60,366	-	3,368	-	25,627	35,129	298,566

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

Notes to the Accounts

Foreign currency sensitivity

The following tables illustrate the sensitivity of net return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2012: 10%) appreciation or depreciation in Sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If Sterling had weakened by 10% this would result in the following gains:

	2013 £'000	2012 £'000
Income Statement – return after taxation		
Revenue return	261	558
Capital return	159	79
Total return after taxation	420	637
Net assets	420	637

Conversely if Sterling had strengthened by 10% this would result in losses as shown by the numbers in the table above.

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 below.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits. The Company had no borrowings at the year end (2012: nil).

Exposure to interest rate risk

The Company had not drawn on its overdraft facility and the interest rate risk arising from the Company's cash balances was not significant at the year end (2012: same). There was therefore no significant exposure to interest rate risk (2012: same).

(iii) Market price risk

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

Management of market price risk

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

Market price risk exposure

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

	2013 £'000	2012 £'000
Investments held at fair value through profit or loss	132,609	298,003
Derivative financial instruments held at fair value through profit or loss – index put options	310	-
	132,919	298,003

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 page 12. This shows that the portfolio largely comprises investments quoted mainly on Asian stockmarkets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of net return after taxation for the year and net assets to an increase or decrease of 10% (2012: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments, adjusting for the hedging effect of the index put options and including the resulting effect on the management fee, but with all other variables held constant.

Notes to the Accounts

	2013		2012	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(21)	18	(45)	45
Capital return	12,747	(10,739)	29,667	(29,667)
Total return after taxation and net assets	12,726	(10,721)	29,622	(29,622)
Percentage change in net asset value	9.4%	(7.9%)	9.9%	(9.9%)

(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 an overdraft facility.

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 2013 £'000	Three months or less 2012 £'000
Creditors – amounts falling due within one year		
Securities purchased awaiting settlement	4	–
Other creditors and accruals	390	773
Open forward currency contracts	31	–
	425	773

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

Cash

Counterparties are subject to daily credit analysis by the Manager. Cash balances will only be deposited with reputable banks with high quality credit ratings.

Exposure to the Custodian

HSBC Securities Services (UK) Limited ("HSBC") is the Custodian of the Company's assets. The Company's investments are segregated from HSBC's own trading assets and are therefore protected from creditors in the event that HSBC were to cease trading.

Credit risk exposure

The amounts shown in the balance sheet under cash and short term deposits and debtors 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.

The value of securities on loan at 31 December 2013 amounted to £5.1 million (2012: £31.6 million). The highest value of securities on loan during the year ended 31 December 2013 amounted to £36.5 million (2012: £43.9 million). Under the Stock Lending Agreement, collateral is called in on a daily basis and may comprise cash or sovereign debt with a minimum value of 102.5% of the value of securities on loan, or equities with a minimum value of 105% of the value of securities on loan.

(d) Fair values of financial assets and financial liabilities

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

Notes to the Accounts

21. Capital management policies and procedures

The Company's capital is represented by its net assets and borrowings, which are managed to achieve the Company's investment objective, as set out on the inside front cover, and which has changed following the appointment of Schroders as Manager on 15 March 2013

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

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

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

Annual General Meeting – Explanation of Special Business

The Annual General Meeting (“AGM”) of the Company will be held on Wednesday, 30 April 2014 at 12.30 p.m. The formal Notice of Meeting is set out on page 49

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

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

Resolution 10 – Directors’ Authority to allot Shares (Ordinary Resolution) and Resolution 11 – 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 £370,655 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £370,655 (being 10% of the Company’s issued share capital as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been in Treasury (if any) pursuant to the authority conferred in Resolution 12 below. The Board has established guidelines for Treasury shares and will only re-issue shares held in Treasury at a price equal to or greater than the Company’s net asset value (inclusive of current year income) plus any applicable costs.

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company’s existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2015 unless renewed, varied or revoked earlier.

Resolution 12 – Authority to Make Market Purchases of the Company’s Own Shares (Special Resolution)

At the AGM held on 22 April 2013, the Company was granted authority to make market purchases of up to 22,212,523 ordinary shares of 5p each for cancellation. A total of 250,000 shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 21,962,523 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM (excluding Treasury Shares). The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential re-issue. If renewed, the authority to be given at the 2014 AGM will lapse at the conclusion of the AGM in 2015 unless renewed or revoked earlier.

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Seventh Annual General Meeting of Asian Total Return Investment Company plc will be held at 31 Gresham Street, London EC2V 7QA on Wednesday 30 April 2014 at 12 30 p m to consider the following resolutions of which resolutions 1 to 10 will be Ordinary Resolutions and 11 and 12 will be Special Resolutions

- 1 To receive the Report of the Directors and the audited Accounts for the year ended 31 December 2013
- 2 To approve the Company's Directors' Remuneration Policy
- 3 To approve the Directors' Annual Report on Remuneration for the year ended 31 December 2013
- 4 To approve the re-election of David Robins as a Director of the Company
- 5 To approve the re-election of Christopher Keljik as a Director of the Company
- 6 To approve the re-election of Hugh Aldous as a Director of the Company
- 7 To approve the re-election of Alexandra Mackesy as a Director of the Company
- 8 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company
- 9 To authorise the Directors to determine the remuneration of PricewaterhouseCoopers Auditors of the Company
- 10 To consider, and if thought fit, pass the following resolution as an Ordinary Resolution
 "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £370,655 (being 10% of the issued ordinary share capital at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2015, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement "
- 11 To consider and, if thought fit, to pass the following resolution as a Special Resolution
 "THAT in substitution for all existing authorities and subject to the passing of resolution 10 the Directors be empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash either pursuant to the authority conferred by resolution 10 or by way of a sale of treasury shares, as if section 561 of the Act did not apply to the allotment This power shall be limited
 (a) to the allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary shareholders and/or holders of any other securities in accordance with the rights of those securities where the equity securities respectively attributable to the interests of all ordinary shareholders and/or such holders are proportionate (or as nearly as may be) to the respective numbers of ordinary shares and such equity securities held by them (or are otherwise allotted in accordance with the rights attaching to such equity securities) subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever,
 (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to a maximum aggregate nominal value of £370,655 (being 10% of the Company's issued ordinary share capital at the date of this Notice), and
 (c) to the allotment of equity securities at a price not less than the Net Asset Value per share and shall expire at the conclusion of the next Annual General Meeting of the Company in 2015, (unless previously renewed, varied, or revoked by the Company prior to such date) save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired "
- 12 To consider and, if thought fit, to pass the following resolution as a Special Resolution
 "THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 5p each in the capital of the Company ("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 11,112,258, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice (excluding Treasury shares),
 (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of,
 i) 105% of the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase, and
 ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange,
 (c) the minimum price (exclusive of expenses) which may be paid for a share shall be 5p, being the nominal value per share,
 (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2015 (unless previously renewed, varied or revoked by the Company prior to such date),
 (e) the Company may make a contract to purchase ordinary 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 ordinary shares pursuant to any such contract, and
 (f) any ordinary shares so purchased will be cancelled or held in Treasury "

By order of the Board
 For and on behalf of
 Schroder Investment Management Limited
 Registered Number 02153093
 13 March 2014

Registered Office
 31 Gresham Street,
 London EC2V 7QJ

Explanatory Notes to the Notice of Meeting

- 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 notorally, 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 <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 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 12.30 p.m. on 28 April 2014. 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.
- 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.
- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m. on 28 April 2014, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 28 April 2014 shall be disregarded in determining the right of any person to attend and vote at the meeting.
- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.
- Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
- The biographies of the Directors offering themselves for re-election are set out on page 18 of the Company's Annual Report and Accounts for the year ended 31 December 2013.
- As at 13 March 2014, 74,131,141 Ordinary shares of 5 pence each were in issue (11,073,671 shares were held in Treasury). Therefore the total number of voting rights of the Company as at 13 March 2014 was 74,131,141.
- A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's website, www.asiantotalreturninvestmentcompany.com.
- 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.

Glossary of Terms

Absolute Return

Portfolios that target an overall positive return rather than linking their performance to a market benchmark. Seen as a useful diversification tool, performance targets are usually expressed over and above cash (with reference to LIBOR), inflation or liabilities.

Examples include market neutral hedge funds or long term equity mandates with the flexibility to invest in other asset classes to protect capital values.

Call Option

An option contract that gives the holder the right, but not the obligation, to buy the underlying asset at the stated strike price on (European style) or anytime before (American style) the expiration date. The option seller is obliged to deliver the underlying asset should the option holder exercise their right to buy.

Contract for difference (CFD)

A contract for difference (CFD) commits the seller to pay to the buyer the difference between the price of a share at the time the contract is arranged and its price when the contract matures. If the difference is negative, the buyer pays to the seller. As the upfront payment is only a fraction of the total value of the shares involved, CFDs can be used as a way to provide leverage to the buyer.

Currency Forwards

Currency Forwards are foreign exchange rate contracts that settle after a longer period of time than the more usual ('spot') contracts. They can be used to reduce foreign exchange risk by locking in the current rate.

Delta

A measurement of the sensitivity of an option price to changes in the price of the underlying asset. A call option's price is positively correlated with the price of the underlying asset, and its delta will take any value between 0 and +1. Conversely, a put option's price is negatively correlated to the price of the underlying asset and its delta will take any value between 0 and -1. A deep in-the-money option will have a delta approaching -1 (for a put) or +1 (for a call). A deep out-of-the-money option will have a delta approaching 0.

Delta-adjusted hedge

A measure of how much of the underlying assets are protected by options. It adjusts the total exposure of the hedges if they were all theoretically in the money (the "notional") by the extent to which these hedges are at or out of the money at prevailing prices. For example, as the underlying asset price declines towards the strike price, a previously out-of-the-money option moves into the money and protects against the decline in the price of the underlying asset. The delta-adjusted hedge thereby converges to that of the notional hedge.

Derivative

A financial instrument that derives its value from another asset or product. While derivatives can be used for speculative purposes they serve a vital role in risk management with a substantially deeper, more liquid and flexible market than exists for traditional assets such as equities and bonds.

Discount/Premium

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

Dividend Yield

The annual dividend expressed as a percentage of the share price.

Exchange traded contracts

Derivatives that are listed on an exchange such as NYSE Liffe or the Chicago Board of Trade. Tailored derivative solutions are available on an over-the-counter (OTC) basis.

Gearing

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

Index Options

An agreement entered into by the Company that confers the right but not the obligation to sell or buy a specific stock market index within a specified period of time.

Index Futures

An agreement entered into by the Company to sell or buy a specific stock market index at a specific future time and price.

Management Fee

The charge levied by an external investment manager for the management of a company. It is usually charged annually, and may consist of a fixed fee and/or a performance related fee.

Margin

A returnable deposit paid in cash or in collateral terms at the inception (initial margin) and if necessary on an ongoing basis if losses occur (variation margin) on long or short futures positions and short option positions.

Mark to Market

The process of valuing the derivatives at daily intervals as the price of the underlying asset moves and from here establishing if extra variation margin is required from either counterparty.

Market Capitalisation

The market value of the Company as calculated by multiplying the mid-market price per share by the number of shares in issue

Net Asset Value (“NAV”)

The value of total assets less liabilities. Liabilities for this purpose include current and long term liabilities. The NAV divided by the number of shares in issue produces the NAV per share. The NAV is published daily

Official List

A list of securities maintained by the UK Listing Authority. The Official List includes all securities that are approved for trading in the UK

Ongoing Charges

Ongoing Charges represent the drag on performance caused by all annual operating costs (including administration, management and audit fees)

Option

Confers upon the holder the right but not the obligation to buy (call) or sell (put) an underlying asset, currency, commodity at an agreed price on or before a specified date (American style) or on a given date (European style)

See Call Option and Put Option

Option Premium

The amount per share paid by the option buyer to the option seller for the rights conferred in the option contract

Option Seller

The seller (or writer of the option) is required to take delivery of the underlying (for a put) or supply the underlying (for a call) if the option is exercised by the option buyer

Out-of-the-Money

An option whose strike is either higher than the current market value, for a call, or lower than the current market value, for a put. The holder would therefore experience a loss through the exercise of the option

Over-the-Counter

Over-the-counter (OTC) derivative contracts are tailored to the requirements of individual clients and are negotiated contracts between two private counterparties, without dealing through an exchange

Put Option

An instrument which gives the option buyer the right but not the obligation to sell an underlying asset, currency, commodity at an agreed price on or before a specified date (American style) or on a given date (European style). The option seller has an obligation to take delivery of the underlying should the holder exercise their right

Reference Index used for Comparison

The MSCI All Countries Asia Pacific ex-Japan Index (sterling adjusted)

Total Return

This is the return on the share price or net asset value per share taking into account both the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for net asset value total return)

Tracking Error

A way of measuring how much returns from a portfolio have differed, or estimating how much they are likely to differ, from an index

Volatility

Volatility is a measure of the uncertainty of an investment. Every price movement of an investment can be broken down into two parts: one part is the movement we expect, and the other is what we did not expect. Volatility comes from the part we don't expect

Company Summary and Shareholder Information

The Company

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 of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting of the Company in 2016 and thereafter at three yearly intervals.

Website and Price Information

The Company has a dedicated website, which may be found at www.asiantotalreturninvestmentcompany.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price (subject to a delay of 15 minutes) and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA.

The Company releases its Net Asset Value on both a cum and ex-income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on Schroders' website at www.schroders.co.uk/its.

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from UK Landlines. Other telephone providers' costs may vary.

Equiniti maintains a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers.

Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Visit www.shareview.co.uk for more details.

Association of Investment Companies

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

NPMI Status

The Company currently conducts its affairs so that its shares (with ISIN GB0008710799 and ticker ATR) 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.

Dealing Codes

The dealing codes for the shares in the Company are as follows:

ISIN	GB0008710799
SEDOL	0871079
Ticker	ATR