

Schroders

Schroder Japan Growth  
Fund plc

Half Year Report and Accounts  
for the six months ended  
31 January 2018



## Investment objective

The Company's principal investment objective is to achieve capital growth from an actively managed portfolio principally comprising securities listed on the Japanese stock markets, with the aim of achieving growth in excess of the TSE First Section Total Return Index in sterling over the longer term.

## Investment policy

The Manager utilises an active stock driven investment approach, drawing on Schrodgers' extensive research resources in Japan. The portfolio is principally invested in a broad range of companies quoted on the Tokyo Stock Exchange, the regional stock markets of Fukuoka, Hiroshima, Kyoto, Nagoya, Niigata, Osaka and Sapporo and the Japanese over the counter (OTC) market. Investments may also be made in companies listed elsewhere but controlled from Japan or with a material exposure to the Japanese economy. There are no constraints on size of company or sector allocation. This flexibility will allow the Manager to take advantage of changes in market sentiment and in the domestic economic cycle as it develops.

The portfolio is mainly invested in equities but may also be invested in warrants, convertibles and other derivative instruments where appropriate. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange, but would not normally make such investment except where the Manager expects that the securities will shortly become listed on a Japanese stock market.





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# Financial Highlights

## Total returns for the six months ended 31 January 2018<sup>1</sup>



**Net asset value  
("NAV") per share<sup>2</sup>**



**Share price<sup>2</sup>**



**Benchmark<sup>3</sup>**

<sup>1</sup>Total returns measure the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

<sup>2</sup>Source: Morningstar.

<sup>3</sup>Source: Thomson Reuters. The Company's benchmark is the TSE First Section Total Return Index in sterling terms.

## Other financial information

	31 January 2018	31 July 2017	% Change
Shareholders' funds (£'000)	<b>290,778</b>	269,304	+8.0
Shares in issue	<b>125,008,200</b>	125,008,200	-
NAV per share (pence)	<b>232.61</b>	215.43	+8.0
Share price (pence)	<b>224.00</b>	195.00	+14.9
Share price discount to NAV per share (%)	<b>3.7</b>	9.5	
Gearing (%) <sup>1</sup>	<b>11.5</b>	11.2	

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

# Interim Management Report – Chairman’s Statement

## Performance

The Company has continued to benefit from good performance from the Japanese stock market. In the six-month period to 31 January 2018, the benchmark produced a total return of 7.5% and the Company outperformed it, producing a total return of 9.7%. The share price performed very well, producing a total return of 16.8%. There continued to be an improvement in investor sentiment towards Japan during the period and the discount further narrowed, from 9.5% at the start of the period to 3.7% at its close, with the average discount at 7.1%.

Further performance details are set out in the Manager’s Review on page 4.

## Board refreshment

Having served as a Director since 1999 and as Chairman since 2004, I will retire at the Annual General Meeting on 1 November 2018 and not seek re-election as a Director. As part of its discussions on succession, the Board has considered its composition and membership of its committees. I am very pleased to confirm that the Board has agreed that Anja Balfour will succeed me as Chairman. Anja joined the Board in 2013, has undertaken the role of Audit Committee Chairman with distinction and played an invaluable role in the leadership of the Company.

Following the search for a new director undertaken last year, Belinda Richards joined the Board on 1 January. As part of its discussions relating to Anja’s future appointment as Chairman, the Board also agreed that Belinda will replace Anja as the Company’s Audit Committee Chairman. Belinda has significant experience as an audit committee member and chairman, and is very well suited for this role.

Before turning to the outlook, I thought it would be interesting to reflect over my time as a Director and review the Company’s performance in that period. It is pleasing to note that since July 1999 the share price total return was 161.8%.

## Outlook

What has changed in Japan since I joined the Board in 1999? The good news is that I feel most of the changes have been positive for shareholders. Japan now has a government committed to structural reform; large parts of the corporate sector are more shareholder-friendly; and most Japanese equities are not just on lower valuations than then, but also more are reporting on internationally-accepted accounting standards. Japan today needs to offer a better outlook than – with hindsight – it did in 1999 (the market now is almost at the same level in local currency terms as it was then) and I believe it does.

By comparison, our Manager’s investment process has not changed materially over the years. It has produced the Company’s long-term record of outperformance, and we want it to continue to do so. There are interesting changes occurring in Japan at the moment, detailed within the Manager’s Review, many of which are independent of the challenges facing Western markets, and I hope that shareholders will benefit.

**Jonathan Taylor**  
Chairman

11 April 2018

# Interim Management Report – Manager’s Review

## Market background

Despite beginning in lacklustre fashion, the stock market rose 14.6%<sup>1</sup> in local currency over the six months.

Catalysts included the calling of a snap general election, which the incumbent Liberal Democratic Party won handsomely, and increasing confidence surrounding global economic trends. In addition, profit announcements at Japanese companies were generally positive. Sterling continued its recovery from the fall following the UK’s EU referendum, and, as a result, the market’s return in sterling was lower at 7.5%<sup>1</sup>.

Japan’s economic performance has been robust, with real GDP recording positive growth for each of the last eight quarters. Whilst the inflation target of 2% set almost five years ago by the Bank of Japan at the outset of Abenomics remains distant, and its achievement date has been pushed out until the second half of 2019, some pressures are building judging by the tight labour market and capacity constraints in some industries. After several years of pushing the boundaries of unorthodox monetary policy, the Bank of Japan has largely sat on its hands over the last six months with the result that policy remains accommodating at a time when other central banks are wrestling with the issue of how quickly to tighten policy or reverse the quantitative easing of recent years.

The best performing sectors in the market were largely beneficiaries of the strong global economy such as commodity price sensitive areas (oil, trading companies, non ferrous metals). Related to this but reflective more of two industry trends, namely investment in automation and in semiconductor manufacturing capacity, the machinery and electric appliance sectors were also strong performers. At the other end of the spectrum more defensive areas such as food and telecoms lagged, with the latter also being hit by announcement of a fourth entrant into the domestic mobile market.

The NAV’s total return of 9.7%<sup>1</sup> in sterling outperformed the benchmark’s 7.5%<sup>1</sup>. Gearing contributed positively given the relatively strong market returns. Cyclical holdings such as trading companies and machinery benefited relative performance. Detractors included telecoms and some of the small cap holdings such as Hi-Lex and Sakata Inx, which suffered profit disappointments.

<sup>1</sup>Source: Morningstar, 31 January 2018.

## Stock selection impact – 6 months to 31 January 2018

Five largest contributors	Portfolio weight %	Load difference %	Absolute return %	Impact %
Disco	2.1	+2.0	+31.3	+0.4
JXTG	1.6	+1.2	+50.0	+0.3
SMC	1.3	+0.8	+53.2	+0.2
TDK	2.4	+2.3	+27.4	+0.2
Nabtesco	1.0	+0.9	+44.8	+0.2

Five largest detractors	Portfolio weight %	Load difference %	Absolute return %	Impact %
Hi-Lex	2.2	+2.2	+0.0	-0.4
KDDI	2.8	+1.7	-4.3	-0.3
Sakata Inx	1.1	+1.0	-6.8	-0.2
Nippon Telephone and Telegraph	2.8	+1.2	-2.3	-0.2
Sompo Japan Nipponkoa	2.0	+1.6	+2.0	-0.2

Source: Factset. Past performance is not a guide to future performance and may not be repeated. Contributions are purely indicative as Factset uses unaudited data. Stock weights are average weights over the period and returns are expressed in yen.

## Activity

The portfolio is overweight financials but we made some switches within the sector. For example, we sold out of Jafco (venture capitalist specialist) following outperformance on the announcement of a large share buy back. We added to the position in Nomura, where the share price lagged in spite of a more buoyant stock market, despite this normally being a favourable background for the shares. In the casualty insurance sector we switched some of the position in Sompo Holdings into Tokio Marine Holdings on grounds of relative share price performance.

We started a new holding in Murata Manufacturing (electronic components). The stock had been on our radar for a while given the high quality of the business and the management but the valuation had seemed rich. However, over the last year the company ran into short term production yield problems on a product supplied to Apple, leading to a fall in the share price, which provided an entry point. This was largely funded by selling Hoya, a long-term holding where valuations had become stretched.

# Interim Management Report – Manager’s Review

Amongst deeper cyclicals we switched the holding in Sumitomo Heavy Industries into IHI. Both are conglomerates but the latter had lagged and has businesses with attractive prospects in aerospace components and turbo chargers.

## Outlook

Our view on balance remains positive, although we recognise more headwinds than at the time of our review in September. Positive drivers include supportive monetary policy, relatively low valuations, corporate governance improvements and positive funds flow. Although global economic momentum may be peaking, it remains supportive and, domestically, the tight labour market should eventually be a source of inflation.

Contrary to expectations, the yen has traded firmly, especially relative to the dollar. Over the last year there have been signs of a weakening relationship between the currency and the market but at the same time, the stronger currency may prompt companies to issue conservative guidance for next fiscal year, ending March 2019. Politics also hold some risks, internationally due to increased protectionism and domestically because the scandal in which Prime Minister Abe and his party were embroiled last summer has resurfaced. The twice postponed increase in VAT from 8% to 10% now seems likely to get the green light effective from October 2019. This would represent fiscal tightening, although the impact will probably be mitigated by announcement of an offsetting package of fiscal stimulus measures.

## Investment policy

We continue to see opportunities in larger-cap value parts of the market which have lagged, such as financials and cyclical machinery companies. High-flying cyclical growth areas such as factory automation and semiconductor production equipment manufacturers seem overbought and we are taking profits in some. Domestically, we remain overweight retail but have reduced positions following a short term rebound in prices. The domestic telecom holdings have been weak performers due to increased competition but sentiment seems too negative at this point and we have added to positions. The portfolio is overweight small companies but to a lesser degree than has historically been the case.

## Largest relative stock positions – as at 31 January 2018

Five largest overweights	Portfolio %	Benchmark %	Difference %
Bridgestone	3.3	0.7	+2.6
TDK	2.7	0.2	+2.5
Sankyu	2.2	0.0	+2.2
Sumitomo Mitsui Financial	3.5	1.4	+2.1
Hi-Lex	2.1	0.0	+2.1

Five largest underweights	Portfolio %	Benchmark %	Difference %
Softbank	0.0	1.5	-1.5
Sony	0.0	1.3	-1.3
Keyence	0.0	1.2	-1.2
Fanuc	0.0	1.1	-1.1
Mizuho Financial	0.0	1.0	-1.0

Source: Schroders.

Gearing was 11.5% at 31 January 2018.

## Top 5 overweight/underweight sector positions vs. benchmark as at 31 January 2018

Portfolio weight %		
7.9	Retail Trade	3.4
7.2	Land Transportation	3.3
5.0	Insurance	2.8
3.2	Rubber Products	2.2
2.0	Air Transportation	1.4
12.4	Electric Appliances	-1.7
0.3	Other Products	-1.9
5.2	Information and Communication	-2.0
1.0	Foods	-3.4
0.6	Services	-3.6

Source: Schroders.

## Schroder Investment Management Limited 11 April 2018

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

# Interim Management Report

## Investment Portfolio at 31 January 2018

Stocks in bold are the 20 largest investments, which by value account for 47.1% (31 July 2017: 49.2% and 31 January 2017: 49.8%) of total investments.

	£'000	%
<b>Electrical Appliances</b>		
<b>TDK</b>	<b>8,797</b>	<b>2.7</b>
<b>Koito Manufacturing</b>	<b>5,986</b>	<b>1.8</b>
<b>Mitsubishi Electric</b>	<b>5,864</b>	<b>1.8</b>
Fujitsu	4,778	1.4
Hitachi	4,548	1.4
Canon	3,780	1.2
Nidec	2,574	0.8
Murata Manufacturing	2,043	0.6
<b>Total Electrical Appliances</b>	<b>38,370</b>	<b>11.7</b>
<b>Transportation Equipment</b>		
<b>Toyota Motor</b>	<b>14,086</b>	<b>4.3</b>
<b>Hi-Lex</b>	<b>6,658</b>	<b>2.1</b>
<b>Isuzu Motors</b>	<b>5,489</b>	<b>1.7</b>
Honda Motor	4,298	1.3
Unipres	2,522	0.8
Musashi Seimitsu Industry	1,119	0.3
<b>Total Transportation Equipment</b>	<b>34,172</b>	<b>10.5</b>
<b>Land Transportation</b>		
<b>East Japan Railway</b>	<b>8,389</b>	<b>2.6</b>
<b>Sankyu</b>	<b>7,237</b>	<b>2.2</b>
Central Japan Railway	4,438	1.4
Hitachi Transport System	3,722	1.1
<b>Total Land Transportation</b>	<b>23,786</b>	<b>7.3</b>
<b>Banks</b>		
<b>Sumitomo Mitsui Financial</b>	<b>11,411</b>	<b>3.5</b>
<b>Mitsubishi UFJ Financial</b>	<b>6,124</b>	<b>1.9</b>
Fukuoka Financial	2,594	0.8
Seventy Seven Bank	2,304	0.7
Chiba Bank	602	0.2
Suruga Bank	592	0.2
<b>Total Banks</b>	<b>23,627</b>	<b>7.3</b>
<b>Retail Trade</b>		
AT Group	4,793	1.4
Seven and I	4,443	1.4
Izumi	3,143	0.9
H2O Retailing	2,865	0.9
ABC-Mart	2,553	0.8
Nafco	2,138	0.7
Don Quijote	1,801	0.6
Advan	597	0.2
<b>Total Retail Trade</b>	<b>22,333</b>	<b>6.9</b>

	£'000	%
<b>Chemicals</b>		
<b>SK Kaken</b>	<b>5,853</b>	<b>1.8</b>
Sekisui Chemical	4,685	1.4
Fujifilm	3,760	1.2
Sakata Inx	3,095	1.0
T&K Toka	2,023	0.6
Nippon Shokubai	1,708	0.5
Nippon Soda	1,192	0.4
<b>Total Chemicals</b>	<b>22,316</b>	<b>6.9</b>
<b>Wholesale Trade</b>		
<b>Mitsui &amp; Co.</b>	<b>8,013</b>	<b>2.5</b>
Inabata	3,971	1.2
Yamada Denki	3,751	1.2
Itochu	2,872	0.9
Mitsubishi	723	0.2
<b>Total Wholesale Trade</b>	<b>19,330</b>	<b>6.0</b>
<b>Information and Communication</b>		
<b>KDDI</b>	<b>8,600</b>	<b>2.6</b>
<b>Nippon Telephone and Telegraph</b>	<b>8,496</b>	<b>2.6</b>
Chubu Nippon Broadcasting	809	0.2
<b>Total Information and Communication</b>	<b>17,905</b>	<b>5.4</b>
<b>Machinery</b>		
<b>Disco</b>	<b>6,678</b>	<b>2.1</b>
Nabtesco	3,265	1.0
Nippon Thompson	2,452	0.8
JTEKT	1,902	0.6
Glory	1,812	0.6
IHI Corporation	916	0.3
<b>Total Machinery</b>	<b>17,025</b>	<b>5.4</b>
<b>Insurance</b>		
<b>T&amp;D</b>	<b>6,348</b>	<b>2.0</b>
Tokio Marine	5,136	1.6
Sompo Japan Nipponkoa	5,132	1.6
<b>Total Insurance</b>	<b>16,616</b>	<b>5.2</b>
<b>Pharmaceutical</b>		
<b>Santen Pharmaceutical</b>	<b>5,635</b>	<b>1.7</b>
Otsuka	4,241	1.3
Astellas Pharma	2,412	0.7
Ship Healthcare	924	0.3
<b>Total Pharmaceutical</b>	<b>13,212</b>	<b>4.0</b>



# Interim Management Report

## Investment Portfolio at 31 January 2018

	£'000	%
<b>Rubber Products</b>		
Bridgestone	10,595	3.3
<b>Total Rubber Products</b>	<b>10,595</b>	<b>3.3</b>
<b>Precision Instruments</b>		
SMC	5,203	1.6
Shimadzu	2,936	0.9
Enplas	1,098	0.3
Renesas Electronics	809	0.2
<b>Total Precision Instruments</b>	<b>10,046</b>	<b>3.0</b>
<b>Construction</b>		
JGC	4,230	1.3
Haseko	3,787	1.2
Sanki Engineering	1,743	0.5
<b>Total Construction</b>	<b>9,760</b>	<b>3.0</b>
<b>Real Estate</b>		
Mitsui Fudosan	3,374	1.0
Iida	2,329	0.7
Nomura Real Estate	2,014	0.6
<b>Total Real Estate</b>	<b>7,717</b>	<b>2.3</b>
<b>Air Transportation</b>		
Japan Airlines	6,696	2.1
<b>Total Air Transportation</b>	<b>6,696</b>	<b>2.1</b>
<b>Securities and Commodity</b>		
Nomura	4,150	1.3
Tokai Tokyo Securities	2,222	0.7
<b>Total Securities and Commodity</b>	<b>6,372</b>	<b>2.0</b>
<b>Oil and Coal products</b>		
JXTG	5,964	1.8
<b>Total Oil and Coal products</b>	<b>5,964</b>	<b>1.8</b>

	£'000	%
<b>Non-Ferrous Metals</b>		
Sumitomo Electric Industries	2,861	0.9
Dowa	2,828	0.9
<b>Total Non-Ferrous Metals</b>	<b>5,689</b>	<b>1.8</b>
<b>Other Financing Business</b>		
Hitachi Capital	3,380	1.0
<b>Total Other Financing Business</b>	<b>3,380</b>	<b>1.0</b>
<b>Services</b>		
Recruit	1,911	0.6
<b>Total Services</b>	<b>1,911</b>	<b>0.6</b>
<b>Tobacco</b>		
Japan Tobacco	1,823	0.6
<b>Total Tobacco</b>	<b>1,823</b>	<b>0.6</b>
<b>Iron and Steel</b>		
Mirai Industry	957	0.3
JFE	507	0.2
<b>Total Iron and Steel</b>	<b>1,464</b>	<b>0.5</b>
<b>Foods</b>		
Sapporo Breweries	1,433	0.4
<b>Total Foods</b>	<b>1,433</b>	<b>0.4</b>
<b>Warehousing and Harbour Transportation Services</b>		
Kintetsu World Express	1,311	0.4
<b>Total Warehousing and Harbour Transportation Services</b>	<b>1,311</b>	<b>0.4</b>
<b>Marine Transportation</b>		
Mitsui O.S.K. Lines	996	0.3
<b>Total Marine Transportation</b>	<b>996</b>	<b>0.3</b>
<b>Other Products</b>		
Nintendo	927	0.3
<b>Total Other Products</b>	<b>927</b>	<b>0.3</b>
<b>Total investments</b>	<b>324,776</b>	<b>100.0</b>

# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; and service provider. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 11 and 12 of the Company's published Annual Report and Accounts for the year ended 31 July 2017. These risks and uncertainties have not materially changed during the six months ended 31 January 2018.

## Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 13 of the published Annual Report and Accounts for the year ended 31 July 2017, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 January 2018.

## Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and updated in January 2017 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

# Income Statement

## For the six months ended 31 January 2018 (unaudited)

	(Unaudited) For the six months ended 31 January 2018			(Unaudited) For the six months ended 31 January 2017			(Audited) For the year ended 31 July 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	-	22,388	22,388	-	37,784	37,784	-	41,386	41,386
Net foreign currency gains	-	2,275	2,275	-	953	953	-	1,910	1,910
Income from investments	3,112	-	3,112	2,763	-	2,763	6,391	-	6,391
Other interest receivable and similar income	1	-	1	-	-	-	-	-	-
<b>Gross return</b>	<b>3,113</b>	<b>24,663</b>	<b>27,776</b>	2,763	38,737	41,500	6,391	43,296	49,687
Investment management fee	(343)	(800)	(1,143)	(312)	(729)	(1,041)	(621)	(1,450)	(2,071)
Administrative expenses	(308)	-	(308)	(265)	-	(265)	(501)	-	(501)
<b>Net return before finance costs and taxation</b>	<b>2,462</b>	<b>23,863</b>	<b>26,325</b>	2,186	38,008	40,194	5,269	41,846	47,115
Finance costs	(50)	(115)	(165)	(56)	(131)	(187)	(108)	(252)	(360)
<b>Net return on ordinary activities before taxation</b>	<b>2,412</b>	<b>23,748</b>	<b>26,160</b>	2,130	37,877	40,007	5,161	41,594	46,755
Taxation on ordinary activities (note 3)	(311)	-	(311)	(276)	-	(276)	(639)	-	(639)
<b>Net return on ordinary activities after taxation</b>	<b>2,101</b>	<b>23,748</b>	<b>25,849</b>	1,854	37,877	39,731	4,522	41,594	46,116
<b>Return per share (note 4)</b>	<b>1.68p</b>	<b>19.00p</b>	<b>20.68p</b>	1.48p	30.30p	31.78p	3.62p	33.27p	36.89p

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

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

# Statement of Changes in Equity

## For the six months ended 31 January 2018 (unaudited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2017	12,501	7	3	97,205	154,475	5,113	269,304
Net return on ordinary activities	-	-	-	-	23,748	2,101	25,849
Dividend paid in the period (note 5)	-	-	-	-	-	(4,375)	(4,375)
<b>At 31 January 2018</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>178,223</b>	<b>2,839</b>	<b>290,778</b>

## For the six months ended 31 January 2017 (unaudited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2016	12,501	7	3	97,205	112,881	4,091	226,688
Net return on ordinary activities	-	-	-	-	37,877	1,854	39,731
Dividend paid in the period (note 5)	-	-	-	-	-	(3,500)	(3,500)
<b>At 31 January 2017</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>150,758</b>	<b>2,445</b>	<b>262,919</b>

## For the year ended 31 July 2017 (audited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2016	12,501	7	3	97,205	112,881	4,091	226,688
Net return on ordinary activities	-	-	-	-	41,594	4,522	46,116
Dividend paid in the year (note 5)	-	-	-	-	-	(3,500)	(3,500)
<b>At 31 July 2017</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>154,475</b>	<b>5,113</b>	<b>269,304</b>

# Statement of Financial Position at 31 January 2018 (unaudited)

	(Unaudited) At 31 January 2018 £'000	(Unaudited) At 31 January 2017 £'000	(Audited) At 31 July 2017 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	324,776	291,316	300,497
<b>Current assets</b>			
Debtors	1,046	579	949
Cash at bank and in hand	5,218	14,235	11,026
	<b>6,264</b>	14,814	11,975
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	(1,608)	(847)	(1,979)
<b>Net current assets</b>	<b>4,656</b>	13,967	9,996
<b>Total assets less current liabilities</b>	<b>329,432</b>	305,283	310,493
Creditors: amounts falling due after more than one year (note 6)	(38,654)	(42,364)	(41,189)
<b>Net assets</b>	<b>290,778</b>	262,919	269,304
<b>Capital and reserves</b>			
Called-up share capital (note 7)	12,501	12,501	12,501
Share premium	7	7	7
Warrant exercise reserve	3	3	3
Share purchase reserve	97,205	97,205	97,205
Capital reserves	178,223	150,758	154,475
Revenue reserve	2,839	2,445	5,113
<b>Total equity shareholders' funds</b>	<b>290,778</b>	262,919	269,304
<b>Net asset value per share (note 8)</b>	<b>232.61p</b>	210.32p	215.43p

Registered in England and Wales

Company Registration Number: 2930057

# Notes to the Accounts

## 1. Financial statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31 July 2017 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

### Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in November 2014 and updated in January 2017.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 July 2017.

## 3. Taxation on ordinary activities

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The tax charge comprises irrecoverable overseas withholding tax.

## 4. Return per share

	(Unaudited) Six months ended 31 January 2018 £'000	(Unaudited) Six months ended 31 January 2017 £'000	(Audited) Year ended 31 July 2017 £'000
Revenue return	2,101	1,854	4,522
Capital return	23,748	37,877	41,594
<b>Total return</b>	<b>25,849</b>	<b>39,731</b>	<b>46,116</b>
Weighted average number of shares in issue during the period	125,008,200	125,008,200	125,008,200
Revenue return per share	1.68p	1.48p	3.62p
Capital return per share	19.00p	30.30p	33.27p
<b>Total return per share</b>	<b>20.68p</b>	<b>31.78p</b>	<b>36.89p</b>

## 5. Dividends paid

	(Unaudited) Six months ended 31 January 2018 £'000	(Unaudited) Six months ended 31 January 2017 £'000	(Audited) Year ended 31 July 2017 £'000
2017 final dividend paid of 3.50p (2016: 2.80p)	4,375	3,500	3,500

No interim dividend has been declared in respect of the year ending 31 July 2018 (2017: nil).

## Notes to the Accounts continued

### 6. Creditors: amounts falling due after more than one year

	(Unaudited) Six months ended 31 January 2018 £'000	(Unaudited) Six months ended 31 January 2017 £'000	(Audited) Year ended 31 July 2017 £'000
Bank loan	38,654	42,364	41,189

The bank loan is a yen 6.0 billion three-year term loan with Scotiabank, expiring on 18 January 2019, and carrying a fixed interest rate of 0.82% per annum.

### 7. Called-up share capital

	(Unaudited) 31 January 2018 £'000	(Unaudited) 31 January 2017 £'000	(Audited) 31 July 2017 £'000
Ordinary shares allotted, called up and fully paid: 125,008,200 ordinary shares of 10p each	12,501	12,501	12,501

### 8. Net asset value per share

Net asset value per share is calculated by dividing total equity shareholders' funds by the number of shares in issue of 125,008,200 (31 January 2017 and 31 July 2017: same).

### 9. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 January 2018, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 July 2017 and 31 January 2017: same).

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

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

## Directors

Jonathan Taylor (Chairman)  
Anja Balfour  
Alan Gibbs  
Richard Greer  
Belinda Richards

## Advisers

### Alternative Investment Fund Manager ("Manager")

Schroder Unit Trusts Limited  
31 Gresham Street  
London EC2V 7QA

### Investment Manager and Company Secretary

Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
Telephone: 020 7658 2356

### Registered Office

31 Gresham Street  
London EC2V 7QA

### Depositary and Custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Lending Bank

Scotiabank Europe PLC  
201 Bishopsgate  
London EC2M 3NS

### Corporate Broker

Cenkos Securities plc  
6-8 Tokenhouse Yard  
London EC2R 7AS

## Registrar

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

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the address above.

## Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants  
and Statutory Auditors  
7 More London Riverside  
London SE1 2RT

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

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

## Dealing Codes

ISIN Number: GB0008022849  
SEDOL Number: 0802284  
Ticker: SJG

## Global Intermediary Identification Number (GIIN)

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## Legal Entity Identifier (LEI)

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