Annual Report 2023

The Scottish Oriental
Smaller Companies Trust plc

Comparative Indices

Since 1 September 2021 the Directors have used the Morgan Stanley Capital International AC Asia ex Japan Small Cap Index as its primary comparator. This Index is made up of companies with a free float-adjusted market capitalisation of between US$10m and US$5,740m. The range does not exactly match that of the Company, which has no lower limit and which invests mainly in companies with a market capitalisation of under US$5,000m at the time of first investment. Nevertheless, it gives a useful indication of the performance of smaller listed companies in Asia over recent years.

For comparison purposes, we are also displaying the Morgan Stanley Capital International AC Asia ex Japan Index to measure the Company's performance, which covers the relevant markets with the exception of Bangladesh, Sri Lanka and Vietnam. This index which is dominated by larger companies has the dual merit of being the most widely recognised regional index and of pre-dating the inception of the Company in March 1995.

As most investors in the Company are based in the United Kingdom, the Directors consider that it is also relevant to compare the Company's performance to that of the FTSE All-Share Index.

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Investment Objective

The investment objective of The Scottish Oriental Smaller Companies Trust plc is to achieve long-term capital growth by investing mainly in smaller Asian quoted companies.

Financial Highlights

Total Return Performance for the year ended 31 August 2023

Net Asset Value[A]	6.5%	MSCI AC Asia ex Japan Small Cap Index (£)	1.8%
Share Price[A]	8.4%	MSCI AC Asia ex Japan Index (£)	(8.4)%
Final dividend maintained at 13.0p per share		FTSE All-Share Index (£)	5.2%

Summary Data at 31 August 2023

Shares in issue	24,359,851	Shareholders' Funds	£354.6m
Net Asset Value per share	1,455.6p	Market Capitalisation	£310.6m
Share Price	1,275.0p	Share Price Discount to Net Asset Value[A]	12.4%
Ongoing Charges Ratio[AB]	1.60%	Active Share (MSCI AC Asia ex Japan Small Cap Index)[C]	97.5%
Ongoing Charges Ratio (excluding performance fee)[AB]	0.95%	Active Share (MSCI AC Asia ex Japan Index)[C]	99.7%
Net Cash[A]	4.0%		

[A] Alternative Performance Measure.

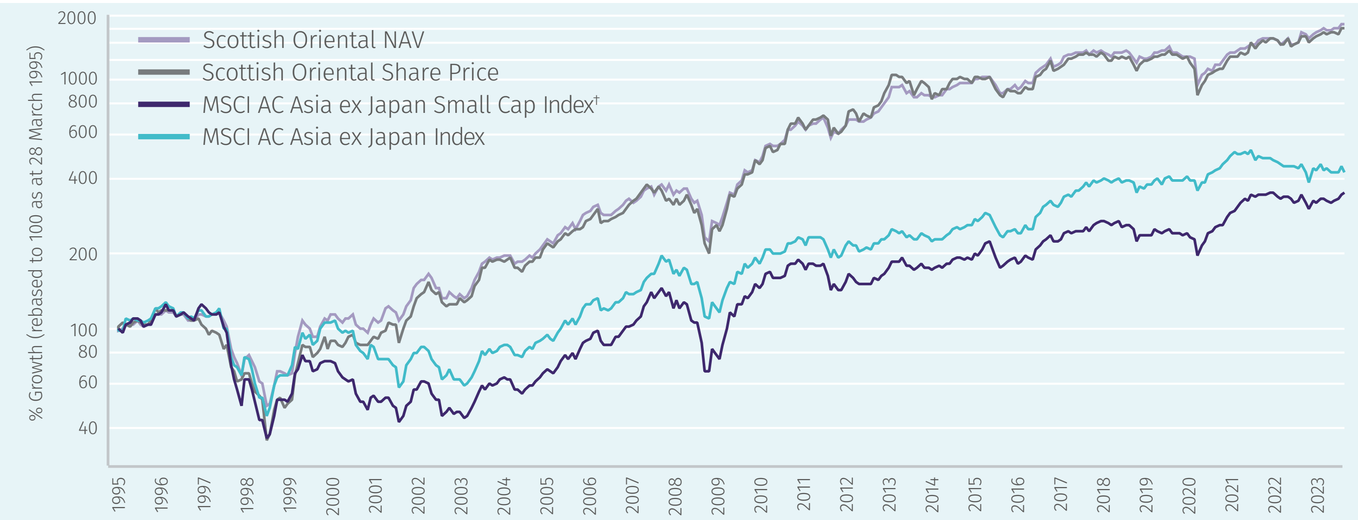
[B] A performance fee of £2,247,000 is payable relating to the year ending 31 August 2023 (2022: nil) please refer to note 2 on page 58 for more details.

[C] The Active Share ratio figures illustrate the extent to which The Scottish Oriental Smaller Companies Trust plc's portfolio differs from each index; 100 per cent would indicate that there is no overlap whatsoever.

A glossary of terms and Alternative Performance Measures is provided on pages 69 to 71.

Total Return Performance

Since 28 March 1995*



* The date which the Company was launched

† The MSCI AC Asia ex Japan Small Cap Index was launched on 1 June 2007, growth shown prior to this is an estimate based on the historical results of the companies in the index.

Chairman’s Statement

I am pleased to present my second annual report as Chairman and to report that the Company has continued to build on the previous two years’ strong performance. The Net Asset Value (“NAV”) per share rose by 6.5 per cent in total return terms over the 12 months to 31 August 2023. This compares favourably to the MSCI AC Asia ex Japan Small Cap Index, the MSCI AC Asia ex Japan Index, and the FTSE All-Share Index which returned 1.8 per cent, -8.4 per cent and 5.2 per cent respectively during the same period.

During the period under review, the Company’s share price increased by 8.4 per cent. As a result, the discount narrowed to 12.4 per cent from 14.0 per cent at the previous year end.

The Investment Manager’s portfolio construction process is based on fundamental, bottom up analysis, focused on corporate governance, growth prospects, valuation and potential long term returns. As such this approach is index agnostic and very much active in style. With a view to rewarding performance which is better than the return investors would receive from investing in the benchmark, there is a performance fee component to management remuneration which is designed to incentivise the delivery of superior performance above the MSCI AC Asia ex Japan Small Cap Index.

Following three years of share price growth, a performance fee of £2,247,000 was earned by the Investment Manager in the year under review. Following the change to the Company’s comparator index we have reviewed the terms of the investment management agreement. The Investment Manager has agreed that for the current three year performance period, a chain-linked comparator index, using; (i) the MSCI AC Asia (ex-Japan) for periods up to and including 31 August 2021; and (ii) the MSCI AC Asia ex Japan Small Cap Index (GBP) for periods with effect from 1 September 2021.

We believe that a system that fairly remunerates the Investment Manager for long term outperformance is also a benefit to shareholders. We are currently reviewing the terms of the investment management agreement and hope to provide an update on this to shareholders in the coming months.

The Portfolio Managers’ Report on pages 5 to 18 addresses the performance of the Company and expands on the investment process the managers have followed over many years to take advantage of the key investment themes prevailing in the Asian markets. The report goes on to examine reasons for the transactions that have taken place which have resulted in the current positioning of the portfolio. What comes across is a manager who considers all aspects of a company’s business model and the risks associated with investing whilst taking account of the long term sustainable potential on offer. I hope you agree that it is a most informative read.

During the year, the Company bought back 457,128 ordinary shares. The Company’s share price traded in a discount range of between 9.5 per cent and 16.1 per cent. Whilst the Board continues to have no formal discount control mechanism in place the Company's shares are re-purchased in the market when deemed appropriate to do so, within the buyback authority granted by shareholders.

In last year’s annual report, I reported an uplift to the Company’s revenue earnings per share from 9.02p to 16.66p. However in 2023, as a result of changes to the investment portfolio, revenue earnings per share (largely reflecting the dividends paid by the companies in our portfolio) has fallen to 14.19p. This should not be a cause of concern for shareholders as this is due to the Investment Manager picking stocks that align with the Company’s long term capital growth objective. The Board is proposing to maintain the final dividend per share at 13.0p, but not to pay an additional special dividend this year.

Anne West has decided that after 13 years as a non-executive Director she will step down from the Board at the forthcoming AGM. Anne has been a strong presence on the Board and her very positive contributions will be missed. I am pleased to report that following a thorough selection process Uma Bhugtiar joined the Board on 19 October 2023. Uma is a corporate lawyer with a great deal of experience in Asian capital markets. I am sure she will be a strong addition to the Board and recommend that shareholders vote in favour of her election at the AGM. As a Board we are always mindful of the mix of skills and experience that we have and with that in mind we are in the process of recruiting a fifth Director who should be appointed in early 2024.

Shareholders can keep up to date on the performance of the portfolio through the Company’s website at www.scottishoriental.com

The Board welcomes communication from shareholders and I can be contacted directly through the Company Secretary at cosec@junipartners.com

This year’s Annual General Meeting (‘AGM’) will be held on Thursday, 7 December 2023 at the offices of Juniper Partners Limited, 28 Walker Street, Edinburgh. The Board looks forward to seeing those of you who can attend the meeting in person.

Jeremy Whitley
Chairman

6 November 2023

Investment Management Team

The Scottish Oriental Smaller Companies Trust plc ("Scottish Oriental", the "Company" or the "Trust") is managed by FSSA Investment Managers, part of First Sentier Investors, which is a member of Mitsubishi UFJ Financial Group, a global finance group. FSSA Investment Managers is a trading name for First Sentier Investors (UK) Funds Limited which is authorised and regulated by the Financial Conduct Authority.

Vinay Agarwal
Lead Manager

Vinay Agarwal is Lead Manager of The Scottish Oriental Smaller Companies Trust plc and is also a Director of FSSA Investment Managers. Joining FSSA Investment Managers in 2011, Vinay manages Regional Asia and Indian Subcontinent portfolios. Vinay graduated in 2002 with a management degree with a major in Finance from the Indian Institute of Management Calcutta, and has more than 17 years of investment experience. He also holds a Bachelor of Commerce (Hons) degree with a major in Accountancy from Calcutta University.

Martin Lau
Co-Manager

Martin Lau is a Managing Partner of FSSA Investment Managers and the Co-Manager of The Scottish Oriental Smaller Companies Trust plc. He has been with the team for over 20 years, starting with the firm as Director, Greater China Equities, in 2002. Martin is the lead manager of a number of First Sentier funds, based in Hong Kong. He has more than 24 years of investment experience and graduated from Cambridge University with a Bachelor of Arts degree and a Master's degree in Engineering. He is also a CFA charterholder.

Sreevardhan Agarwal
Deputy Manager

Sreevardhan Agarwal is an Investment Analyst at FSSA Investment Managers. Sree joined FSSA Investment Managers as a graduate from the National University of Singapore with a management degree and a specialisation in Finance in 2014. He provides research support to the portfolio managers, with coverage across Asian markets.

Members of the FSSA team own 594,682 (2022: 586,397) shares in the Company.

Portfolio Managers' Report

In this report, we address the following topics:

Company Performance
Key Investment Themes in Scottish Oriental's Portfolio
Recent Portfolio Activity
Ten Largest Holdings as at 31 August 2023
Sector & Geographic Analysis
Portfolio Positioning & Outlook

1. Company Performance

Scottish Oriental continued its positive performance over the last 12 months. Its net asset value rose by 6.5% for the year ended 31 August 2023, compared to a gain of 1.8% for the MSCI AC Asia ex-Japan Small Cap index and a decline of 8.4% for the MSCI AC Asia Ex Japan Index. The largest contributors to performance were the holdings in Indonesia and India. The biggest detractors from performance were the portfolio's holdings in South Korea and the Philippines.

Top Five Contributors

Company	Country	Sector	Absolute Return (Sterling)%	Contribution Performance %
Mitra Adiperkasa	Indonesia	Consumer Discretionary	73.7	2.6
Hisense Home Appliances	Hong Kong	Consumer Discretionary	129.5	2.1
Selamat Sempurna	Indonesia	Consumer Discretionary	55.4	2.1
Astra Otoparts	Indonesia	Consumer Discretionary	143.5	1.9
CIE Automotive India	India	Consumer Discretionary	74.2	1.4

Mitra Adiperkasa reported strong sales and profit growth, benefiting from the removal of movement restrictions in Indonesia as well as changes made to its store network. The company is seeing strong demand across its portfolio of premium discretionary retail and food & beverage formats in Indonesia. It is also accelerating its expansion into other ASEAN countries through brands such as Zara and Foot Locker.

Portfolio Managers' Report cont'd

"We launched an equity incentive scheme covering more than 600 core management and key employees of the Company, further improving the Company's medium and long-term incentive system... the introduction of the equity incentive scheme also conveys to the capital market the Company's strategic vision and confidence in its performance growth."

Dai Hui Zhong, Chairman, Hisense Home Appliances (2022 Annual Report).

Hisense Home Appliances also reported strong operating performance driven by its central air conditioner businesses, as demand strengthened after Covid-19 restrictions were removed in China, while raw material costs also declined leading to an improvement in its profitability levels. In addition, the company announced the formation of a new employee stock option scheme for its management. This is a crucial step in its ownership reform, which began in 2020. It intends to improve alignment of shareholders with the company's management and create a stronger performance-oriented culture.

Selamat Sempurna, the largest manufacturer of filters for automotive and off-highway applications in Indonesia, also delivered strong financial performance, driven by robust demand in Indonesia and a demand recovery in some of its international markets such as in Europe. As Selamat's product mix has improved in favour of premium products, its profitability levels continue to rise. The company continued to raise its quarterly dividend per share. The management is building the company's product portfolio to cater to applications in electric vehicles. The adoption of electric vehicles is at an early stage in Indonesia and other key markets of the company. The management's focus is to build a strong position in the emerging category.

Astra Otoparts, the market leader in Indonesia's auto-components industry, has been a major beneficiary of the recovery in Indonesia's automotive sector. It has improved its operating efficiency in recent years by consolidating its manufacturing facilities and exiting joint-ventures which had delivered poor performance. The company's balance sheet has also been strengthened in recent years, and is currently at a net cash level. The improvement in automotive industry demand, as well as these changes, led to meaningful operating leverage and strong profit growth in recent periods.

"In 2022, the Company experienced an increase in production volume due to an increase in market demand. In response to this, the Company is continuously striving to improve the effectiveness of operational management and conducting digital transformation to increase productivity in all business lines, so that growth will amplify more positive impact."

Hamdhani Dzulkarnaen Salim, President Director, Astra Otoparts (2022 Annual Report)

CIE Automotive India, a leading automotive component manufacturer in India and Europe, maintained strong sales and profit growth, driven by its Indian operations where it has signed large new customers as well as gained market share with its existing customers. The company was also able to pass through higher energy costs to its customers in Europe. The management signed an agreement to sell its German forgings plant, which earns low levels of profitability. This decision is likely to lead to an improvement in CIE Automotive India's return on capital employed (ROCE).

Top Five Detractors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance %
Hero Supermarket	Indonesia	Consumer Staples	(28.3)	(0.8)
Avia Avian	Indonesia	Materials	(30.2)	(0.7)
Solara Active Pharma	India	Health Care	(29.4)	(0.5)
Sarimelati Kencana	Indonesia	Consumer Discretionary	(22.8)	(0.4)
Concepcion Industrial	Philippines	Industrials	(27.3)	(0.4)

Hero Supermarket declined after it reported operating losses (excluding property divestments) due to weak performance of its supermarket business. The company's performance has been gradually improving after Covid-19 restrictions were relaxed. Its network of Guardian Health and Beauty stores achieved strong sales growth and operating leverage. The management plans to improve inventory management and cost controls, and develop new formats to reach more customers.

Avia Avian has faced a challenging period over the last year. The sharp increase in raw material costs for the paint industry was passed on by the industry leaders to consumers through price hikes, but this led to weaker demand. Avian has focused on accelerating its new product launches, with a recent product launch, Avitex Gold, receiving a strong customer response and helping the company to gain further market share. The company has the opportunity to lead the consolidation of the relatively fragmented paint industry in Indonesia. The recent reduction in raw material costs is also expected to provide a tailwind to the company's profitability levels.

"The second half of fiscal year 2023 witnessed a strong rebound and achieved significant milestones. Our strategic priorities, which encompassed resetting our base business, restoring R&D velocity, addressing -under-recoveries, and expanding into new products and geographies, have yielded favourable outcomes."

Poorvant Purohit, Managing Director and CEO,
Solara Active Pharma
(Fiscal Year 2022-2023 Annual Report)

SOLARA
Active Pharma Sciences

Solara Active Pharma has witnessed a period of poor profitability, since the demand for some of its key active pharmaceutical ingredients (APIs) declined sharply after the pandemic. The management has partly mitigated the impact of this by signing contracts with new customers, and expanding distribution into new geographical markets. The company has also received regulatory approvals for launching new products, which should contribute to an improvement in its growth over the coming periods. We expect Solara's performance to improve under a new CEO and CFO, who were appointed in recent months and are leading the initiatives detailed above.

Sarimelati Kencana was negatively affected by a period of over-expansion of its Pizza Hut restaurant network in recent years. The company has ceased opening new outlets and will increase its focus on growing its sales per store and operating efficiency. The Board has also appointed new senior management members to strengthen the business going forward. This includes a new COO, Mr. Lukito, who spent 17 years leading businesses at Procter & Gamble in Asia. The management is also making changes to the store format and revamping the menu. In recent years, the company suffered due to the high discounting by online food aggregators, which is now waning. This should help its competitive position as well.

Concepcion Industrial was challenged by intense competition in its home appliance business. This has led to margin pressure attributed to higher costs from promotions and discounting. The growth in the company's air conditioning business has been resilient as the promotional activities took effect. However, this was tempered by lower refrigerator sales, which management attributed to reduced purchasing power and higher interest rates.

Portfolio Managers' Report cont'd

2. Key Investment Themes in Scottish Oriental's Portfolio

Our investment approach is based on bottom-up analysis to identify the most promising opportunities, rather than being influenced by country or sector preferences. We invest in businesses which are run by leaders who we feel aligned with as minority shareholders, and have a strong track record of treating all stakeholders fairly. This is particularly relevant in the Asian context, where a large part of the investment universe comprises family owned businesses. We prefer to invest with those families and management teams that take a long-term view, build a performance oriented culture and employ a conservative approach towards managing risks. We look for business franchises that are market leaders in under-penetrated categories. Our assessment is based on their ability to navigate changes in consumer preferences, competitive intensity and business cycles over the long term. Due to the market leading position of these businesses, they typically earn attractive returns on capital employed (ROCE), as they enjoy strong bargaining power with their customers, suppliers and channel partners. As the penetration levels of these categories grow over time, we expect these businesses to emerge as the large companies of the future.

Whist portfolio construction is bottom-up, by aggregating the holdings, we observe that Scottish Oriental's portfolio is exposed to certain key investment themes in the Asian region. The section below details these themes, and lists examples of the portfolio's holdings which are well positioned to capitalise on the opportunities arising from them.

Dominant consumer staples franchises

A number of Asian countries are still highly under-penetrated across consumer staples categories, ranging from oral care to baby diapers. Scottish Oriental's holdings comprise businesses which have built dominant brands in these categories. This includes family owned businesses as well as subsidiaries of large multi-national corporations. The categories in which these companies operate offer attractive growth runways in the coming years. This growth is expected to be driven by both higher volumes, as well as the consumption of a larger share of premium products. In many instances, premiumisation also leads to better profitability for our portfolio holdings. Their strong brands, built by years of consistent investment in advertising, provide the companies with substantial pricing power, leading to high levels of profitability and attractive terms of trade with channel partners. 29.5% of Scottish Oriental's portfolio is currently invested in consumer staples businesses. These are brand owners which typically have dominant market shares in their respective categories, such as the examples described below.

Colgate-Palmolive (India) has been present in India since 1937. Its parent, Colgate Palmolive, is its majority shareholder with a 51% stake in the company. A consistent focus on brand building, combined with a strong distribution advantage, has cemented its dominant position of more than 50% market share – almost 3 times as much as its nearest competitor. The average Indian spends just 1 USD on oral care products each year, compared to USD 4 in China and USD 11 in Brazil. Colgate's dominant market position in the country allows it to command high levels of profitability, which it re-invests into continued brand building efforts. Its pricing power allows it to earn high returns on capital employed (ROCE), averaging more than 100% in recent years. The company's management, led by its new CEO, Prabha Narasimhan, is focused on increasing penetration of oral care in rural areas of India where it is still at low levels, and increasing the share of premium variants in urban regions. The company also has the potential to expand the product portfolio into other categories, such as personal care. This offers Colgate a long runway for sustainable growth in India.

Century Pacific Food is the largest canned food producer in the Philippines. Since it listed in 2014, we have observed that its majority shareholders, the Po family, have managed the business with high governance standards. They also hired experienced professional managers from companies such as PepsiCo, Unilever and Procter & Gamble to run its operations. The canned tuna segment, in which Century Pacific is dominant, is well penetrated in the Philippines. This segment is used to generate substantial cash flows. These cash flows are judiciously invested to nurture new brands. An example of this is in the dairy segment, where the company built its brand into the second largest in the Philippines in a short period, and continues to gain market share from its competitors. Similarly, the company's management has made investments to incubate brands in areas such as pet food, condiments and coconut based beverages, which offer a large growth opportunity for Century Pacific in the coming years. In most of these categories, penetration levels are lower than the company's canned tuna business. These categories are led by brands operated by multi-national corporations (MNCs), which typically price at high levels, leading to an unmet need for attractively priced alternatives. Century Pacific's products are positioned to fill this gap, by providing quality offerings at reasonable prices to consumers. The company has used this strategy to establish a strong position in emerging product segments, and build a diversified portfolio of branded food and beverage products.

Leading consumer discretionary businesses in under-penetrated categories

In our experience, rising incomes drive a shift in consumption patterns across countries. As penetration of consumer staples rises, a larger share of incremental income is spent by consumers on discretionary products, from residential real estate to home appliances, or experiences such as entertainment and travel. Large businesses have been built in these industries in countries that are more economically developed. In countries like India, Indonesia and Philippines, these categories are still at nascent stages of development. As a result, market leaders in these industries are still small businesses. Given the large and young populations in these countries which aspire to consume more discretionary products, these market leaders have the potential to grow multi-fold over the long term.

However, some of these businesses are typically more sensitive to the macro-economic environment and are cyclical. Due to the large opportunity size, management teams can also often get carried away, taking unnecessary risks. We focus on investing behind those management teams which employ a conservative approach towards growth. Scottish Oriental's holdings are businesses which have witnessed several economic cycles in the past, and have emerged from these cycles with stronger market positions. This is due to their conservative balance sheets (which are typically net cash), and a focus on managing costs efficiently. The recent period, marked by the pandemic, is one such instance when demand across several consumer discretionary categories in Asia was severely disrupted. Market leaders in Scottish Oriental's portfolio emerged out of this period with higher market shares, as many small competitors with lack of access to finance and limited investments in technology, struggled to survive. As demand has recovered, our holdings are now capturing a large part of the growth in their respective categories' profit pool. Such consumer discretionary businesses comprise 22.2% of Scottish Oriental's portfolio.

Mitra Adiperkasa ('MAPI') operates the exclusive franchises for leading global retail and food & beverage (F&B) brands in Indonesia such as Zara and Starbucks, with over 2,500 stores. During a period of strong growth in the 2010s, management expanded its store footprint aggressively. When demand weakened in subsequent years, the company suffered from a decline in profitability as well as high debt levels. This led to a strong focus on cost efficiency and efforts to strengthen the balance sheet. The management shut down poor performing brands, sold stakes in certain ventures to private equity investors to de-leverage the balance sheet and became more conservative in its growth strategy. These initiatives have delivered results, with improvements in growth, margins, working capital and a net cash position currently. After movement restrictions were lifted in Indonesia, Mitra Adiperkasa has benefited from a sharp rebound in domestic demand. The company's relationship with its principals has also strengthened. Given MAPI's success in Indonesia, several key brands such as Zara and Foot Locker have invited the company to lead their expansion in other ASEAN markets. Even as this increases the company's total addressable market, the company's management is pursuing this expansion cautiously. Their focus is on sustaining MAPI's attractive return on capital employed, while growing the business steadily.

Blue Star is a leading air conditioner and heating, ventilation and air conditioning (HVAC) company, with a history of operating for eighty years in India. The business is controlled by the Advani family, which founded the company and continue to lead its operations. Vir Advani, from the third generation of its founding family, was appointed CEO in 2016. Under his leadership, the company has gained market share in the residential air-conditioner category consistently, emerging as one of the largest brands in the country. Air conditioning penetration is low in India, at only 8% compared to over 70% in China. This offers potential for substantial growth for Blue Star as income levels rise. The company also operates a large HVAC projects business, installing and maintaining systems in hospitals, stadiums and underground rail networks. The company has consciously focused on limiting its investment in this capital intensive segment, and selected customers carefully, which has allowed Blue Star to grow the business consistently while maintaining high return on capital. As the business achieves larger scale, it also has the opportunity to significantly improve its profitability levels by gaining operating leverage.

Radico Khaitan is one of the largest spirits companies in India, also established eighty years ago. In India, the spirits industry is dominated by whisky, which is a highly competitive market with multinational corporations including Diageo and Pernod Ricard having a large presence. While Radico has a strong presence in whisky, its management identified the unmet need in other spirit segments, including vodka, gin and rum. The company has built dominant brands in these categories, competing successfully against global leaders. For example, its flagship product in vodka, Magic Moments, is dominant with 60% share of vodka consumption in the country. Over the last fifteen years, the management's focus has been to increase the share of premium products in its portfolio. As of Fiscal Year 2023, 58% of its Branded Spirits sales come from premium products, compared to the industry average of 20-25%. Given the strong demand and ability to successfully incubate new brands, the company has embarked upon a new capital expenditure program to expand capacity and to backward integrate to facilitate more control over its ingredients for higher quality products. This should deliver strong growth as well as improving profitability for Radico in the coming years.

Portfolio Managers' Report cont'd

JNBY Design is a leading premium fashion apparel brand in China with multiple brands targeting different demographics. The acronym stands for "Just naturally be yourself," and the firm's strategy is to create unique designs which encourage individual expression. Founded in 1994, the company has built a long track record of scaling its core JNBY brand while improving profitability. We are closely aligned with the original husband-and-wife founders, who still own a majority stake in the company and also lead its operations. JNBY's performance has been resilient during the industry challenges of recent years. This has been achieved by focusing on organic growth and building digital distribution channels while remaining disciplined on inventory levels and discounting policies. The management has also focused on consistently improving the efficiency levels of its stores, which has helped in maintaining the company's high profitability levels despite subdued consumer demand due to a weak macro-economic environment. As China emerges from the pandemic, we expect demand to improve gradually. JNBY has the potential to grow its core brand steadily, while also scaling up smaller brands. The management has a track record of disciplined capital allocation, with a focus on returning capital to shareholders through a high dividend payout ratio. We expect this to continue going forward.

High quality industrial suppliers

It is expected that industrial activity and infrastructure development will witness strong growth across most Asian countries in the coming years. However, we observe a number of challenges in these industries. The business model for infrastructure development in most Asian countries is dependent on Government contracts or licenses. Obtaining the license or contract often involves corrupt practices which are unacceptable to us. The terms of these contracts can also be changed arbitrarily and payments can be delayed by the customer (the relevant Government authority). In the case of large industrial or mining companies, we find many instances where the businesses are run to maximise scale rather than profitability. The cyclicality of these industries and the high levels of asset intensity, often lead to low returns on capital employed. We have avoided investing in such businesses. Scottish Oriental's portfolio comprises industrial businesses which are suppliers to infrastructure developers, miners or heavy industries, which benefit from the same growth opportunities, but are likely to achieve this without the risks mentioned above. Some of these companies offer products which are critical for their customers' operations but are a low share of their customers' total manufacturing cost. This gives their customers low incentive to switch to alternative suppliers. In other instances, the business model is based on developing customised applications for different customer segments which acts as a barrier to entry for new competitors. Such advantages allow these companies to earn attractive returns on capital. These high quality industrials comprise 9.3% of Scottish Oriental's portfolio.

Sinoseal is the market leader in the niche mechanical sealing equipment segment in China. Mechanical seals are essential components used in various industries, including oil and gas, chemicals and pharmaceutical manufacturing. They are mission-critical industrial consumables that operate in harsh environments, and their low price compared to the total project cost means customers are less price-sensitive. A malfunctioning seal can lead to safety issues or a shutdown in production, which creates high barriers to entry and an oligopoly market structure. The low price-sensitivity of its customer base, along with the consolidated market, allows Sinoseal to earn high levels of profitability. It is also a consumable product, which drives a recurrent after-market business. Sinoseal has consistently focused on improving its product quality, which is now on par with multinationals, while enjoying a much lower cost base than foreign peers. It has consistently gained market share as customers increasingly prefer to use domestic suppliers. The company is also expanding into new end markets as well as building a larger export business, as many of its existing customers are building manufacturing facilities outside China.

Sinbon Electronics is a Taiwanese manufacturer of mechanical cables. The company historically operated in the highly competitive consumer electronics cable segment, which had low levels of profitability. It gradually exited the segment and built a large portfolio of cables for industrial, renewable energy, communications, automotive and medical applications. The company's products are customised for each application, ranging from robots used to sort inventory in warehouses to wind turbines and medical equipment. This requires a large product portfolio, and close relationships built with customers over decades to develop cables for new applications. Sinbon has built a strong reputation as a reliable supplier. This requirement for customised applications as well as long lead times for approval from customers leads to limited competition, allowing the company to earn attractive levels of profitability. The management has also been proactive in entering new industries, ranging from electric vehicle charging stations to aerospace, which can become large segments for the company in future.

Hongfa Technology is the largest industrial relay manufacturer globally. Its product portfolio covers traditional applications such as home appliances and electricity meters, as well as emerging applications like electric vehicles (EVs), solar modules, and internet of things (IoT) devices in manufacturing. Over the past decade, the company has emerged from being a relatively small player, to being the dominant player in its home market of China, as well as establishing strong relationships with many global customers. The key drivers of this improvement in its market position have been the company's focus on the relay market, while its major competitors like Panasonic have varied businesses. Hongfa also benefited from the substantial scale of the home appliance industry in China, which allowed the company to scale up its own business and reduce fixed costs. This cost benefit is passed on to its customers to gain market share. In emerging areas such as renewable energy and electric vehicle applications, Hongfa is expected to benefit from strong growth as well as higher profitability, as the average selling price of relays in these segments are higher compared to that of their traditional applications.

Specialised financial services providers

The financial services industry is dominated by large banks and insurance companies which sit outside the investment universe of smaller companies. Smaller universal banks and non-bank finance companies which compete directly against these large institutions typically face challenges including higher funding costs, inferior technology systems and difficulty in retaining clients. Instead of investing in such universal banks or finance companies, Scottish Oriental's portfolio comprises specialised lenders which have remained focused on a few categories where they have strong domain knowledge to compete against larger banks. They manage their balance sheets conservatively, while maintaining consistently strong asset quality. The financial services opportunity beyond lending is growing rapidly in Asia. This includes services such as wealth management, mutual funds and insurance products, which are still highly underpenetrated in most Asian countries. Holdings in Scottish Oriental's portfolio, including the largest registrar and transfer agent for mutual funds, and the leading wealth management platform in India, are expected to benefit from this opportunity. Such specialised financial services businesses comprise 10.1% of Scottish Oriental's portfolio.

Computer Age Management is India's largest registrar and transfer agent of mutual funds with a market share of 70%. It is a dominant player in a duopoly, and has gained market share consistently over the past decade. Its value lies in allowing its asset management clients to focus on their core business while optimising costs. Its efficient service levels and reputation for compliance has meant that the company has not lost any clients over this period, and has relationships with the leading asset management companies. The company has attractive growth potential, as Indian households increase their investments in mutual funds from a low base currently. The management has built a large physical presence in India through its branches and a strong technology platform on which it is now building new businesses such as Account Aggregation, Alternative Investment Funds (AIFs) and an insurance repository. Its asset light business model allows it to earn high margins, with its return on capital employed (ROCE) in excess of 100%.

360 One is India's largest independent wealth management company. It offers a range of services to high-net-worth individuals and caters to different segments of this growing market. Historically, wealth management has not been a large sector in the financial services industry in India. With higher levels of formalisation in the economy, as well as generational change among high net-worth families, there is a greater adoption of wealth management platforms. Over the last fifteen years, the management of 360 One, led by the founder Karan Bhagat who still leads operations as its CEO, has built a solid track record of serving clients and adhering to best practices in risk management and compliance. In recent years, the management's focus has been on increasing the share of recurring business (compared to more volatile transaction based revenues), which is likely to improve the consistency of the company's profitability. The wealth management industry remains fragmented in India, and 360 One has the potential to lead the industry's consolidation in the coming years. This creates an attractive growth opportunity for the company.

TISCO Financial ('TISCO') is a financial services group based in Thailand. Unlike its larger universal banking peers, TISCO's loan portfolio is focused on niche segments such as automotive hire-purchase loans. The company has a conservative lending philosophy and a strong focus on risk management. In recent years, despite low lending spreads and high non-performing loans, its larger peers expanded their loan portfolios consistently. This has led to a weak balance sheet and poor returns on assets for the large Thai banks. In contrast, over the last decade, TISCO has contracted its loan book to avoid diluting its asset quality and return on assets. The bank's management has focused on returning capital to shareholders through a high dividend payout, while also maintaining a strong capital position. The company has consistently earned high return on assets, while most of its peers have struggled. As the competitive intensity reduces due to the poor asset quality of the large banks, TISCO now has an opportunity to grow in its preferred lending segments. Its management is now pursuing steady growth, while maintaining its profitability levels.

Portfolio Managers’ Report cont’d

Technology hardware providers and software service companies

Technological intensity is rising across industries globally, which is expected to drive growth for hardware and software companies engaged in the technology value chain in Asia. However, we are cautious about a few risks common to companies operating in this industry. Firstly, a number of smaller companies in the technology hardware supply chain operate as contract manufacturers for their customers. This gives them limited bargaining power, with their customers demanding annual reductions in their selling prices and long payment terms. Secondly, many of these companies have faced a period of strong cyclical demand over the last few years, as several categories witnessed strong demand and constrained supply during the pandemic. This allowed such companies to earn a period of exceptional profitability. In our experience, such growth and profitability is unlikely to be sustainable as demand in these industries moderates. Finally, we are cognisant of risks emanating from technology adoption cycles and disruptions, which are unpredictable. Given the substantial increase in valuations for many such companies in recent periods, Scottish Oriental’s exposure to such businesses has reduced. However, we continue to find attractively valued software services companies in countries such as India and Vietnam, which are likely to benefit from the continued migration to cloud services and digitisation across industries. Our investments also include integrated circuit designers based in Taiwan and China, which have strong market positions in their niche categories, asset light business models and are gaining market share from smaller competitors or multi-national corporations. Such businesses currently comprise 5.1% of Scottish Oriental’s portfolio.

Mphasis is a leading software services provider based in India with a strong global presence, with the United States of America being its largest market. It offers a comprehensive range of services, including application development, infrastructure management, and digital transformation solutions to its clients. This allows Mphasis to serve a wide range of industries and clients, with a reputation for delivering high-quality solutions and services. The company witnessed a change in its ownership and management since 2016, when Blackstone acquired Hewlett Packard’s majority stake in the business. Blackstone appointed a new CEO, Nitin Rakesh, under whose leadership the business has been transformed. Mphasis has been able to build relationships with leading financial institutions globally, gaining market share from much larger software service providers. The management has also built a presence in new regions like Europe and Canada, which supports the company’s long term growth prospects. The management has embraced emerging technologies, such as artificial intelligence applications and automation, which should lead to more growth opportunities going forward.

FPT is a leading Vietnamese technology company providing IT services, software development, and digital transformation solutions. The company also has a fixed line broadband business, and runs educational institutions, which it uses to recruit well trained software engineers. The company was founded in 1988 to provide technology solutions for the food industry, and has since expanded into a diversified IT corporation. Today, it has a solid competitive position in the global IT services market, especially in Japan where it is gaining share from domestic software service providers as well as Chinese vendors. In recent years, the company has made investments to build capabilities in the United States of America, which offers a substantial opportunity for its business in the coming years. It has also consistently increased the share of its digital technology business, which has boosted the company’s profitability. The company benefits from a strong talent pool in Vietnam, given the steady growth in the number of computer engineers, and offers affordable courses to meet the rising demand for quality education in the country.

Parade Technologies is an integrated circuit designer based in Taiwan, specialising in display technologies for various electronic devices. It has built leading market shares in its key products, such as high-speed interface integrated circuits and embedded display port timing controllers. The management has also built strong relationships with large customers such as Apple, with which Parade has maintained a monopoly position in certain products. The key industry tailwind is the increasing speed of data transmission across devices. Higher speeds require new products, which drive higher prices and better profitability for Parade. The company is also a first mover in building new products with applications in servers and automobiles, which we expect to grow into large markets in the coming years.

3. Recent Portfolio Activity

New Holdings

The resumption of travel across all major Asian countries allowed our team members to visit companies in each of Scottish Oriental's key markets during the last year. These visits helped inform our views on the development of various economies after the recent period of disruption driven by Covid-19. It also allowed us to meet management teams across our investment universe, which led to the generation of several new investment ideas during the year. We added 12 new holdings to the portfolio.

Metropolis Healthcare is a leading diagnostics company in India, where the industry is highly fragmented and dominated by '*mom and pop*' laboratories. We think the company has the opportunity to lead the industry's consolidation over the long term. Metropolis was held in the Trust after it listed in 2019, but we sold out after valuations re-rated amid exceptional profitability during Covid-19, when demand for its diagnostics services rose sharply. Since then, its valuations have moderated significantly as Covid-19 testing requirements eased. The management is taking several initiatives to improve growth over the medium-term, such as building the preventive diagnostics segment of the business, building a stronger platform to engage digitally with customers and accelerating its network expansion. The industry's competitive intensity, which was led by loss-making start-ups which had entered over the last few years, also appears to be waning. This should further support the improvement in Metropolis' profitability.

Mphasis is a leading information technology outsourcing company in India, which was set up by Hewlett Packard in 2000. Blackstone acquired a majority stake in the company in 2016. The new owner installed a new management team led by CEO Nitin Rakesh, under whose leadership the business has transformed over the last seven years. The company invested in building capabilities in new segments and signed contracts with large new clients. It also expanded its geographic footprint by building a larger business in Europe. This has led to consistent growth in Mphasis' revenue and profits in recent years. Its asset-light business model allows the company to earn high returns on capital employed as well. As the demand for cloud computing and digital transformation moderated after Covid-19, the company's growth slowed down and its valuations reached attractive levels, we initiated a holding in the company. Mphasis' growth potential remains strong, as it continues to gain market share with key customers as well as scale up new business verticals.

Fila Holdings is the owner of the Fila brand globally, which the company operates directly in South Korea and the United States, and has franchised in other markets. It also owns a majority stake of 52% in Acushnet, the owner and operator of Titleist branded golf equipment, and has a 15% stake in a joint-venture with Anta Sports to manufacture Fila branded products in China. The company has taken actions to strengthen the Fila brand in recent years, including hiring senior management from leading global sportswear groups such as Nike, Adidas and Under Armour. The distribution channel is changing from wholesale to directly operated retail stores and e-commerce in US and South Korea, which should aid Fila's profitability. The balance sheet is net cash and the company has announced a new shareholder return policy, which should lead to a substantial increase in dividends and share buybacks in the coming years.

Tokai Carbon Korea is the dominant manufacturer of Silicon Carbide (SiC) rings, which are used as a consumable product in semiconductor manufacturing. The company has a monopoly position in supplying SiC rings to leading global customers. This has allowed it to earn high levels of profitability. The memory industry, in which SiC rings are used, is expected to grow steadily over the next decade as technological intensity increases, driven by applications such as artificial intelligence. The company's management is also developing new product categories such as Titanium Carbide susceptors.

Whirlpool of India is the 75% owned subsidiary of Whirlpool Corporation, and has a strong position in several consumer durable products in India such as refrigerators, washing machines and air conditioners. It has had a presence in the country for thirty five years, and has established a track record of consistent growth along with high return on capital employed (ROCE). Each of its categories has relatively low penetration levels compared to other emerging markets, which offers an attractive growth opportunity. Recently, the company also acquired a local kitchen appliances brand, Elica, which has provided Whirlpool with an opportunity to enter a large category where it did not have a presence in India. We expect the company's management to strengthen its market share and improve profitability over the medium term.

Portfolio Managers' Report cont'd

Hongfa Technology is the largest relay maker globally with a strong market position and impressive growth prospects. Its product portfolio covers traditional applications such as home appliances and power meters, as well as growth opportunities in new applications like electric vehicles (EVs), solar, and internet of things (IoT). It has been gaining share from major competitors due to its focus on relay, large global scale which provides the company a substantial cost advantage and proactive customer project management. As new segments such as renewable energy and new energy vehicles gain adoption globally, this offers Hongfa a large growth opportunity in the coming years.

Biocon is a leading Indian pharmaceutical company, with operations in generics, biosimilars and contract development & manufacturing (CDMO). In recent years, the company has increased its focus on the biosimilars business, which it has been operating since 2007. It was operated in partnership with Viatris (a global pharmaceutical company) in the past. Biocon acquired Viatris for US$ 3.3 billion last year. This will allow the company to control the manufacturing as well as distribution for its biosimilars, without relying on a partner. The global biosimilar market is large and expected to grow steadily as an increasing number of patented drugs will lose patent protection. The company also has a strong track record of regulatory compliance with the US FDA. A strong R&D focus and regulatory approvals should allow Biocon to launch new products in the coming years and scale up the business.

Luk Fook Holdings is a leading jewellery retailer in Hong Kong and mainland China, founded by the Wong family which still leads the company's operations and owns a controlling stake. The company's footprint in China is large with 2,700 franchisee-owned stores and has been expanding consistently. Luk Fook has suffered from a period of weak demand due to lower customer footfall and fewer social occasions such as weddings in China. However, the company continues to gain market share from small, unorganised sector competitors which have struggled during this challenging period. Demand should improve after the removal of Covid-19 restrictions as well as a resumption in travel to Hong Kong and Macau, where the group also operates a large store network. Over the long term, the management expects to more than double its store count in China, which will drive the company's growth.

Crompton Greaves Consumer Electricals is an Indian maker of electrical consumer durables, such as fans, water heaters and pumps, as well as lighting. It has strong market positions across all its key product segments. The company's asset-light operations allows it to earn high return on capital employed (ROCE) and substantial free cash flow. The company's new management plans to extend the strong brand of Crompton into new categories, such as kitchen appliances, to accelerate its revenue and profit growth in the coming periods.

Silergy is the largest analogue integrated circuit (IC) designer in Asia. Despite being the leading Asian power management IC design company, its market share in the highly fragmented Chinese industry remains low. Since the trade war was initiated in 2018, Silergy's major customers have been shifting towards domestic IC designers. Silergy is well positioned to capture a large part of this change in customer preferences. Its founders, one of whom continues to lead its operations, are focused on building a comprehensive product portfolio to compete effectively against global leaders. This has strengthened the company's competitive position against global peers such as Texas Instruments, and Silergy has consistently gained market share in recent years. The company has faced a sharp decline in demand over the last year, as global consumer electronics demand deteriorated after Covid-19. In this period, management has reduced costs. As demand is expected to recover in the coming years, Silergy should witness a period of strong growth and an improvement in its profitability.

Delhivery is the largest third party logistics (3PL) company in India and primarily serves the e-commerce industry, which is expected to grow rapidly as penetration of the category rises from its nascent stage currently. Unlike most "new-age" internet businesses, the company has a profitable core business and a strong and stable management team. Delhivery has built a market leading position, which allows it to gain substantial economies of scale against its smaller competitors. This creates a virtuous cycle, as the company passes on part of its lower costs to its customers, in order to gain market share. The company has the potential to consolidate the fragmented logistics industry, as well as enter adjacent service segments.

AirTac International is a leading pneumatic components producer in China. The founder, Mr. Wang Shih Chung, continues to lead AirTac as its Chairman. AirTac has consistently built a diversified product portfolio, maintained low costs, and offers prompt service levels to its customers. This has helped the company to build a strong market position and gain market share consistently, despite the presence of large global competitors. Its long term track record of growth and returns on capital employed are also strong. The management is now focused on creating new revenue streams such as linear guides, which could be a large growth opportunity in the coming years.

Sales

We sold 12 holdings during the year. **KEI Industries**, **CIE Automotive India**, **Haitian International**, **Arwana Citramulia**, **Sporton**, **Bosch** and **Autobio Diagnostics** were sold as their valuations became expensive following strong performance and share price appreciation. **Mobile World**, **Voltronic Power** and **Eicher Motors** were small positions, and were sold to consolidate the portfolio into higher-conviction opportunities. **Ace Hardware** was sold after our conviction in its growth prospects was reduced, following recent engagements with management regarding their response to the increasing competition from e-commerce platforms. **Zinus** was also sold after our recent engagements left us with lower conviction in its business outlook. Zinus' announcement of a provision related to a product litigation raised concerns about its quality standards. The management's focus on achieving scale makes us believe that this will prevent an improvement in the company's cash flow and also raises risks of more quality related issues in the future.

Purchased and subsequently sold

ASM Pacific Technology is a leading back-end semiconductor testing equipment manufacturer. The recent cyclical downturn across the semiconductor value chain has affected its growth in recent quarters and its valuations declined to attractive levels. Higher penetration of electronics across automotive, industrial and consumer applications is expected to drive sales of its equipment over the long term. We initiated a holding for the Trust given its attractive valuations. Subsequently, its valuations increased sharply due to expectations of a strong improvement in demand, as well as ASM's position in servicing some artificial intelligence applications. However, performance across most of its businesses remains muted, due to continuing weak demand across consumer electronics categories. As its valuations became less attractive, we sold Scottish Oriental's holding.

Amorepacific Corporation operates several cosmetics brands. The company has a strong presence in China as well as in duty-free stores at airports which form a large part of its sales. Both of these channels have been severely impacted by reduced travel and weak consumer demand. The company's performance was also hurt by increasing competition from local brands in China. To address this issue, the company hired new senior management and optimised its store network by shutting down poor performing stores in China. We initiated a position in the company when its valuations were attractive due to the concerns of weak demand in China. Subsequently, the re-opening of the Chinese economy and expectation of higher travel related spending led to a sharp increase in the company's valuation. We sold Scottish Oriental's holding as the recovery in the business is likely to be slow, given the intense competition from local competitors as well as multinationals in China, which forms a large share of Amorepacific's business.

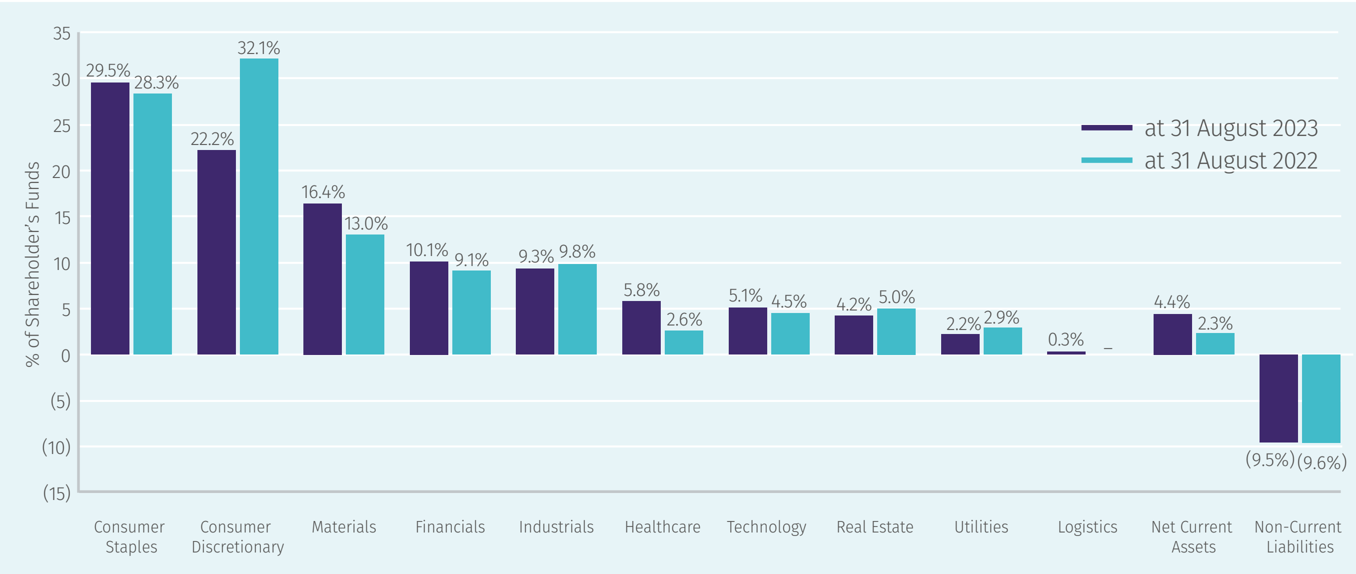
Portfolio Managers' Report cont'd

4. Ten Largest Investments as at 31 August 2023

Name	Country	Sector	% of Shareholders' Funds
Colgate-Palmolive (India)	**India**	**Consumer Staples**	**6.0**
Colgate is the market leader in the oral care segment in India, with about 50% market share in the toothpaste category. It also has potential to build a larger presence in segments such as personal care.			
Selamat Sempurna	**Indonesia**	**Consumer Discretionary**	**4.2**
Selamat is the leading manufacturer of filters and radiators in Indonesia. Through its joint venture with Donaldson (based in the United States of America), it also exports products to global markets. Selamat has the potential to consolidate the fragmented domestic industry and enter new segments such as air and water filters, which have a large addressable market.			
Uni-President China	**China**	**Consumer Staples**	**4.2**
The company operates leading instant noodle and beverage brands in China. Its management is focused on launching premium products which earn higher margins, while strengthening the company's distribution in emerging channels.			
Godrej Industries	**India**	**Materials**	**4.0**
Godrej Industries is a holding company, which owns stakes in Godrej Consumer Products, Godrej Properties and Godrej Agrovet. Its subsidiaries and associates operate leading businesses in segments such as hair colour, household insecticide, real estate and crop protection products.			
Century Pacific Food	**Philippines**	**Consumer Staples**	**3.9**
Century Pacific is the largest canned food producer in the Philippines. The company is gaining traction in emerging categories such as milk and pet food products which should drive steady growth over the medium term.			
Kansai Nerolac Paints	**India**	**Materials**	**3.5**
Kansai Nerolac is a leading paint company with a dominant market share in automotive paints in India. Under a new CEO, the company has also taken several initiatives to improve its market position in decorative paints, by launching several new products, engaging with channel partners and expanding its distribution.			
Blue Star	**India**	**Industrials**	**3.4**
Blue Star operates one of the leading air-conditioner brands in India, which has been gaining market share consistently. The company executes engineering, procurement and construction (EPC) projects as well which are expected to grow with industrial and infrastructure development.			
Philippine Seven	**Philippines**	**Consumer Staples**	**3.4**
It is the leading convenience store operator in the Philippines, with the exclusive right to use the 7-Eleven brand in the country. Philippine Seven is expected to lead the development of the convenience store industry in the country, as penetration is still at low levels.			
Castrol India	**India**	**Materials**	**2.8**
Castrol is the largest Indian automotive lubricants company. The company is 51% owned by British Petroleum (BP). The management is taking numerous steps to accelerate Castrol's growth, such as entering new product segments in its core business, expanding distribution as well as launching products and services in adjacent categories.			
Mitra Adiperkasa	**Indonesia**	**Consumer Discretionary**	**2.8**
Mitra Adiperkasa franchises for leading global brands including Zara, Starbucks, Domino's and Sephora in Indonesia. It serves as a proxy for consumer spending in Indonesia, due to its leading market positions across specialty fashion, sports and F&B segments.			

5. Sector and Geographical Analysis

Sector Allocation at 31 August 2023



Country Allocation at 31 August 2023 (based on geographical area of activity)

Country/Region	Scottish Oriental 2023 %	Scottish Oriental 2022 %	MSCI Small Cap* 2023 %	MSCI† 2023 %
China	**11.7**	13.6	8.5	34.4
Hong Kong	**5.1**	4.6	4.5	6.3
Taiwan	**4.8**	8.0	24.0	17.3
Greater China	**21.6**	26.2	37.0	58.0
Indonesia	**17.7**	21.9	2.5	2.3
Malaysia	**–**	–	2.8	1.6
Philippines	**9.6**	9.2	1.0	0.7
Singapore	**2.6**	3.1	5.3	3.7
Thailand	**1.6**	0.9	3.9	2.3
Vietnam	**1.8**	2.0	–	–
South East Asia	**33.3**	37.1	15.5	10.6
Bangladesh	**0.9**	1.2	–	–
India	**45.2**	40.7	29.8	17.1
Pakistan	**0.3**	0.8	–	–
Indian Subcontinent	**46.4**	42.7	29.8	17.1
South Korea	**3.8**	1.3	17.7	14.3
Net Current Assets	**4.4**	2.3	–	–
Non-Current Liabilities	**(9.5)**	(9.6)	–	–
Net Assets	**100.0**	100.0	100.0	100.0

* Morgan Stanley Capital International AC Asia ex Japan Small Cap Index
† Morgan Stanley Capital International AC Asia ex Japan Index

Portfolio Managers' Report cont'd

6. Portfolio Positioning & Outlook

We noted varying economic outlooks during our recent visits to companies across Asian countries. The operating environment for businesses in China is difficult, with regulatory disruptions in industries such as healthcare and e-commerce, as well as the challenges emerging in the real estate industry. Large economies which are driven by exports to Western markets, including South Korea and Taiwan, are also facing cyclical challenges as demand across the global technology supply chain is weak. In contrast, businesses in countries such as India and Indonesia, whose revenues are largely driven by domestic demand trends, are witnessing stronger prospects as their economies have recovered from the pandemic. These countries saw a period of relatively weak economic growth during the previous decade. In this period, businesses de-leveraged their balance sheets and the governments of these countries introduced various reforms. Their stronger financial position and the formalisation of the economy has helped the market-leading organised sector companies to gain market share from their competitors in the informal sector. This provides a tailwind to Scottish Oriental's holdings, with companies in India and Indonesia comprising over 60% of the portfolio.

Scottish Oriental's investment philosophy has remained unchanged since inception. While we are cognisant of macro-economic challenges, political and sectoral influences, these do not drive our investment decisions. The manager's focus remains on finding well run businesses with solid long-term growth prospects available at attractive valuations. Our investment universe of smaller companies in Asia has grown consistently in recent years. In fact, there are now over 11,500 companies in Asia (ex-Japan, Australia and New Zealand) between US$ 100 million and US$ 5 billion in market capitalisation. This universe of companies has grown by 26% over the last 5 years*. Scottish Oriental's active watch-list of companies, which we regularly monitor, has also grown consistently in size as our coverage has expanded and new businesses have been listed in Asia. The market-leading businesses in which we prefer to invest have emerged out of the pandemic with stronger competitive positions than before. We expect them to capture a greater share of the growth in their respective industries' profit pools in the coming years.

* Source: Bloomberg

We are excited about the outlook for the portfolio. It remains concentrated among our highest conviction holdings, with the top 20 holdings comprising 60% of the portfolio. The median return on equity of the portfolio has consistently improved, which indicates the strong earnings quality of the holdings. At a median level, the portfolio's holdings continue to maintain a net cash balance sheet, which makes them more resilient against the ongoing challenge of higher finance costs. The portfolio's forecasted growth has moderated from the high base of recent years, which was largely due to the reopening of economies after the pandemic. On a normalised base, the portfolio's holdings continue to offer attractive growth opportunities in the years ahead. In addition, the valuations, in the context of the attractive growth potential and high returns on equity, appear to be at acceptable levels.

As at 31 August	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Weight of top 10 holdings %	25.1%	29.2%	29.6%	31.6%	31.8%	39.2%	**38.2%**
Weight of top 20 holdings %	44.0%	50.8%	50.4%	52.4%	54.8%	63.1%	**60.4%**
Median current year return on equity	13.6%	15.0%	16.3%	15.9%	15.3%	18.8%	**19.2%**
Median 2-year forecast annualised earnings per share growth	14.2%	7.3%	1.5%	8.6%	34.1%	21.2%	**17.6%**
Median forward price to earnings ratio	20.5x	26.8x	15.0x	24.9x	23.0x	17.4x	**18.3x**

FSSA Investment Managers

6 November 2023

List of Investments at 31 August 2023

	% of Shareholders' Funds
Bangladesh (0.9%)	
Financials (0.9%)	
Delta Brac	0.9
China (11.7%)	
Consumer Discretionary (3.8%)	
Hisense Home Appliances	1.3
JNBY Design	2.5
Consumer Staples (4.2%)	
Uni-President China	4.2
Industrials (1.9%)	
Beijing Capital Airport	0.9
Hongfa Technology	1.0
Materials (1.8%)	
Sinoseal Holding	1.8
Hong Kong (5.1%)	
Consumer Discretionary (2.1%)	
Fairwood Holdings	1.2
Luk Fook Holdings	0.9
Consumer Staples (3.0%)	
Nissin Foods	1.5
Vitasoy International	1.5

	% of Shareholders' Funds
India (45.2%)	
Consumer Discretionary (1.7%)	
Crompton Greaves Consumer Electricals	0.5
Whirlpool of India	1.2
Consumer Staples (9.7%)	
Colgate-Palmolive (India)	6.0
Radico Khaitan	2.4
United Breweries	1.3
Financials (4.1%)	
Computer Age Management	2.6
360 One	1.5
Healthcare (5.8%)	
Biocon	0.9
Metropolis Healthcare	2.2
Mphasis	1.6
Solara Active Pharma	1.1
Industrials (6.0%)	
Blue Star	3.4
Escorts Kubota	2.6
Logistics (0.3%)	
Delhivery	0.3

	% of Shareholders' Funds
Materials (11.2%)	
Castrol India	2.8
Godrej Industries	4.0
HeidelbergCement India	0.9
Kansai Nerolac Paints	3.5
Real Estate (4.2%)	
Mahindra Lifespace	2.5
Oberoi Realty	1.7
Utilities (2.2%)	
Mahanagar Gas	2.2
Indonesia (17.7%)	
Consumer Discretionary (10.4%)	
Astra Otoparts	2.0
Mitra Adiperkasa	2.8
Sarimelati Kencana	1.4
Selamat Sempurna	4.2
Consumer Staples (3.8%)	
Hero Supermarket	1.9
Uni-Charm Indonesia	1.9
Financials (1.4%)	
Bank OCBC Nisp	1.4
Materials (2.1%)	
Avia Avian	2.1

List of Investments at 31 August 2023 cont'd

	% of Shareholders' Funds
Pakistan (0.3%)	
Consumer Discretionary (0.3%)	
Indus Motor Company	0.3
Philippines (9.6%)	
Consumer Discretionary (1.0%)	
Max's Group	1.0
Consumer Staples (7.3%)	
Century Pacific Food	3.9
Philippine Seven	3.4
Industrials (1.3%)	
Concepcion Industrial	1.3
Singapore (2.6%)	
Consumer Staples (1.5%)	
Haw Par	1.5
Financials (1.1%)	
Credit Bureau Asia	1.1

	% of Shareholders' Funds
South Korea (3.8%)	
Consumer Discretionary (1.5%)	
Fila Holdings	1.5
Financials (1.0%)	
NHN KCP	1.0
Materials (1.3%)	
Tokai Carbon	1.3
Taiwan (4.8%)	
Consumer Discretionary (1.4%)	
Poya International	1.4
Industrials (0.1%)	
AirTac International	0.1
Technology (3.3%)	
Parade Technologies	1.1
Silergy	0.4
Sinbon Electronics	1.8

	% of Shareholders' Funds
Thailand (1.6%)	
Financials (1.6%)	
Tisco Financial	1.6
Vietnam (1.8%)	
Technology (1.8%)	
FPT	1.8

Environmental, Social and Governance ('ESG') Policy

ESG integration is core to our investment process; it is not an overlay or after-thought. We seek to invest in companies with the strongest management, franchise and financials. Sustainability analysis is incorporated into all three of these areas. As long-term investors, we expect that the governance, societal and environmental costs will have a material financial impact on companies and therefore on investment outcomes, over our holding period.

In our experience, most small Asian companies are keen to improve their ESG practices but in several instances, do not have the resources or exposure to global best practice. To help address this, we engage on a range of issues from board composition to the safety of workers and the environmental impact of their operations, and proactively vote on all shareholder resolutions. We also seek to introduce domain experts to their management teams. We have been encouraged to see that the management teams of Scottish Oriental's holdings have been receptive to our engagement.

The key components of our approach towards sustainability are detailed below.

(1) Integration of ESG into the investment process: Integration of ESG into the investment process: Our investment philosophy is focused on identifying quality companies. The search for quality starts with people. We believe that management teams with integrity and good governance structures will also ensure progress in environmental and social outcomes. We assess how a company treats each of its stakeholders, including employees, business partners, tax authorities, local communities or the environment. We do not expect minority shareholders to be treated fairly unless other stakeholders are also treated well. We also analyse whether the company's business model has a net positive impact on society, along with the potential opportunities and challenges it faces. After an investment is made, we engage consistently with the management on a range of relevant issues.

(2) Exclusion lists: We believe that there is not a price for everything. This means that there are certain people we would not invest with and some businesses that we would not own, irrespective of the potential financial returns. We do not invest in companies with direct exposure to coal mining or processing where it is a key part of the business. We expect companies that source or use palm oil to adhere to the policies of the Roundtable on Sustainable Palm Oil (RSPO) and No Deforestation, No Peat, No Exploitation (NDPE). We exclude companies involved in the production of tobacco products, those involved in gambling operations and weapon manufacturers from our investment universe. We also do not invest in companies where there is believed to be systemic bribery or those which persistently do not adhere to local tax legislations.

(3) Use of indices and third-party data: We do not place emphasis on ESG ratings or sustainability indices, which we believe are typically focused on a box-ticking approach, rather than assessing whether sustainability is being fundamentally incorporated into business practices. We use third-party research data from organizations such as RepRisk and Sustainalytics as a part of our holistic analysis.

(4) Active engagement: Constructive engagement is critical in our assessment of the quality of the companies in which we invest. We meet over 1,500 companies each year and consider every meeting to be an opportunity to engage on critical strategic and sustainability related issues. The way in which a company responds to our questions often provides more insight into their approach towards sustainability compared to a glossy ESG report. Management teams, which are not forthcoming or disregard concerns are typically those which are plagued by issues in the future. We also appreciate that we can play an important role in helping smaller companies in Asia gain access to global best practices and introduce them to domain experts. This helps us contribute to an improvement in their sustainability footprint and monitor their execution progress as well.

(5) Voting on company resolutions: We always exercise our right to vote on company resolutions. If we have concerns on a company's proposal, we discuss these with the management. If our concerns are not allayed or understood during this engagement process, we will vote against the proposal. We also document our rationale for voting against proposals in formal communication to the management.

Global standards on ESG issues are constantly evolving. We engage with non-governmental organisations and third-party experts, as well as collaborating with like-minded peers in order to remain well informed of the key issues. A case study, which highlights our approach to ESG, is provided below.

Environmental, Social and Governance ('ESG') Policy cont'd

Case Study

Godrej Industries is the listed holding company for the Godrej family's interests, with stakes in listed entities including Godrej Consumer Products (owns leading brands in categories such as soaps, hair colors and household insecticides), Godrej Properties (one of the biggest residential real estate developers in India) and Godrej Agrovet (has operations in dairy, palm oil processing, animal feed and crop protection), as well as ownership of the group's unlisted chemicals and finance operations. The Godrej family has successfully stewarded the group over four generations, and built a reputation for strong governance over the decades. The Trust has been a long-term shareholder of Godrej Industries, and has actively engaged with the company's management, as well as the management teams of its subsidiaries and associate companies, on various issues. These engagements have strengthened our conviction in their ability to manage various risks that could affect the group's businesses as well as to positively impact the communities in which they operate.

Given the group's procurement of palm oil for soap manufacturing by Godrej Consumer Products, our engagement on the sourcing of sustainable palm oil started more than a decade ago, in 2012. We were re-assured of Godrej's commitment to only source sustainable palm oil, which is certified by relevant global organizations. The group was ahead of the curve and initiated this step much before many of its domestic peers. In recent years, our engagement with Godrej Consumer Products has extended to the area of sustainable packaging. We introduced the company's management to Polymateria Limited, a provider of bio-degradable plastic packaging solutions which was founded at Imperial College. Godrej has been engaged in identifying a list of likely packaging solutions and prototyping, while they assist Polymateria in receiving the required local certifications. These engagements have increased our conviction in the management's ability to identify and address long-term headwinds in areas such as sourcing and packaging.

Godrej Industries has acted as an incubator of many of the group's ventures which have scaled significantly to become large businesses over time, such as Godrej Properties and Godrej Agrovet. In 2020, the group announced that it will establish a non-banking finance company, with an initial focus on the housing finance segment. The family's plan was to establish the company privately, without the involvement of Godrej Industries. In our meetings with the group's management, we highlighted our concerns around this, given the holding company's successful track record of nurturing new ventures for the group. In 2022, the family injected the non-banking finance business into Godrej Industries at a nominal value. This enhanced the alignment of minority shareholders' interests with those of the Godrej family. Additionally, it indicated the group's willingness to be receptive to engagement from stakeholders. This further raised our conviction in the governance standards of the company.

Ten Year Record

Capital

Year ended 31 August	Market Capitalisation £m	Shareholders' Funds £m	NAV p	Share Price p	Discount to NAV* %
2014	268.65	283.82	896.93	849.00	5.3
2015	227.39	257.18	816.57	722.00	11.6
2016	280.65	324.82	1,047.12	904.75	13.6
2017	330.19	369.26	1,192.68	1,066.50	10.6
2018	304.71	345.40	1,156.20	1,020.00	11.8
2019	301.73	346.06	1,158.42	1,010.00	12.8
2020	249.73	289.45	992.14	856.00	13.7
2021	297.80	345.46	1,264.54	1,090.00	13.8
2022	295.32	343.20	1,382.93	1,190.00	14.0
2023	**310.59**	**354.58**	**1,455.6**	**1,275.00**	**12.4**

Revenue

Year ended 31 August	Gross revenue £000	Available for ordinary shareholders £000	Earnings per share* p	Dividend per share (net) p	Ongoing charges (excluding performance fee)* %	Ongoing charges %*	Actual gearing*	Potential gearing*
2014	6,339	3,035	9.59	11.50	1.03	1.36	93	107
2015	8,716	4,929	15.58	11.50	1.01	1.05	95	108
2016	6,740	2,966	9.50	11.50	1.04	1.04	92	106
2017	6,431	2,097	6.77	11.50	0.99	0.99	91	100
2018	7,004	2,825	9.19	11.50	1.01	1.01	94	100
2019	7,648	3,734	12.50	11.50	1.01	1.01	88	100
2020	6,308	2,439	8.19	11.50	1.03	1.03	92	100
2021	6,872	2,548	9.02	11.50	1.02	1.02	105	110
2022	9,239	4,352	16.66	14.00†	0.97	0.97	107	110
2023	**8,453**	**3,496**	**14.19**	**13.00**	**0.95**	**1.60**	**104**	**110**

* A glossary of terms and definitions and Alternative Performance Measures is provided on pages 69 to 71.

† Included a special dividend of 1.00p per share.

Performance (taking year ended 31 August 2013 as 100)

Year ended 31 August	NAV	Share Price	MSCI AC Asia ex Japan Small Cap Index	FTSE All-Share Index	Earnings per share	Total dividends per share
2013	100	100	100	100	100	100
2014	112	116	113	107	66	100
2015	102	98	102	101	107	100
2016	131	123	132	108	65	100
2017	149	145	153	119	46	100
2018	144	139	155	120	63	100
2019	145	138	142	116	86	100
2020	124	117	152	98	56	100
2021	158	149	210	121	62	100
2022	173	162	208	118	114	122
2023	**182**	**174**	**212**	**119**	**97**	**113**

Directors

Jeremy Whitley (Chairman)

Jeremy joined the Board in March 2017. Following a twenty nine year investment career, he left full time employment at Aberdeen Asset Management at the end of March 2017, where he held the position of Head of UK and European equities since July 2009. Previous roles there include being a Senior Investment Manager on the Global Equities team as well as the Asian equities team, based in Singapore, where he was lead manager of the Edinburgh Dragon Trust plc. He began his investment career at SG Warburg & Co in 1988. He is a non-executive Director of JP Morgan Indian Investment Trust plc and Polar Capital Global Healthcare Trust plc.

Jeremy is also a member of the Remuneration Committee, Management Engagement Committee and Nominations Committee.

Andrew Baird

Andrew joined the Board in June 2017. After a period with the Foreign and Commonwealth Office, he worked for thirteen years at JP Morgan, culminating in a role as Head of Asian Equity Research and co-manager of the Asian Equities division in Hong Kong. He joined Goldman Sachs in 1998 as co-director of Asian Equity Research, followed by a senior management role in the European Equity Research department. On leaving Goldman Sachs in 2005 he co-founded Chayton Capital, an alternative investment management firm which he chaired until 2012. Since that time he has had a variety of non-executive roles in the investment management, social enterprise and charity sectors.

Andrew is the Senior Independent Director, the Chairman of the Management Engagement Committee, the Chairman of the Remuneration Committee, the Chairman of the Nominations Committee and a member of the Audit Committee.

Uma Bhugtiar

Uma joined the Board in October 2023. She is an experienced corporate lawyer, most recently serving as Head of Compliance at Hillhouse Capital Management. Prior to this she was the General Counsel and Chief Compliance Officer for Tybourne Capital Management and the Head of Asia Pacific Equities Client and Business Solutions for Credit Suisse.

Uma is also a member of the Audit Committee, Remuneration Committee, Management Engagement Committee and Nominations Committee.

Michelle Paisley

Michelle joined the Board in April 2020. She is a partner at global boutique advisory firm CC Strategic Partners focused on venture capital funds and early stage companies. Prior to that she was Managing Director at MVision, a global third-party advisor to private equity funds. Michelle moved to Hong Kong in 2006 to head up Macquarie Securities' Hong Kong/China institutional equities business, leading a 50-strong team of traders, salespeople and analysts across Hong Kong and Shanghai. She was a fund manager during the dot com boom with Bankers Trust. Michelle started as an analyst at HSBC James Capel in London, before relocating to Australia with Citigroup in 1996.

Michelle is the Chair of the Audit Committee, and a member of the Remuneration Committee, Management Engagement Committee and Nominations Commitee.

Anne West

Anne joined the Board in 2010. She retired from Cazenove Capital Management at the end of 2012 which she joined in 1989, assuming responsibility for Asian and Japanese portfolios. She was Chief Investment Officer from 2001 to 2008. Previously she held positions at Standard Chartered Bank and Hambro Pacific, based in Hong Kong. She is a non-executive Director of HgCapital Trust plc.

Anne is a member of the Audit Committee, Remuneration Committee, Management Engagement Committee, and Nominations Committee.

Anne will retire as a non-executive Director on 7 December 2023.

Business Review

The purpose of this report is to provide shareholders with details of the Company's strategy, objectives and business model as well as the principal and emerging risks and challenges the Company has faced during the year under review. It should be read in conjunction with the Chairman's Statement on page 3 and the Portfolio Managers' Report on pages 5 to 18, which provide a review of the Company's investment activity and a look to the future.

The Board is responsible for the stewardship of the Company, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management. Biographies of the Directors can be found on page 24.

The Board assesses its performance in meeting the Company's objectives against the following Key Performance Indicators, details of which can be found in the Financial Highlights, Ten Year Record, Chairman's Statement and Portfolio Managers' Report:

- the movement in net asset value per ordinary share on a total return basis;
- the movement in the share price on a total return basis;
- the share price discount to net asset value; and
- ongoing charges.

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006.

The Company carries on the business of an investment trust. The Company has been approved as an investment trust by HM Revenue and Customs subject to the Company continuing to meet eligibility conditions. The Company intends to conduct its affairs so as to enable it to comply with the ongoing requirements.

Investment Objective

The Scottish Oriental Smaller Companies Trust plc aims to achieve long-term capital growth by investing in mainly smaller Asian quoted companies.

Investment Policy

- The Company invests mainly in the shares of smaller Asian quoted companies, that is, companies with market capitalisations of below US$5,000 million, or the equivalent thereof, at the time of first investment.
- To enable the Company to participate in new issues, it may invest in companies which are not quoted on any stock exchange, but only where the Investment Manager expects that the relevant securities will shortly become quoted.
- For investment purposes, the Investment Region includes Australasia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam. Countries in other parts of Asia may be considered with approval of the Board.
- With the objective of enhancing capital returns to shareholders, the Directors of the Company will consider the use of long-term borrowings up to a limit of 50 per cent of the net assets of the Company at the time of borrowing.
- The Company invests no more than 15 per cent of its total assets in other listed investment companies (including listed investment trusts).
- The Company invests no more than 15 per cent of its total assets in the securities of any one company or group of companies at the time of investment.
- The Company reserves the right to invest in equity-related securities (such as convertible bonds and warrants) of companies meeting its investment criteria. In the event that the Investment Manager anticipates adverse equity market conditions, the Company may invest in debt instruments in any country or currency.
- The majority of the Company's assets are denominated in Asian currencies or US dollars. The Company reserves the right to undertake foreign exchange hedging of its portfolio.

A review by the Portfolio Managers' is given on pages 5 to 18 and the investments held at the year end are listed on pages 19 and 20.

Business Model and Strategy for Achieving Objectives

- We aim to maximise the rate of return with due regard to risk. Risk is principally contained by focusing on soundly managed and financially strong companies, and by ensuring that the portfolio is reasonably well diversified geographically and by sector at all times. Quantitative analysis demonstrating the diversification of the Company's portfolio of investments is contained in the country allocation and sector allocation analysis within the Portfolio Managers' Report.

Business Review cont'd

- While cultural, political, economic and sectoral influences play an important part in the decision-making process, the availability of attractively-priced, good quality companies with solid long-term growth prospects is the major determinant of investment policy.
- Our country weightings are not determined by reference to regional stock market indices. We do not consider ourselves obliged to hold investments in any individual market, sector or company.
- Existing holdings are carefully scrutinised to ensure that our corporate performance expectations are likely to be met, and that market valuations are not excessive. Where otherwise, disposals are made.
- Strong emphasis is placed on frequent visits to countries of the Investment Region and on meeting the management of those companies in which the Company is invested, or might invest.

Purpose and values

Purpose

To achieve long-term capital growth by investment in mainly smaller Asian quoted companies.

Values

Independence: to act independently in the interests of shareholders.

Sustainability: to ensure that the companies in which the Company invests are supportive of good environmental, social and governance practices and that the manager encourages continuous improvement in these areas.

Transparency: to report transparently and accurately to shareholders on the condition, performance and prospects of the Company.

Culture

The Board considers that its culture of open debate combined with strong governance and the benefits of a diverse board is central to delivering its purpose, values and strategy.

Investment Manager

First Sentier Investors (UK) Investment Management Limited has been Investment Manager since 20 March 1995. In order to comply with the Alternative Investment Fund Managers Directive, with effect from 2 July 2014 the Company terminated its investment management agreement with First Sentier Investors (UK) Investment Management Limited and appointed First Sentier Investors (UK) Funds Limited as its Alternative Investment Fund Manager ('AIFM'). First Sentier Investors (UK) Funds Limited delegated portfolio management services to First Sentier Investors (UK) Investment Management Limited.

A summary of the terms of the Investment Management Agreement is contained in note 2 of the Accounts on page 58.

The Board regularly appraises the performance and effectiveness of the investment management arrangements of the Company. As part of this process, such arrangements are reviewed formally once a year by the Management Engagement Committee. In relation to the Management Engagement Committee's formal review, the performance and effectiveness of such arrangements are measured against certain criteria. These include the Company's growth and return; performance against the Company's peer group; the success of the Company's investment strategy; the effectiveness, quality and standard of investment resource dedicated by the Investment Manager to the Company; and the level of the Investment Manager's fee in comparison to its peer group.

The Management Engagement Committee, having conducted its review, considers that the Investment Manager's continued appointment as investment manager to the Company is in the best interests of shareholders.

Responsible Investing

The Investment Manager takes a strategic approach to responsible investing and stewardship, focused on quality investment processes, a culture of stewardship across the organisation and engaging all employees in responsible investing. The team believes that environmental, social and governance ('ESG') issues comprise sources of long-term risk and return and can therefore impact long-term investment value. The team also believes that, as stewards of shareholders' funds, it can achieve better long-term investment outcomes through active company engagement and by exercising the equity ownership rights it holds on behalf of shareholders.

The Investment Manager is a signatory to the UK Stewardship Code 2020 and has maintained the highest tiering – Tier 1 – awarded by the Financial Reporting Council for the quality of stewardship related activities and disclosures. The Investment Manager is also a signatory to the Principles for Responsible Investment, achieving in its most recent assessment 7 A+ ratings and 1 A rating for the 8 areas of assessment, and it is fully compliant with the CFA Institute's Code of Ethics and Standards of Professional Conduct for asset managers.

Gearing

Details of the Company's £30 million fixed rate loan notes can be found in note 11 on page 63.

Social, Community and Human Rights Issues

The Board undertakes an annual review of environmental, social and governance factors in the context of the Company's investment portfolio. As part of its review, the Board considers the Investment Manager's approach to the responsible investment of shareholders' funds, details of which can be found on page 21 and 22 of this report.

The Company has given discretionary voting powers to the Investment Manager. The Board supports the integration by the Investment Manager of environmental, social and governance issues in its investment decision making. In the Investment Manager's view, this assists the sustainable performance of the Company.

Tender Offer

A tender offer will be made to shareholders for up to 25 per cent of the Company's outstanding share capital, if over the five years from 1 September 2021, the Company's NAV total return fails to exceed the total return of the MSCI AC Asia ex Japan Small Cap Index.

In the two years to 31 August 2023 the Company's NAV outperformed the MSCI AC Asia ex Japan Small Cap Index by 15.1%.

The Board and Outlook

At the date of signing this report, the Company has five Directors. Two are men and three are women. The Company has no employees.

The Chairman provides an outlook for the Company in his Statement on page 3.

On behalf of the Board

Juniper Partners Limited
Company Secretary

6 November 2023

Section 172 Statement

In accordance with section 172(1) of the Companies Act 2006, the Directors of the Company are required to describe to shareholders how they have discharged their duties and responsibilities over the course of the financial year. This statement provides an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long-term consequences of their decisions and the need to foster relationships with all stakeholders.

The Board is focused on promoting the long-term success of the Company and regularly reviews the Company's long-term strategic objectives, including consideration of the impact of the Investment Manager's actions on the marketability and reputation of the Company, and the likely impact on the Company's stakeholders of the Company's principal strategies.

Stakeholders

The Company's main stakeholders are its shareholders, Investment Manager, and other key service providers. The Investment Manager also engages with investee companies where appropriate, particularly on performance and corporate governance related issues.

The Board considers its stakeholders at each Board meeting and receives feedback on the Investment Manager's interactions with them.

Shareholders

The Board welcomes the views of shareholders and places considerable importance on communications with them. The Investment Manager reports back to the Board on meetings with shareholders and the Chairman and other Directors are available to meet shareholders. The Annual General Meeting of the Company and presentations held in London provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Board.

Investment Manager and AIFM

The Company's primary business relationships are with its Investment Manager and AIFM, First Sentier Investors (UK) Funds Limited and First Sentier Investors (UK) Funds Limited, (together 'First Sentier').

First Sentier are specialists in Asia Pacific and Global Emerging Markets equity strategies with a team of dedicated investment professionals based in Hong Kong, Singapore and Edinburgh. They are bottom-up investors, using fundamental research and analysis to construct high-conviction portfolios. First Sentier conduct more than a thousand direct company meetings a year, seeking to identify high quality companies that they can invest in for the long term. As responsible, long-term shareholders, First Sentier engage extensively on environmental, labour and governance issues and are signatories to the UN Principles for Responsible Investment.

The Portfolio Managers' Review on pages 5 to 18 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, under the oversight of the Board. The Board regularly reviews the Company's performance against its investment objective and undertakes an annual strategy review to ensure that the Company is positioned well for the future delivery of its objective. The Board receives presentations from the Investment Manager at every Board meeting to enable it to exercise effective oversight of the Investment Manager. On an annual basis the Management Engagement Committee conducts a formal evaluation of the performance of the Investment Manager.

Service Providers

The Board seeks to maintain constructive relationships with the Company's service providers, either directly or through the Investment Manager, with regular communications and meetings. A key relationship is with Juniper Partners Limited ('Juniper'), who provide company secretarial and fund administration services to the Company. In addition to the oversight undertaken by the Board on its service providers, Juniper also seeks to maintain constructive relationships with the Company's other service providers, for example the Registrar, the Depositary, and the Custodian.

The Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's service providers to ensure they continue to perform in line with the terms of their appointment and provide value for money. The findings of this review are reported to the Board.

Loan Notes

On behalf of the Board, the Investment Manager and Juniper maintain a positive working relationship with the purchaser of the Company's loan notes and provide regular updates on business activity and compliance with its loan covenants. Any feedback received from the purchaser is communicated to the Board at quarterly Board meetings or more frequently as required.

Key decisions

The Board is always mindful of its responsibilities to the Company's stakeholders and this forms part of every Board decision. Key decisions made by the Board during the year were:

Key Decision	Stakeholder(s) affected	Outcome
Performance fee arrangements **Year to 31 August 2023** Following a period of positive performance, the Investment Manager has earned a performance fee for the three year period to 31 August 2023 of £2,247,000. This fee is based on the Company's share price total return plus a hurdle of ten per cent, against the total return performance of the Company's comparator index. The Company's comparator index changed from the MSCI AC Asia ex Japan Index ("All Cap Index") to the MSCI AC Asia ex Japan Small Cap Index ("Small Cap Index") on 1 September 2021. The Investment Manager agreed that for the current three year performance period, a chain-linked comparator index, equivalent to the notional share price total return (in Sterling terms) which would have been provided by an investment in: (i) the MSCI AC Asia (ex-Japan) for periods up to and including 31 August 2021; and (ii) the MSCI AC Asia ex Japan Small Cap Index (GBP) for periods with effect from 1 September 2021.	**Investment Manager/ Shareholders**	• Performance fee comparator index aligned with the Company's primary comparator index. • Investment Manager is fairly renumerated in periods of positive performance. • Shareholders have an Investment Manager that is able to assign a high level of resource to the management of their portfolio.
Discount management The Board has continued to monitor the Company's share price discount to net asset value. The management of the Company's share price discount has a twofold effect; the supply of the Company's shares reduce whilst demand remains constant, and the Company's net asset value per share increases as shares have been bought back at a discount.	**Shareholders**	• Through the use of discount management controls, the Board has narrowed the discount to 12.4%. • During the year under review the Company repurchased 457,128 shares to be held in Treasury. • The discount ranged from 9.5% to 16.1% in the year to 31 August 2023.

Section 172 Statement cont'd

Key Decision	Stakeholder(s) affected	Outcome
Board composition The Directors are aware that the Board and its committees should possess a blend of skills, expertise, and understanding. It is important to take into account the overall tenure of the board members and ensure regular renewal of membership. After 13 years as a non-executive Director, Anne West has informed the Board of her intention to retire following the AGM on 7 December 2023. In order to maintain an appropriate mix of skills and experience, the decision was made to appoint a new non-executive Director. The Board appointed Uma Bhugtiar as a non-executive Director of the Company. With a background as a corporate lawyer and a substantial portion of her career spent in Asia, Ms. Bhugtiar brings valuable experience. The Board remains mindful of the size of the Board and we are in the process of recruiting a fifth non-executive Director who should be appointed in early 2024.	**Shareholders**	• Uma Bhugtiar was appointed as a non-executive Director on 19 October 2023. • The Board is currently in the process of recruiting a fifth non-executive Director.
Dividend Following strong income generation in 2022, the Investment Manager has made slight adjustments to the portfolio to ensure the Company continues to meet its long-term capital growth objective. After discussing the Company's revenue forecasts and investment outlook with the Investment Manager, the Board agreed to recommend maintaining the final dividend per share of 13.0p.	**Shareholders**	• Consistent rate of annual dividend. • Continued focus on capital growth.

Principal Risks and Uncertainties

The Board has carried out a thorough assessment of risks faced by the Company. Below we have set out the principal and emerging risks identified from the consideration. The Company faces emerging risks from climate change and global political events. The impact of these on the principal risks is detailed below, together with a summary of the mitigating action taken to manage these risks.

Emerging Risks

Risk	Mitigation
Environmental, Social and Governance ("ESG") There is increased awareness of the challenges posed by ESG and climate change. The increasing volume, short implementation deadlines and lack of commonality of new ESG regulations issued by multiple regulators, accompanied by increased regulatory focus and labeling and marketing of investment products as having ESG characteristics increase the perceived risk of greenwashing.	The investment process is focused on ESG issues and, as set out on pages 21 and 22, puts a great deal of emphasis on good Governance. Overall the specific potential effects of climate change are difficult, if not impossible to predict. The Board and Investment Manager continue to monitor material physical and transition risks and opportunities as part of the investment process.
Social and political events Economic and political events continue to impact global equity markets. Particularly relevant for the Company is the poor economic relationship between the United States and China. Investment flows have been significantly impacted; this has the potential to impact supply chains and may affect other countries in Asia.	Although not possible to predict the scale of unknown events, the Investment Manager invests in a portfolio of high quality companies which are resilient to market downturns. The Board and the Investment Manager discuss the resiliency of the portfolio as part of regular meetings. Please refer to the Investment Managers' report on pages 5 to 18 for further details.

Principal Risks

Risk	Mitigation
Investment objective and strategy An inappropriate or unattractive objective and strategy may have an adverse effect on shareholder returns or cause a reduction in demand for the Company's shares, both of which could lead to a widening discount. **No change to this risk**	The Board conducts annual strategy reviews and considers investment performance, shareholder views and developments in the marketplace as well as emerging risks which could impact the Company regularly throughout the year. The Board reviews changes to the shareholder register at quarterly Board meetings and engages the Administrator to continually monitor the discount at which the Company's shares trade, reporting regularly to the Board and buying back shares when appropriate.
Investment performance Poor investment performance may have an adverse effect on Shareholder returns. In extreme circumstances, poor investment performance could lead to the Company breaching loan covenants. **No change to this risk**	The Board reviews investment performance at each quarterly Board meeting. The Investment Manager reports on the Company's performance, transaction activity, individual holdings, portfolio characteristics and outlook. The Investment Manager is formally appraised at least annually by the Management Engagement Committee. The Board formally reviews compliance with the Company's loan covenants on a quarterly basis.

Principal Risks and Uncertainties cont'd

Principal Risks

Risk	Mitigation
Financial and Economic The Company's investments are impacted by financial and economic factors including market prices, interest rates, foreign exchange rates, liquidity and credit which could cause losses to the investment portfolio. **No change to this risk**	The Board regularly reviews and agrees policies for managing market price risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. These are explained in detail in note 16 to the financial statements on pages 64 to 68.
Share price discount/premium to net asset value A significant share price discount or premium to the Company's net asset value per share, or related volatility, could lead to high levels of uncertainty or speculation and the potential to reduce investor confidence. **No change to this risk**	The Board has established share issuance and share buy-back processes to assist in the moderation of share price premium and discount to net asset value. Shareholders are kept informed of developments as far as practicable and are encouraged to attend briefings, such as the Company's Annual General Meeting, to understand the implementation of the investment policy to achieve the Company's objectives.
Operational The Company is reliant on third party service providers including FSSA Investment Managers as Investment Manager, Juniper Partners as Company Secretary and Administrator, JP Morgan as Depositary and Custodian and Computershare as Registrar. Failure of the internal control systems of these third parties could result in inaccurate information being reported or risk to the Company's assets. **The assessed risk level has increased due to the heightened threat and sophistication of a potential cyber attack.**	The Audit Committee formally reviews each service provider at least annually, considering their reports on internal controls. Further details of the Company's internal control and risk management system is provided on page 37.
Regulatory The Company operates in a regulatory environment. Failure to comply with s1158 of the Corporation Tax Act 2010 could result in the Company losing investment trust status and being subject to tax on capital gains. Failure to comply with other regulations could result in financial penalties or the suspension of the Company's listing on the London Stock Exchange. **No change to this risk**	Compliance with relevant regulations is monitored on an ongoing basis by the Company Secretary and Investment Manager who report regularly to the Board. The Board monitors changes in the regulatory environment and receives regulatory updates from the Company Secretary, Lawyers and Auditor as relevant.

Directors' Report

The Directors have pleasure in presenting the Annual Report for the year to 31 August 2023.

Results and Dividend

The table below shows the revenue position and dividend payable by the Company, subject to shareholders' approval of the dividend of 13.0p per share proposed to be paid on 12 January 2024. The basis of accounting is to reflect the dividend in the year in which the Company pays it.

	£000
Revenue reserve as at 31 August 2022 (per Statement of Financial Position)	7,707
Dividends paid for year ended 31 August 2022	(3,457)
Net revenue earned in the year ended 31 August 2023	3,496
Revenue reserve as at 31 August 2023 (per Statement of Financial Position)	7,746
Dividend proposed for year ended 31 August 2023	(3,145)
Revenue reserve as at 31 August 2023 (after payment of proposed dividend)	4,601

Share Capital and Share Buy Backs

The Company's capital structure consisted of 31,413,663 ordinary shares of 25p each at 31 August 2023.

The Company's buy back authority was last renewed at the General Meeting on 5 December 2022 in respect of 3,702,458 ordinary shares of 25p each.

During the year the Company bought back 457,128 ordinary shares to be held in Treasury. The Company held 7,053,812 ordinary shares in Treasury at 31 August 2023.

Each ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every ordinary share held.

Substantial Shareholders

At 31 August 2023 the Company was aware of the following significant shareholdings representing (directly or indirectly) 3 per cent or more of the voting rights attaching to the issued share capital of the Company:

	Number of shares held	Percentage held
Clients of City of London Investment Management	4,940,379	20.3%
Clients of Ameriprise Financial	2,423,263	9.9%
Clients of Alliance Trust Savings	2,315,394	9.5%
Clients of Hargreaves Lansdown	1,907,929	7.8%
Clients of Investec Wealth & Investment	1,511,277	6.2%
Clients of Allspring Global Investments	1,493,987	6.1%
Clients of Brewin Dolphin Securities	1,314,208	5.4%
Clients of Rathbones	1,140,755	4.7%

On 17 October 2023 the Company was notified that clients of Ameriprise Financial own 2,423,264 shares (10.0%) in the Company.

On 24 October 2023 the Company was notified that clients of City of London Investment Management own 4,588,735 shares (18.94%) in the Company.

Directors' Report cont'd

Going Concern

In assessing the Company's ability to continue as a going concern the Directors have considered the Company's investment objective detailed on page 25, risk management policies detailed on pages 31 and 32, the nature of its portfolio and expenditure projections and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and for at least 12 months from the date of this Report. In addition, the Board has had regard to the Company's investment performance (see page 2), the price at which the Company's shares trade relative to their NAV (see page 2) and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with Shareholders).

The Directors performed an assessment of the Company's ability to meet its liabilities as they fall due. In performing this assessment, the Directors took into consideration the following factors:

- cash and cash equivalents balances and the portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue, operating and finance cost forecasts for the forthcoming year;
- continued adherence to the loan covenants;
- the ability of third-party service providers to continue to provide services; and
- three potential downside scenarios including stress testing the Company's portfolio for a 30% fall in the value of the investment portfolio; a 50% fall in dividend income; and a similar level of share buybacks to the current year. The cumulative impact of these three downside scenarios would leave the Company with a positive net cash position.

Based on this assessment, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

Viability Statement

The Board considered its obligation to assess the viability of the Company over a period longer than the 12 months from the date of approval of the financial statements required by the 'going concern' basis of accounting. The Board concluded that a period of five years was appropriate for this review.

The Board considers the Company, with no fixed life, to be a long-term investment vehicle but, for the purposes of this viability statement, has decided that a period of five years is an appropriate period over which to report. The Board considers that this period reflects a balance between looking out over a long-term horizon and the inherent uncertainties of looking out further than five years.

When deciding on this period the Directors considered the Company's portfolio of Asian smaller companies, the holding period of which is typically three to five years.

The Directors have also carried out a robust assessment of the principal and emerging risks that are facing the Company over the period of the review, including those that would threaten its business model, future performance, solvency or liquidity, as noted on pages 31 and 32 and discussed in note 16 to the Accounts.

The Directors have also taken account of the liquidity of the portfolio, which consists of listed equities, the level of ongoing charges, and the conditional tender offer in 2026, for 25% of the Company's outstanding share capital when considering the viability of the Company over the next five years and its ability to meet liabilities as they fall due.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Financial Instruments

Information on the Company's financial instruments can be found in the Notes on the Accounts on pages 58 to 68.

Principal Risks and Risk Management

Information on the principal and emerging risks to shareholders and management of these risks can be found on pages 31 and 32 and in note 16 to the Accounts on pages 64 to 68.

Directors' Indemnity

The Company's Articles of Association entitle any Director or Officer of the Company to be indemnified out of the assets of the Company against any loss or liability incurred by him or her in the execution of his or her duties in relation to the Company's affairs to the extent permitted by law. The Company maintains insurance in respect of Directors' and Officers' liability in relation to their acts on behalf of the Company.

Corporate Governance

The Company's Corporate Governance Report is set out on pages 42 to 44 and forms part of the Directors' Report.

Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting ('SECR')

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company is a low energy user under the SECR regulations and has no energy and carbon information to disclose.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Disclosure of Information to the Auditor

The Directors confirm that as far as they are aware, as at the date of this Report, there is no relevant audit information of which the Company's auditor is unaware and that each Director has taken all the steps he or she might reasonably be expected to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The notice convening the Annual General Meeting to be held on 7 December 2023 (the "AGM") is given on pages 72 to 75. The resolutions to be proposed include a resolution to approve the Directors' Remuneration Report which is set out on pages 39 to 41.

Resolutions 10 and 11 to be proposed at the Annual General Meeting as ordinary and special resolutions respectively will, if approved, authorise the Directors to allot a limited number of new ordinary shares and empower them to allot some or all of the same for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The authority being sought under Resolution 10 is in respect of £604,721 in nominal value of relevant securities, representing approximately 10 per cent of the issued ordinary share capital at 3 November 2023. The power to disapply pre-emption rights being sought under Resolution 11 is also in respect of £604,721 of equity securities representing approximately 10 per cent of the ordinary shares of the Company (excluding Treasury Shares) in issue on 3 November 2023. The authority under Resolutions 10 and 11, if granted, will expire at the earlier of the next Annual General Meeting or 15 months from the passing of the resolutions. The Directors, who have no present intention of exercising their authority to allot any of the same, will allot relevant securities under this authority only to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

Resolution 12 to be proposed at the Annual General Meeting as a special resolution gives authority to the Company to purchase its own shares, subject to the provisions of the Companies Act 2006, as permitted by the Company's Articles of Association. This resolution specifies the maximum such number of shares which may be acquired (being 3,625,908 ordinary shares, representing 14.99 per cent of the Company's issued share capital at 3 November 2023) and the maximum (105 per cent of the 5 day average middle market price) and minimum (the nominal value) prices at which shares may be bought. The authority, which may be used to buy back shares either for cancellation or to be held in Treasury, will be used to purchase shares only if, in the opinion of the Directors, a purchase would be in the best interests of the shareholders as a whole. The Directors will exercise the authority granted pursuant to this resolution only through the market for cash at prices below the prevailing net asset value of the ordinary shares (as last calculated) in circumstances where such purchases will enhance the Company's net asset value. The proposed authority, if granted, will expire at the earlier of the next Annual General Meeting or 15 months following the passing of Resolution 12. There are no options outstanding over the Company's share capital.

Directors' Report cont'd

Notice Period for General Meetings

Resolution 13 is being proposed to enable general meetings to be held on 14 clear days' notice.

The minimum notice period for listed company general meetings is 21 clear days, but companies have an ability to reduce this period to 14 clear days (other than for annual general meetings), provided that the company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of general meetings (other than annual general meetings) from 21 clear days to 14 clear days. The Board is therefore proposing Resolution 13 as a special resolution to ensure that the minimum required period for notice of general meetings of the Company (other than annual general meetings) is 14 clear days. The Directors believe it is in the best interests of the shareholders of the Company to preserve the shorter notice period, although it is intended that this flexibility will be used only for non-routine business and where merited in the interests of shareholders as a whole. The approval will be effective until the Company's next Annual General Meeting when it is intended that a similar resolution will be proposed.

Recommendation

The Directors unanimously recommend that you vote in favour of the resolutions to be proposed at the Annual General Meeting as it is their view that the resolutions are in the best interests of shareholders as a whole.

Relations with Shareholders

The Board places great importance on communication with shareholders. In addition to the regular annual and half year reports, monthly factsheets, investment updates and general information are available on the Company's website **www.scottishoriental.com**. The Investment Manager has a policy of meeting major shareholders and reports to the Board following such meetings. The Chairman and members of the Board are available to meet with shareholders as appropriate. Any shareholder wishing to communicate with a member of the Board may do so by writing to him or her at the Company Secretary's office as detailed inside the back cover of this report. Proxy voting figures for each resolution are available to shareholders after the AGM. Separate items of business are proposed as separate resolutions. The Annual Report is sent to shareholders at least 21 days before the AGM.

Exercise of Voting Powers

The Investment Manager decides whether and how to vote on behalf of the Company in accordance with the Investment Manager's judgement of what is best for the Company and its shareholders in each individual case.

On behalf of the Board

Juniper Partners Limited
Company Secretary

6 November 2023

Report of the Audit Committee

The Audit Committee is chaired by Michelle Paisley and also comprises Andrew Baird, Anne West and Uma Bhugtiar.

The Audit Committee has clearly defined written terms of reference which are available on the Company's website. The main functions of the Audit Committee are as follows:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and to review significant financial reporting judgements contained in them;
- to consider the appointment of the external auditor, the audit fee, and any questions of the external auditor's resignation or dismissal;
- to review the half-year and annual financial statements before submission to the Board;
- to monitor and review the effectiveness of the Company's statements on corporate governance and internal control systems (including financial, operational and compliance controls and risk management) prior to endorsement by the Board; and
- to review and monitor the external auditor's independence and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. The Audit Committee also reviews the objectivity of the auditor and the terms under which they are appointed to perform non-audit services. Johnston Carmichael LLP ("Johnston Carmichael") provided no non-audit services for the year ended 31 August 2023.

At the request of the Board, the Audit Committee considered whether the 2023 Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Audit Committee has reviewed the Annual Report and Accounts and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion the Audit Committee has assumed that the reader of the Annual Report and Accounts has a reasonable level of knowledge of the investment industry.

Auditor

As part of its review of the scope and results of the audit, the Audit Committee considered and approved Johnston Carmichael's plan for the audit of the financial statements for the year ended 31 August 2023. At the conclusion of the audit, Johnston Carmichael did not highlight any issues to the Audit Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. Johnston Carmichael issued an unqualified audit opinion which is included on pages 46 to 51.

As part of the review of auditor independence and effectiveness, Johnston Carmichael has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating Johnston Carmichael, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Investment Manager and Company Secretary, is satisfied that Johnston Carmichael provides effective and independent challenge in carrying out its responsibilities. Following professional guidelines, the audit principal rotates after five years. The current audit principal, Richard Sutherland, is in the first year of his appointment. On the basis of this assessment, the Audit Committee has recommended to the Board that Johnston Carmichael continues to be appointed as auditor. Johnston Carmichael's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

The Audit Committee does not consider that an internal audit function is necessary as the Company has outsourced all of its functions to third party service providers. The Company also has no employees.

Internal Controls

The Directors are ultimately responsible for the internal controls of the Company which aim to ensure that proper accounting records are maintained, the assets are safeguarded and the financial information used within the business and for publication is reliable. The Directors are required to review the effectiveness of the Company's system of internal control. The UK Corporate Governance Code states that the review should cover all material controls, including financial, operational and compliance controls and risk management systems. Operational and reporting systems are in place to identify, evaluate and monitor the operational risks potentially faced by the Company and to ensure that effective internal controls have been maintained throughout the period under review and up to the date of approval of this Annual Report. The Audit Committee receives and examines reports on internal controls from all key service providers. The Board confirms that there is a process for identifying, evaluating and managing the significant risks faced by the Company. A full review of all internal controls is undertaken annually and the Board confirms that it has reviewed the effectiveness of the system of internal control.

These controls include:

- reports at regular Board meetings of all security and revenue transactions effected on the Company's behalf. These transactions can be entered into only following appropriate authorisation procedures determined by the Board, the Investment Manager and the Company Secretary;
- custody of the Company's assets has been delegated to JP Morgan Chase. The records maintained by JP Morgan Chase permit the Company's holdings to be readily identified. The Investment Manager and Administrator carry out regular reconciliations with the custodian's records of the Company's cash and holdings;
- the Investment Manager's compliance and risk department monitors compliance by individuals and the Investment Manager's operations with the rules of the Financial Conduct Authority and provides regular reports to the Board; and
- a risk matrix is prepared which identifies the principal and emerging risks faced by the Company and the Investment Manager's and Company Secretary and Administrator's controls in place to manage these risks effectively.

These systems are designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss.

Significant Accounting Matters

Significant accounting matter	Actions taken
Valuation of investments	The Company's accounting policy for valuing investments is set out on page 56 and the prices of all investments are reconciled against an independent source by the Administrator.
Existence/ownership of investments	The assets held within the investment portfolio reconciled regularly to the custodian's records by the Administrator.
Performance fees calculation	Any performance fee payable is calculated by the Company Secretary and reviewed by another team member at Juniper Partners.
Revenue recognition	The recognition of investment income is undertaken in accordance with Accounting Policy (b) on page 56.

Michelle Paisley
Director

6 November 2023

Directors' Remuneration Report

Statement by the Chairman

This report has been prepared in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting. The remuneration policy, which was approved by shareholders at the Company's Annual General Meeting in December 2020 (resolution received 99.16 per cent of votes for, 0.74 per cent of votes against, and 0.1 per cent of votes were withheld), will again be put to shareholders at the Annual General Meeting on 7 December 2023.

Remuneration Committee

The Remuneration Committee is chaired by Andrew Baird and comprises all independent non-executive Directors. Appointments are periodically reviewed. The Remuneration Committee's terms of reference are available on the Company's website and clearly define the Remuneration Committee's responsibilities.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts that are similar in size and have similar objectives and structures. Furthermore the level of remuneration should be sufficient to attract and retain the high calibre of Directors needed to oversee the Company properly and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

The fees of the non-executive Directors are set within maximum limits as defined in the Company's Articles of Association, and may be amended from time to time subject to shareholder approval at a general meeting. The current aggregate limit on Directors' fees is £200,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The Directors' fees are not performance related.

Directors' Service Contracts

The Directors do not have contracts of service with the Company. All of the Directors have entered into letters of appointment. The letters of appointment provide that Directors are appointed for a period of three years and are subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter, they must retire at intervals of no more than three years. Their re-election is subject to shareholder approval. The letters of appointment are available for inspection on request. Any Director who has served on the Board for more than nine years will submit himself or herself for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment. The Board believes that long-term appointments are a benefit to the Company in terms of awareness and industry experience.

Annual Report on Remuneration

The Board carried out a review of the level of Directors' fees during the year. It was resolved to increase the level of the Chairman's fee from £36,000 to £39,000 per annum, the Audit Committee Chairman's fee from £28,500 to £31,000 per annum and Directors' fees from £25,500 to £27,500 per annum, effective from 1 July 2023. In setting these rates, the Board considers the factors set out in the Policy on Directors' Remuneration above. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 46 to 51.

Directors' Remuneration Report cont'd

Directors' interests (audited)

The Directors at the year end had the following interests in the share capital of the Company. All the Directors' interests, save as otherwise disclosed, are beneficial interests in the share capital of the Company.

	31 August 2023 ordinary 25p shares	31 August 2022 ordinary 25p shares
Jeremy Whitley	80,750	80,750
Andrew Baird	2,000	2,000
Michelle Paisley	–	–
Anne West	22,000	22,000

The Company has no service contracts with its Directors and has not entered into any other contract in which a Director has an interest.

Directors' Emoluments for the Year (audited)

The following emoluments in the form of fees were received by the Directors who served in the year:

	Fees 2023 £	Fees 2022 £	% change
Jeremy Whitley (Chairman)*	36,500	28,105	29.9
James Ferguson†	–	30,306	–
Andrew Baird	25,833	24,250	6.5
Michelle Paisley (Audit Committee Chair)††	28,917	24,600	17.5
Anne West	25,833	24,250	6.5
	117,083	**131,511**	**(11.0)**

* Appointed Chairman on 20 July 2022 (formerly Audit Committee Chair).
† Retired as a Director on 20 July 2022.
†† Appointed Audit Committee Chair 20 July 2022.

The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The Directors' fees are not performance related.

The table below contains the annual percentage change in remuneration in the three financial years prior to the current year in respect of each Director.

Fee Rates	Year to 31 August 2020 £	Year to 31 August 2021 £	Year to 31 August 2022 £	Year to 31 August 2023 £
Chair	31,667	32,750	34,333	36,500
	+6.4%	+3.4%	+4.8%	+6.3%
Audit Committee Chair	25,333	26,167	27,250	28,917
	+6.4%	+3.3%	+4.1%	+6.1%
Non-excutive Director	22,583	23,167	24,250	25,833
	+6.3%	+2.6%	+4.7%	+6.5%

Statement of Voting at Annual General Meeting

Voting on the resolutions to approve the Directors' Remuneration Report at the Company's AGM on 5 December 2022 was as follows:

Resolution	Votes For	Votes Against	Votes Withheld
Approve Directors' Remuneration Report	13,193,637	5,927	21,852

Relative Importance of Directors' Fees

	2023 £000	2022 £000
Directors' fees	117	132
Buyback of Ordinary Shares	5,567	28,211
Dividend paid	3,457	3,053
Expenses (including performance fee)	5,493	3,151

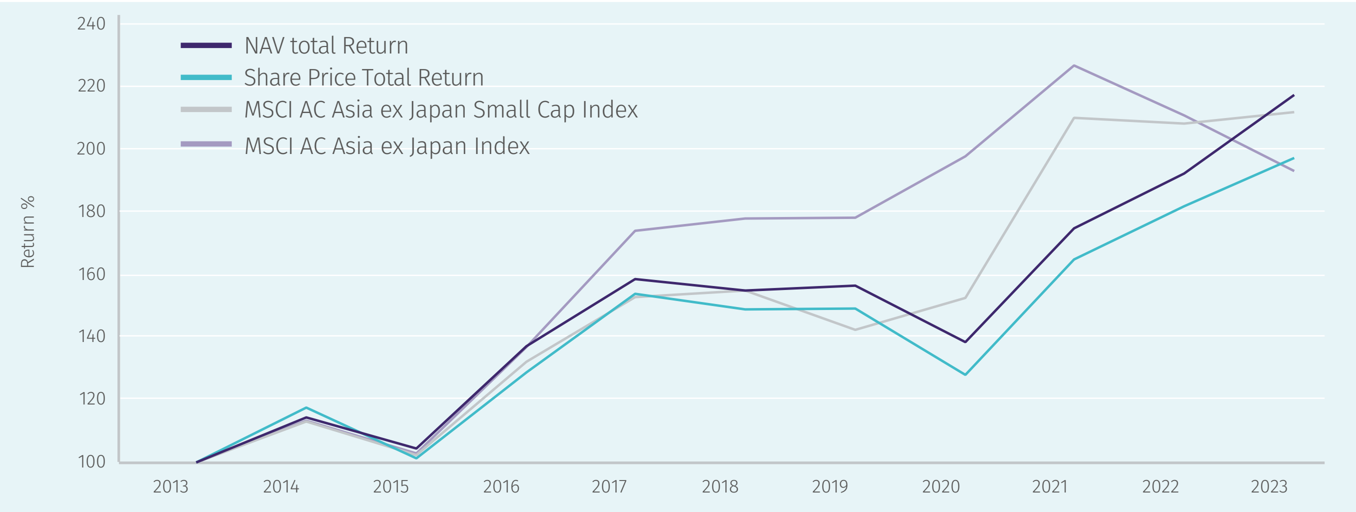
	2023 %	2022 %
Directors' fees as a percentage of buyback of ordinary shares	2.1	0.5
Directors' fees as a percentage of dividend paid	3.4	4.3
Directors' fees as a percentage of expenses	2.1	4.2

Further details of the Company's expenses can be found in notes 2 and 3 on pages 58 and 59.

Company Performance

The graph below compares the total return (assuming all dividends are reinvested) to ordinary shareholders for the last ten financial years compared to the total shareholder return on the MSCI AC Asia ex Japan Small Cap Index. This Index was chosen for comparison purposes, as it is the index used for investment performance measurement purposes. The total return for the MSCI AC Asia ex Japan Index is also displayed for comparison purposes.

Total Return – Scottish Oriental versus comparator indices



Source: LSEG Datastream

The Directors' Remuneration report on pages 39 to 41 was approved by the Board of Directors on 6 November 2023 and signed on its behalf by

Jeremy Whitley
Chairman

6 November 2023

Corporate Governance

Directors' Statement on Corporate Governance

Arrangements appropriate to an investment trust in respect of corporate governance have been made by the Board. The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance (the ''AIC Code'') published in February 2019. The AIC Code addresses all the principles set out in the UK Corporate Governance Code issued by the FRC, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The AIC Code can be obtained from the AIC's website at www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders than if it had adopted the UK Corporate Governance Code.

Conflicts of Interest

The Companies Act 2006 requires that a Director of the Company must avoid a situation in which he or she has, or might have, an interest that conflicts, or may conflict, with the interests of the Company. Each Director submits a list of potential conflicts prior to each meeting. The other Directors consider these and recommend whether or not each potential conflict should be authorised. No situation arose during the year whereby an interest of a Director conflicted with the interests of the Company.

Meetings

The Board meets at least four times per year and has a formal schedule of matters specifically reserved to it for decision including investment policy and agreement of the terms of appointment of the Investment Manager. The number of meetings of the Board, Audit Committee, Remuneration Committee, Nominations Committee and Management Engagement Committee held during the year and the attendance of the individual directors at those meetings is shown in the table below. Board papers are distributed prior to all meetings in a form and of a quality appropriate to enable the Board to discharge its duties. Directors can in addition raise any matters at meetings and there is a procedure in place for Directors to take independent professional advice, if necessary, at the Company's expense. The Company purchases and maintains Directors' and Officers' liability insurance. The Directors confirm that the Company Secretary is responsible for ensuring that the Board's procedures are followed and for compliance with applicable rules and regulations including the UK Corporate Governance Code. Appointment or removal of the Company Secretary is a matter for the Board as a whole. All Directors have access at any time to the advice and services of the Company Secretary.

Number of Meetings	Board Meetings	Audit Committee	Remuneration Committee	Management Engagement Committee	Nominations Committee
Jeremy Whitley	4/4	2/2*	1/1	1/1	1/1
Andrew Baird	4/4	2/2	1/1	1/1	1/1
Michelle Paisley	4/4	2/2	1/1	1/1	1/1
Anne West	4/4	2/2	1/1	1/1	1/1

*Attendance by invitation

Independence of Directors

The Board considers its non-executive Directors to be free from any business or other relationship with the Investment Manager or its employees which could interfere with or compromise the exercise of his or her independent judgement and, therefore, independent of the Investment Manager.

Performance Appraisals

Performance appraisals of the Chairman and Directors were carried out during the accounting period through a discussion based process. The Chairman's appraisal was led by the Senior Independent Director, Andrew Baird. The Board concluded that the Chairman and each Director contributed effectively and demonstrated commitment to his or her role. The Board also concluded that the performance of the Board as a whole and its committees was effective. The training and development needs of Directors are discussed prior to and during the annual appraisal.

Board Diversity

The Nominations Committee considers diversity, including balance of skills, knowledge, gender, social and ethnic backgrounds, cognitive and personal strengths and experience, amongst other factors when reviewing the composition of the Board.

The Nomination Committee does not consider it appropriate to establish diversity targets or quotas at this time. However, it is conscious of the diversity targets set out in the FCA Listing Rules and the AIC Code of Corporate Governance in appointing appropriately diverse, independent non-executive directors who set the operational and moral standards of the Company and aims to have an appropriate level of diversity on the Board. In accordance with Listing Rule 9.8.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity as at 31 August 2023, being the financial year end of the Company.

The information included in the tables below has been obtained following confirmation from the individual directors.

The Company did not meet the FCA ethnic diversity target as at 31 August 2023. However with effect from 19 October 2023 following the appointment of Uma Bhugtiar, the Company meets this target.

The Company did not meet the FCA gender diversity target of one woman in a senior board position (which are defined as Chair, CEO, SID or Chief Financial Officer). As an externally managed investment trust the Company does not have the roles of CEO or Chief Financial Officer. However, the Chair of the Audit Committee, which the Board considers to be an equivalent senior position for an investment trust is held by a woman.

The Board will continue to take all matters of diversity into account as part of its succession planning and aims to have an appropriate level of diversity on the Board.

Board gender as at 31 August 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board(4)	Number in executive management(1)	Percentage of executive management(1)
Man	2	50	2	n/a	n/a
Woman	2	50(2)	0(3)	n/a	n/a
Not specified/prefer not to say	–	–	–	n/a	n/a

Board ethnic background as at 31 August 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board(4)	Number in executive management(1)	Percentage of executive management(1)
White British or other white (including minority groups)	4	100(5)	2	n/a	n/a
Mixed/multiple ethnic groups	–	–	–	n/a	n/a
Asian/Asian British	–	–	–	n/a	n/a
Black/African/Caribbean/Black British	–	–	–	n/a	n/a
Other ethnic group, includng Arab	–	–	–	n/a	n/a
Not specified/prefer not to say	–	–	–	n/a	n/a

(1) The number of Directors in executive management is not applicable for an investment trust.

(2) This meets the Listing Rules target of 40%.

(3) The position of the Chairman of the Audit Committee is held by a woman. However this is not currently defined as a senior position.

(4) The rules state that the senior board positions consist of Chair, CEO, SID or Chief Financial Officer.

(5) With effect from 19 October 2023, following the appointment of Uma Bhugtiar, the Company meets the Listing Rules target on ethnic diversity.

Corporate Governance cont'd

Terms of Appointment and Re-election of Directors

The Articles of Association provide that each Director is subject to election at the first AGM after her or his appointment and must retire by rotation every three years. The Board has adopted annual re-election of Directors. Each updated re-election is subject to shareholder approval, based upon the recommendations of the full Board. Biographical details of all Directors are set out on page 24 of this Annual Report to enable shareholders to take an informed decision on their re-election. From these details, it will be seen that the Board has a breadth of investment, commercial and professional experience with an international and, more specifically, Asian perspective. The Board confirms that each of these Directors makes a significant contribution to Board deliberations. The Board therefore believes that it is in the interests of shareholders that all Directors be re-elected (please note that Anne West is stepping down from the Board and is therefore not standing for re-election at the Annual General Meeting).

New Directors receive a briefing on the investment operations and administrative functions of the Company and his or her role/responsibility as a Director as appropriate.

The terms and conditions of appointment of non-executive Directors are available for inspection at the Company's registered office during normal business hours.

Nominations Committee

The Board as a whole fulfils the functions of a Nominations Committee which is chaired by Andrew Baird.

The Nominations Committee terms of reference are available on the Company's website and clearly define the Committee's responsibilities. Once a decision is made to appoint a new Director, each Director is invited to submit potential candidates for consideration by the Nominations Committee. The Nominations Committee considers a broad range of skills and experience when seeking potential candidates including diversity and gender.

The Board believes that length of service does not necessarily compromise the independence or contribution of directors of an investment trust company. Indeed, in its opinion, continuity and experience often add significantly to the strength of the board. The Directors are mindful of the need for a carefully considered succession plan and will continue to focus on this area. In the year under review the Nominations Committee met and considered the appointment of a non-executive Director. After sourcing a list of potential candidates, several candidates were considered by the Members of the Nomination Committee. Following completion of the process, the Nomination Committee agreed that Uma Bhugtiar would complement the current skills, experience and knowledge of the existing Directors. Given the rigour and extent of our process noted above, neither an external research consultant nor open advertising was used to assist in the appointment of Uma Bhugtiar.

The Nominations Committee meets at least annually.

Management Engagement Committee

The Committee comprises all the independent Directors of the Company and is chaired by Andrew Baird. The Committee meets at least annually to consider the performance and remuneration of the Investment Manager and to review the terms of the investment management contract.

On behalf of the Board

Juniper Partners Limited
Company Secretary

6 November 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year.

Under that law the Directors have elected to prepare the Accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the Accounts unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company for that period. In preparing these Accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 Accounts.

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 Accounts 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 confirm that suitable accounting policies, applied consistently and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the Accounts and that applicable accounting standards have been followed.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Accounts has a reasonable level of knowledge of the investment industry.

The Accounts are published on the Company's website www.scottishoriental.com which is maintained by the Investment Manager. The maintenance and integrity of the corporate and financial information relating to the Company is the responsibility of the Investment Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Each of the Directors confirms that to the best of his or her knowledge:

- the Accounts, prepared in accordance with applicable United Kingdom accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal and emerging risks and uncertainties that the Company faces.

By order of the Board

Jeremy Whitley
Chairman

6 November 2023

Report of the Independent Auditor

Independent Auditor's Report to the members of The Scottish Oriental Smaller Companies Trust plc

Opinion

We have audited the financial statements of The Scottish Oriental Smaller Companies Trust plc ("the Company"), for the year ended 31 August 2023, which comprise the Income Statement, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity, and notes to the financial statements, including significant accounting policies.

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

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 August 2023 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our approach to the audit

We planned our audit by first obtaining an understanding of the Company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by First Sentier Investors (UK) Investment Management Limited (the "Investment Manager"), First Sentier Investors (UK) Funds Limited (the "Alternative Investment Fund Manager"), Juniper Partners Limited (the "Company Secretary", and "Administrator"), JP Morgan Chase Bank N.A. (the "Custodian"), JP Morgan Europe Limited (the "Depositary") and Computershare Investor Services plc (the "Registrar") to whom the Company has delegated the provision of services.

We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the Company operates.

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

Key audit matters

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

We summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Key audit matter	How our audit addressed the key audit matter and our conclusions
Valuation and ownership of investments As per page 38 (Report of the Audit Committee), page 56 (Accounting Policies) and note 8. The valuation of the portfolio at 31 August 2023 was £372.7m (2022: £368.4m) and comprised entirely of listed equity investments. As this is the largest component of the Company's Statement of Financial Position, accounting for 105.1% (2022: 107.4%) of net assets, and a key driver of the Company's total return this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud or error. There is a risk that investments held at fair value may not be actively traded and the quoted prices may not be reflective of their fair value (valuation). Additionally, there is a risk that the investments recorded as held by the Company may not represent property of the Company (ownership).	We performed a walkthrough of the valuation process at the Administrator to evaluate the design of the process and implementation of key controls. We compared market prices and exchange rates applied to all listed equity investments held at 31 August 2023 to an independent third-party source and recalculated the investment valuations. We obtained average trading volumes from an independent third-party source for all investments held at year end and challenged management's active market assessment for investments where trading volumes indicated lower levels of liquidity. Based on the enquiries made, management identified investments where the market was not deemed to meet the criteria for an active market and where management valued the investments based on observable inputs. We evaluated management's basis for valuing such investments and did not identify any required adjustments to the valuations applied. We agreed the ownership of all listed equity investments held at 31 August 2023 to the independently received custodian report. From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the investments.
Revenue recognition, including allocation of special dividends as revenue or capital returns As per page 38 (Report of the Audit Committee), page 56 (Accounting Policies) and note 1. The income from investments for the year to 31 August 2023 was £8.4m (2022: £9.2m) consisting of dividends received from listed investments. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company. There is a risk that revenue is incomplete or inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error. Additionally, judgement is required in determining the allocation of special dividends as revenue or capital returns in the Income Statement.	We performed a walkthrough of the revenue recognition process, including the process for allocating special dividends as revenue or capital returns, at the Administrator to evaluate the design of the process and implementation of key controls. We confirmed that income is recognised in accordance with the AIC SORP by assessing the accounting policies. We recalculated 100% of dividends due to the Company, from equity holdings, based on investment holdings throughout the year and announcements made by investee companies. We agreed a sample of investment income recognised to bank statements. We assessed the completeness of the special dividend population with reference to third party market data and determined whether special dividends recognised were revenue or capital in nature with reference to the underlying commercial circumstances of the dividend payments. From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the results of that work.

Materiality measure	Value
Materiality for the financial statements as a whole – we have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. It is also the standard industry benchmark for materiality for investment trusts and we determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.	£3.55m (2022: £3.43m)
Performance materiality – performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the Company's overall control environment and any experience of the audit that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 75% of our overall financial statement materiality.	£2.66m (2022: £2.57m)
Specific materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the Company, we applied a separate testing threshold for the revenue column of the Income Statement set at the higher of 5% of the revenue net return on ordinary activities before taxation and our Audit Committee Reporting Threshold. We have also set a separate specific materiality in respect of related party transactions and Directors' remuneration. We used our judgement in setting these thresholds and considered our experience and industry benchmarks for specific materiality.	£0.22m (2022: £0.26m)
Audit Committee reporting threshold – we agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£0.18m (2022: £0.17m)

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's method of assessing going concern, including assessment of loan note covenants and consideration of market conditions and uncertainties;
- Assessing and challenging the forecast cashflows and associated sensitivity modelling including assessment of the loan note covenants, used by the Directors in support of their going concern assessment;
- Obtaining and recalculating management's assessment of the Company's ongoing maintenance of investment trust status;
- Evaluating management's assessment of the business continuity plans of the Company's main service providers; and
- Assessing the adequacy of the Company's going concern disclosures included in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the Company.

Report of the Indep. Auditor cont'd

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 34;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 34;
- the Directors' statement on fair, balanced and understandable set out on page 45;
- the Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 34;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 31 and 32;
- the section of the Annual Report that describes the review of the effectiveness of risk management and internal control systems set out on pages 37 and 38; and
- the section describing the work of the Audit Committee set out on pages 37 and 38.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- FCA listing and DTR rules;
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the "AIC Code");

- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in July 2022;
- Financial Reporting Standard 102; and
- The Company's qualification as an investment trust under section 1158 of the Corporation Tax Act 2010.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to the completeness and allocation of special dividends (audit procedures performed in response to these risks are set out in the section on key audit matters above) and management override (procedures in response to this risk are included below).

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, recalculating the investment management fee, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 8 December 2020 to audit the financial statements for the year ended 31 August 2021 and subsequent financial periods. The period of our total uninterrupted engagement is three years, covering the years ended 31 August 2021 to 31 August 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Richard Sutherland (Senior Statutory Auditor)
For and behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh, United Kingdom

6 November 2023

Income Statement

For the year ended 31 August 2023

		2023			2022		
	Note	**Revenue** £000	**Capital** £000	**Total*** £000	**Revenue** £000	**Capital** £000	**Total*** £000
Gains on investments	8	–	22,540	22,540	–	26,452	26,452
Income from investments	1	8,411	–	8,411	9,238	–	9,238
Other income	1	42	–	42	1	–	1
Investment management fee	2	(2,549)	–	(2,549)	(2,453)	–	(2,453)
Performance fee	2	–	(2,247)	(2,247)	–	–	–
Currency losses		–	(713)	(713)	–	(21)	(21)
Other administrative expenses	3	(697)	–	(697)	(698)	–	(698)
Net return on ordinary activities before finance costs and taxation		**5,207**	**19,580**	**24,787**	**6,088**	**26,431**	**32,519**
Finance costs	4	(835)	–	(835)	(835)	–	(835)
Net return on ordinary activities before taxation		**4,372**	**19,580**	**23,952**	**5,253**	**26,431**	**31,684**
Tax on ordinary activities	5	(876)	(2,677)	(3,553)	(901)	(1,803)	(2,704)
Net return attributable to equity shareholders		**3,496**	**16,903**	**20,399**	**4,352**	**24,628**	**28,980**
Net return per ordinary share	7	14.19p	68.60p	82.79p	16.66p	94.26p	110.92p

* The total column of this statement is the Profit & Loss Account of the Company. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

There are no items of other comprehensive income, therefore this statement is the single statement of comprehensive income of the Company.

The Board is proposing a final dividend of 13.0p per share for the year ended 31 August 2023 (2022: 14.0p, inclusive of a special dividend of 1.0p) which, if approved, will be payable on 12 January 2024 to shareholders recorded on the Company's shareholder register on 1 December 2023.

The accounting policies on pages 56 and 57 and the notes on pages 58 to 68 form part of these Accounts.

All revenue and capital items derive from continuing operations.

Statement of Financial Position

As at 31 August 2023

	Note	2023		2022	
		£000	£000	£000	£000
Investments held at fair value through profit or loss	8				
Bangladesh			3,191		4,325
China			41,623		44,112
Hong Kong			17,958		18,521
India			160,435		139,526
Indonesia			62,642		75,324
Pakistan			1,126		2,695
Philippines			34,008		31,529
Singapore			9,296		10,575
South Korea			13,413		4,494
Taiwan			16,762		27,408
Thailand			5,747		3,178
Vietnam			6,459		6,755
			372,660		**368,442**
Current Assets					
Debtors	9	1,052		1,421	
Cash and deposits		18,089		7,490	
		19,141		**8,911**	
Current Liabilities					
Creditors	10	(3,572)		(1,145)	
		(3,572)		**(1,145)**	
Net Current Assets			**15,569**		**7,766**
Non-Current Liabilities					
Deferred tax liabilities on Indian capital gains	11		(3,820)		(3,184)
Loan notes	11		(29,832)		(29,822)
			(33,652)		**(33,006)**
Total Assets less Liabilities			**354,577**		**343,202**
Capital and reserves					
Ordinary share capital			7,853		7,853
Share premium account			34,259		34,259
Capital redemption reserve			58		58
Capital reserves			304,661		293,325
Revenue reserve			7,746		7,707
Total equity shareholders' Funds			**354,577**		**343,202**
Net asset value per share	13		**1,455.58p**		**1,382.93p**

These Accounts were approved and authorised for issue by the Board on 6 November 2023 and signed on its behalf by

Jeremy Whitley
Director

The accounting policies on pages 56 and 57 and the notes on pages 58 to 68 form part of these Accounts.

Cash Flow Statement

For the year ended 31 August 2023

	Note	2023 £000	2022 £000
Net cash outflow from operations before dividends, interest, purchases and sales of investments	14	**(3,254)**	**(3,189)**
Dividends received from investments		8,894	9,018
Interest received from deposits		42	1
Cash inflow from operations		**5,682**	**5,830**
Taxation		(971)	(905)
Net cash inflow from operating activities		**4,711**	**4,925**
Investing activities			
Purchases of investments		(124,575)	(96,948)
Sales of investments		142,938	117,221
Capital gains tax paid on sale of investments		(2,041)	(3,144)
Net cash inflow from investing activities		**16,322**	**17,129**
Financing activities			
Interest paid		(825)	(825)
Equity dividend paid		(3,457)	(3,053)
Buyback of ordinary shares		(5,439)	(28,211)
Net cash outflow from financing activities		**(9,721)**	**(32,089)**
Increase/(decrease) in cash and cash equivalents		11,312	(10,035)
Cash and cash equivalents at the start of the year		7,490	17,546
Effect of currency losses		(713)	(21)
Cash and cash equivalents at the end of the year*		**18,089**	**7,490**

*Cash and cash equivalents represents cash at bank.

Total tax paid for the year ended 31 August 2023 was £3,011,000 (2022: £4,049,000).

The accounting policies on pages 56 and 57 and the notes on pages 58 to 68 form part of these Accounts.

Statement of Changes in Equity

For the year ended 31 August 2023

	Ordinary Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 31 August 2022	7,853	34,259	58	293,325	7,707	343,202
Total comprehensive income:						
Return for the year	–	–	–	16,903	3,496	20,399
Transactions with owners recognised directly in equity:						
Dividends paid in year*	–	–	–	–	(3,457)	(3,457)
Buyback of Ordinary shares	–	–	–	(5,567)	–	(5,567)
Balance at 31 August 2023	**7,853**	**34,259**	**58**	**304,661**	**7,746**	**354,577**

* See note 6.

For the year ended 31 August 2022

	Ordinary Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 31 August 2021	7,853	34,259	58	296,908	6,408	345,486
Total comprehensive income:						
Return for the year	–	–	–	24,628	4,352	28,980
Transactions with owners recognised directly in equity:						
Dividend paid in year*	–	–	–	–	(3,053)	(3,053)
Buyback of Ordinary shares	–	–	–	(28,211)	–	(28,211)
Balance at 31 August 2022	**7,853**	**34,259**	**58**	**293,325**	**7,707**	**343,202**

* See note 6.

The accounting policies on pages 56 and 57 and the notes on pages 58 to 68 form part of these Accounts.

Accounting Policies

Basis of accounting

(a) The Scottish Oriental Smaller Companies Trust plc is a public company limited by shares, incorporated and domiciled in Scotland, and carries on business as an investment trust. Details of the Company's registered office can be found in the 'Company Information' section inside the back cover.

These Accounts have been prepared under the historical cost convention (modified to include the revaluation of fixed asset investments which are recorded at fair value) and in accordance with the Companies Act 2006, UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102, and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in July 2022 (the "SORP"). These Accounts are prepared on a going concern basis.

In order to better reflect the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the Profit and Loss Account between items of revenue and capital nature has been presented in the Income Statement.

The Accounts have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The functional and reporting currency of the Company is pounds sterling as this is the currency of the Company's share capital and the currency in which most of its shareholders operate.

Income

(b) Dividends on securities are recognised on the date on which the security is quoted "ex dividend" on the stock exchange in the country in which the security is listed. Foreign dividends include any withholding taxes payable to the tax authorities. Where a scrip dividend is taken in lieu of cash dividends, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as capital. Special dividends are credited to revenue or capital based on the nature of the dividend.

(c) Overseas income is recorded at rates of exchange ruling at the date of receipt.

(d) Bank interest receivable is accounted for on an accruals basis and taken to revenue.

Expenses

(e) Expenses are accounted for on an accruals basis and are charged through the revenue column of the Income Statement.

(f) The investment management fee has been charged in full to the revenue column of the Income Statement. The performance fees are calculated on a three year-rolling basis and payable annually. A performance fee is recognised when there is a likelihood that the performance conditions will be met. The performance fee is chargeable in full to the capital column of the Income Statement.

Financial Instruments

(g) The Company has elected to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(h) Financial assets and liabilities are recognised in the Company's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

(i) Listed investments have been classified as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at cost (excluding any transaction costs). Subsequent to initial recognition, investments are valued at fair value which for listed investments is deemed to be bid price or last traded price as at the close of business on the year-end date. Gains and losses arising from changes in fair value are included as a capital item in the Income Statement and are ultimately recognised in the Capital Reserve. Gains and losses arising on realisation of investments are shown in the Capital Reserve.

Investments are deemed to be illiquid when historic trading data indicates it would take more than 250 days to liquidate.

(j) Equities include ordinary shares and warrants.

(k) Cash and cash equivalents include cash at hand, deposits held on call with banks and other short term highly liquid investments with maturities of three months or less.

(l) Debtors and creditors do not carry any interest, are short term in nature, and are stated as nominal value less any allowance for irrecoverable amounts as appropriate.

Loan notes

(m) Loan notes are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. Subsequently, they are measured at amortised cost using the effective interest method. Finance charges are accounted for on an accruals basis using the effective interest rate method and are 100% charged to revenue.

Foreign currency

(n) Exchange rate differences on capital items are included in the Capital Reserve, and on income items in the Revenue Reserve.

(o) All assets and liabilities denominated in foreign currencies have been translated at year end exchange rates.

Dividends

(p) Final and special dividends are recognised in the period in which they are approved by the Company's shareholders.

Taxation

(q) Current tax payable is based on taxable profit for the year. In accordance with the SORP, any tax relief on expenses is allocated on the marginal basis using the Company's effective rate of corporation tax for the year.

Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Owing to the Company's status as an investment trust, and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation of investments, except in relation to Indian capital gains tax (see note 5).

Significant judgements and estimates

(r) The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following areas are considered to involve a higher degree of judgement or complexity:

Deferred tax on Indian capital gains

The Directors use their judgement in selecting the appropriate rate of capital gains tax to apply to unrealised gains on Indian investments. The Directors have chosen to apply a rate of 10% on unrealised gains on Indian investments. Please refer to note 5 (a) on page 59 for further details.

Reserves

Share premium account

(s) The share premium represents the difference between the nominal value of new ordinary shares issued and the consideration the Company receives for these shares. This account is non-distributable.

Capital redemption reserve

(t) The capital redemption reserve represents the nominal value of ordinary shares bought back for cancellation. This reserve is non-distributable.

Capital reserve

(u) Gains and losses on the realisation of investments, realised exchange differences of a capital nature and returns of capital are accounted for in this reserve. Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are also accounted for in this reserve. Any performance fee due is deducted from the capital reserve. The cost of shares bought back to be held in Treasury is also deducted from this reserve. The Articles of the Company stipulate that this reserve is distributable.

Revenue reserve

(v) Any surplus/deficit arising from the net revenue return for the year is taken to/from this reserve. This reserve is distributable to shareholders by way of dividend.

Notes on the Accounts

1. Income

Income from investments relates to dividends. Other income relates to bank deposit interest.

2. Fees payable to the Investment Manager

	2023			2022		
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
	£000	£000	£000	£000	£000	£000
Investment management fee	2,549	–	2,549	2,453	–	2,453
Performance fee	–	2,247	2,247	–	–	–
	2,549	**2,247**	**4,796**	**2,453**	**–**	**2,453**

Investment management fee

The terms of the Agreement provide for payment of a base fee of 0.75 per cent per annum of the Company's net assets payable quarterly in arrears. In addition an annual performance fee may be payable to the Investment Manager.

Performance fee

The performance fee is based on the Company's share price total return (''SPTR''), taking the change in share price and dividend together, over a three year period. For performance fee purposes a comparator index is used, for periods up to 31 August 2021 (one year of the current performance period), this comparator index was the MSCI AC Asia ex Japan Index, for the period 1 September 2021 to 31 August 2023 (two years of the performance period), the comparator index was the MSCI AC Asia ex Japan Small Cap Index. If the Company's SPTR exceeds the Index SPTR* over the three year period plus ten per cent, a performance fee is payable to the Investment Manager. The objective of the performance fee is to give the Investment Manager ten per cent of the additional value generated for shareholders by such outperformance. A performance fee of £2,247,000 (2022: £nil) is payable for the year ended 31 August 2023.

The total fee payable to the Investment Manager is capped at 1.5 per cent per annum of the Company's net assets.

* Index SPTR is the notional share price total return (in Sterling terms) which would have been provided by an investment in: (i) the MSCI AC Asia (ex-Japan) for periods up to and including 31 August 2021; and (ii) the MSCI AC Asia ex Japan Small Cap Index (GBP) for periods with effect from 1 September 2021, expressed as a percentage.

Notice period

The Investment Manager's appointment is subject to termination on three month's notice. The Company is entitled to terminate the Investment Manager's appointment on less than the specified notice period subject to compensation being paid to the Investment Manager for the period of notice not given. The compensation in the case of the Investment Manager's termination is based on 0.75 per cent of the value of the Company's net assets up to the date of termination on a pro rata basis. In addition, a termination performance fee amount may be due to the Investment Manager based on the Company's three year performance up to the date of termination and paid on a pro rata basis.

Matters reserved for the Board

The Investment Management Agreement sets out matters over which the Investment Manager has authority and the limits above which Board approval is required. In addition, the Board has a formal schedule of matters specifically reserved to it for decision. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, matters relating to the buy-back and issuance of the Company's shares, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

3. Other Administrative Expenses

	2023 £000	2022 £000
Auditor's remuneration for audit services	34	30
Directors' fees	117	132
Company secretarial and administration fees	221	202
Bank, custodial and other expenses	325	334
	697	**698**

Expenses are shown net of recoverable VAT where relevant.

4. Finance Costs

	2023 £000	2022 £000
On loan notes	825	825
Amortisation of set up costs	10	10
	835	**835**

Finance costs relate to the interest charged on the Company's loan notes, details of which are disclosed in note 11. Issue costs of £192,000 are being amortised over the life of the loan notes on an effective interest rate basis.

5. Taxation

(a) Analysis of charge in the year

Overseas tax:

	2023			2022		
	Revenue £000	**Capital** £000	**Total** £000	**Revenue** £000	**Capital** £000	**Total** £000
Irrecoverable tax on overseas dividends	876	–	876	901	–	901
Indian capital gains tax charge on sales	–	2,041	2,041	–	3,144	3,144
Movement in deferred tax liability on Indian capital gains	–	636	636	–	(1,341)	(1,341)
	876	**2,677**	**3,553**	**901**	**1,803**	**2,704**

Capital gains tax

The Company is liable to pay Indian capital gains tax under Section 115 AD of the Indian Income Act 1961.

On 1 April 2018, the Indian Government withdrew an exemption from capital gains tax on investments held for 12 months or longer. Indian capital gains tax is now charged on sales of investments at 15% where the investment has been held for less than 12 months, this is reduced to 10% if the investment has been held for longer than 12 months. The deferred tax liability has been calculated using the 10% Indian capital gains tax rate, as the Investment Manager has a long term investment focus and it is likely that Indian investments will be held for longer than 12 months.

At 31 August 2022 the Company had a deferred tax liability of £3,184,000, due to unrealised gains on Indian investments. This has increased by £636,000 and therefore the deferred tax liability at 31 August 2023 is £3,820,000. If the assumption that all Indian investments will be held for a period in excess of 12 months was removed, the deferred tax liability would have been £4,816,000 (2022: £3,695,000).

Notes on the Accounts cont'd

5. Taxation cont'd

Withholding tax

On 1 April 2020, the Indian Government withdrew an exemption from withholding tax on dividend income. Dividends are received net of 20% withholding tax. Of this total charge, 10% of the withholding tax is irrecoverable with the remainder being shown in the Statement of Financial Position as an asset due for reclaim. At 31 August 2023 £394,000 was recoverable (2022: £336,000).

(b) Factors affecting the tax charge for the year

The tax assessed for the period is different from that calculated when corporation tax is applied to the total return. The differences are explained below:

	2023			2022		
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
	£000	£000	£000	£000	£000	£000
Return for the year before taxation	4,372	19,580	23,952	5,253	26,431	31,684
Total return for the year before taxation multiplied by the standard rate of corporation tax of 21.50% (2022: 19.00%)	940	4,210	5,150	998	5,022	6,020
Effect of:						
Gains on investments	–	(4,846)	(4,846)	–	(5,026)	(5,026)
Non-taxable losses on foreign currency	–	153	153	–	4	4
Non-taxable income	(1,808)	–	(1,808)	(1,755)	–	(1,755)
Overseas tax	876	2,677	3,553	901	1,803	2,704
Unutilised management expenses	868	483	1,351	757	–	757
Total tax charge for the year	**876**	**2,677**	**3,553**	**901**	**1,803**	**2,704**

Under changes enacted in the Finance Act 2009, dividends and other distributions received from foreign companies from 1 July 2009 are largely exempt from corporation tax.

(c) Provision for deferred tax

The Company has a deferred tax asset of £16,815,000 at 31 August 2023 (2022: £12,140,000) in respect of unrelieved tax losses carried forward. This asset has not been recognised in the Accounts as it is unlikely under current legislation that it will be capable of being offset against future taxable profits.

6. Dividends

	2023 £000	2022 £000
Dividends paid in the year		
Final dividend of 13.0p (2022 – 11.5p)	3,210	3,053
Special dividend of 1.0p (2022 – nil)	247	–
	3,457	**3,053**

The below proposed dividends in respect of the financial year ended 31 August 2023 are the basis upon which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The proposed dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these Accounts.

	2023 £000	2022 £000
Income available for distribution	3,496	4,352
Proposed dividend for the year ended 31 August 2023		
Final dividend of 13.0p (2022: 13.0p)	(3,145)	(3,210)
Special dividend of nil p (2022: 1.0p)	–	(247)
Amount transferred to retained income	**351**	**895**

7. Return per Ordinary Share

	2023			2022		
	Revenue	Capital	Total	Revenue	Capital	Total
Net return per share (pence)	**14.19**	**68.60**	**82.79**	16.66	94.26	110.92

	2023	2022
Revenue return	£3,496,000	£4,352,000
Capital return	£16,903,000	£24,628,000
Weighted average ordinary shares in issue	24,638,683	26,126,363

There are no dilutive or potentially dilutive instruments in issue.

Notes on the Accounts cont'd

8. Equity Investments

	2023 £000	2022 £000
Opening book cost	361,456	333,987
Unrealised gains	6,986	29,513
Opening valuation	368,442	363,500
Purchases at cost	124,575	95,751
Sales – proceeds	(142,897)	(117,261)
Gains on investments	22,540	26,452
Closing valuation	**372,660**	**368,442**
Closing book cost	379,666	361,456
Closing unrealised (losses)/gains	**(7,006)**	**6,986**

The Company received £142,897,000 (2022: £117,261,000) from investments sold in the year.

The average book cost of these investments when they were purchased was £106,365,000 (2022: £68,282,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

All investments are listed on recognised stock exchanges.

Transaction Costs

During the year the Company incurred transaction costs of £242,000 (2022: £323,000) on the purchase of investments and £393,000 (2022: 374,000) on the sale of investments.

9. Debtors

	2023 £000	2022 £000
Sales awaiting settlement	–	41
Accrued income	641	1,030
Prepayments	17	14
Recoverable tax on Indian dividends	394	336
	1,052	**1,421**

10. Creditors (amounts falling due within one year)

	2023 £000	2022 £000
Purchases awaiting settlement	128	–
Management fee payable	666	640
Performance fee payable	2,247	–
Other creditors	163	137
Accrued interest	368	368
	3,572	**1,145**

11. Creditors (amounts falling due after one year)

	2023	2022
	£000	£000
Deferred tax liabilities on Indian capital gains	3,820	3,184
Loan notes	29,831	29,822
	33,651	**33,006**

On 23 March 2021 the Company issued £30 million of long-term, fixed rate, senior, unsecured privately placed notes providing the Company with long-term financing. The privately placed notes were issued in one tranche with a fixed coupon of 2.75% to be repaid by 24 March 2041. The coupon will be payable semi-annually. The funding date was 24 March 2021. Issue costs of £192,000 will be amortised over the life of the loan notes on an effective interest rate basis.

The terms of the loan facility contain covenants that adjusted assets shall not at any time be less than £90 million, net borrowings to adjusted assets shall not exceed 30% and the investment portfolio contains a minimum of 30 different investments. All covenants have been complied with throughout the year.

12. Share Capital

The allotted and fully paid share capital is £7,853,416 (2022: £7,853,416) represented by 31,413,663 ordinary shares of 25p each (2022: 31,413,663). During the year the Company bought back 457,128 ordinary shares (2022: 2,504,180). The Company held 7,053,812 ordinary shares in Treasury at the year end (2022: 6,596,684), being 22.5 per cent of share capital (2022: 21.0 per cent of share capital), with a nominal value of £1,763,453 (2022: £1,649,171).

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This will include:

- the level of equity shares in issue; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The capital of the Company is the ordinary share capital and the other reserves. It is managed in accordance with its investment policy in pursuit of its investment objective, detailed on page 25.

13. Net Asset Value per Ordinary Share

The net asset value per share is based on total net assets of £354,577,000 (£343,202,000) divided by 24,359,851 (2022: 24,816,979) ordinary shares of 25p each in issue (excludes shares held in Treasury).

Notes on the Accounts cont'd

14. Cash Flow Statement

	2023	2022
	£000	£000
Reconciliation of net return before finance costs and taxation to net cash outflow from operations before dividends, interest, purchases and sales		
Net return on activities before finance costs and taxation	24,787	32,519
Net gains on investments	(22,540)	(26,452)
Currency losses	713	21
Dividend income	(8,411)	(9,238)
Interest income	(42)	(1)
Increase/(decrease) in creditors	2,300	(44)
(Increase)/decrease in debtors	(61)	6
Net cash outflow from operations before dividends, interest, purchases and sales	**(3,254)**	**(3,189)**

15. Analysis of changes in net debt

	At 31 August 2022	Non-cash movements	Cash flows	At 31 August 2023
	£000	£000	£000	£000
Cash and cash equivalents	7,490	(713)	11,312	18,089
Loan notes	(29,822)	(10)	–	(29,832)
	(22,332)	**(723)**	**11,312**	**(11,743)**

16. Risk Management, Financial Assets and Liabilities

The Company invests mainly in smaller Asian quoted companies. Other financial instruments comprise cash balances and short-term debtors and creditors. The Investment Manager follows the investment process outlined on pages 5 to 18 and in addition the Board conducts quarterly reviews with the Investment Manager. The Investment Manager's Risk and Compliance department monitors the Investment Manager's compliance with the Company's investment and borrowing powers to ensure that risks are controlled and minimised. Additionally, its Compliance and Risk Committee reviews risk management processes monthly.

The main risks that the Company faces from its financial instruments are market risk (comprising interest rate, currency and other price risks) and credit risk. As the Company's assets are mainly in readily realisable securities, other than in exceptional circumstances there is no significant liquidity risk. The Board, in conjunction with the Investment Manager, regularly reviews and agrees policies for managing each of these risks. The Investment Manager's policies for managing these risks are available on the website and summarised below.

Market Risk

The fair value of, or future cash flows from, a financial instrument held by the Company will fluctuate because of changes in market prices.

To mitigate this risk, the Investment Manager focuses on investing in soundly managed and financially strong companies with good growth prospects and ensures the portfolio is diversified geographically and by sector at all times. Existing holdings are scrutinised to ensure corporate performance expectations are met and valuations are not excessive. The portfolio valuation and transactions undertaken by the Investment Manager are regularly reviewed by the Board.

Interest Rate Risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

16. Risk Management, Financial Assets and Liabilities cont'd

The Company is exposed to interest rate risk on interest receivable from bank deposits and interest payable on bank overdraft positions and loan notes. The Company faces minimal interest rate risk; cash is not held on deposit with the intention of generating interest income and the interest payable on loan notes is fixed at 2.75% over the life of the loan (twenty years). The interest rate risk profile of the Company at 31 August is shown below.

Interest Rate Risk Profile

	2023	2022
	£000	£000
Cash	18,089	7,490
Loan notes	(30,000)	(30,000)
	(11,911)	**(22,510)**

Interest Rate Sensitivity

Considering effects on cash balances, an increase of 50 basis points in interest rates would have increased net assets and total return for the period by £60,000 (2022: £37,000). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at date of the Statement of Financial Position and are not representative of the year as a whole. The impact on the Company's loan notes have been excluded, as these are fixed for the life of the loan.

Foreign Currency Risk

The majority of the Company's assets, liabilities and income were denominated in currencies other than sterling (the currency in which the Company reports its results) as at 31 August 2023. The Statement of Financial Position therefore can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company reserves the right to undertake foreign exchange hedging of its portfolio. The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign Currency Risk Exposure by Currency of Denomination

	31 August 2023			31 August 2022		
	Overseas investments	Net monetary assets	Total currency exposure	Overseas investments	Net monetary assets	Total currency exposure
	£000	£000	£000	£000	£000	£000
Indian rupee	160,435	141	160,576	139,526	773	140,299
Indonesian rupiah	62,642	–	62,642	75,324	36	75,360
Hong Kong dollar	59,581	88	59,669	62,633	52	62,685
Philippine peso	34,008	–	34,008	31,529	–	31,529
Taiwanese dollar	16,762	192	16,954	27,408	632	28,040
Korean won	13,413	–	13,413	4,494	–	10,737
Singapore dollar	9,296	179	9,475	10,575	162	6,808
Vietnamese dong	6,459	2,209	8,668	6,755	53	4,494
Thai baht	5,747	–	5,747	3,178	–	4,325
Bangladeshi taka	3,191	–	3,191	4,325	–	3,178
Pakistan rupee	1,126	–	1,126	2,695	–	2,695
US Dollar	–	–	–	–	34	34
Total foregin currency	**372,660**	**2,809**	**375,469**	**368,442**	**1,742**	**370,184**
Sterling	–	(20,892)	(20,892)	–	(26,982)	(26,982)
Total currency	**372,660**	**(18,803)**	**354,577**	**368,442**	**(25,240)**	**343,202**

Notes on the Accounts cont'd

16. Risk Management, Financial Assets and Liabilities cont'd

Currency Risk Sensitivity

At 31 August 2023, if sterling had strengthened by 5 per cent in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5 per cent weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2022.

	2023 £000	2022 £000
Indian rupee	8,029	7,015
Indonesian rupiah	3,132	3,768
Hong Kong dollar	2,983	3,134
Philippine peso	1,700	1,576
Taiwanese dollar	848	1,402
Korean won	671	225
Singapore dollar	474	537
Vietnamese dong	433	340
Thai baht	287	159
Bangladeshi taka	160	216
Pakistan rupee	56	135
US dollar	–	2
Total	**18,773**	**18,509**

Other Price Risk

Changes in market prices, other than those arising from interest rate or currency risk, will affect the value of quoted investments. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The Investment Manager monitors market prices throughout the year and reports to the Board on a regular basis.

Other Price Risk Sensitivity

If market values at the date of the Statement of Financial Position had been 10 per cent higher or lower with all other variables remaining constant, the return attributable to ordinary shareholders for the year ended 31 August 2023 would have increased/decreased by £37,266,000 (2022: increased/decreased by £36,844,000) and equity reserves would have increased/decreased by the same amount.

16. Risk Management, Financial Assets and Liabilities cont'd

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has the power to take out borrowings, which could give it access to additional funding when required.

The contractual maturities of financial liabilities at the year end, based on the earliest date on which payment can be required, are as follows:

	2023			2022		
	3 months or less	3 to 12 months	More than 12 months	3 months or less	3 to 12 months	More than 12 months
	£000	£000	£000	£000	£000	£000
Amounts due to brokers	128	–	–	–	–	–
Other creditors and accruals	1,197	2,247	–	1,145	–	–
Loan	–	–	29,831	–	–	29,822
Deferred tax liability on Indian capital gains	–	–	3,820	–	–	3,184
	1,324	**2,247**	**33,651**	**1,145**	**–**	**33,006**

Credit Risk

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

Investment transactions are carried out with a large number of approved brokers, whose credit-standing is reviewed periodically by the Investment Manager. Transactions are ordinarily done on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed.

Cash exposures are carefully managed to ensure that money is placed on deposit with reputable counterparties. All cash is currently placed on deposit with the Company's custodian JP Morgan Chase Bank N.A.

None of the Company's financial assets are past due or impaired.

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 August 2023 was as follows:

	2023		2022	
	Statement of Financial Position	Maximum exposure	Statement of Financial Position	Maximum exposure
	£000	£000	£000	£000
Current Assets				
Receivables	1,037	1,037	1,407	1,407
Cash at bank	18,089	18,089	7,490	7,490
	19,126	**19,126**	**8,897**	**8,897**

Notes on the Accounts cont'd

16. Risk Management, Financial Assets and Liabilities cont'd

Fair Value Hierarchy

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS102, these investments are analysed using the fair value hierarchy described below. Short term balances are excluded as their carrying value at the reporting date approximates their fair value.

The levels are determined by the lowest level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 – investments with prices quoted in an active market;

Level 2 – investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

Financial assets at fair value through profit or loss

	2023				2022			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000
Listed investments	313,937	58,723	–	372,660	368,442	–	–	368,442
Total	**313,937**	**58,723**	**–**	**372,660**	**368,442**	**–**	**–**	**368,442**

Listed investments included in fair value Level 1 are actively traded on recognised stock exchanges and the fair value of these investments has been determined by reference to their quoted prices at the reporting date.

Listed investments included in Level 2 are deemed to be illiquid. An investment is categorised as illiquid when historic trading data indicates it would take more than 250 days to liquidate. The fair value of these investments has been determined by reference to their quoted prices at the reporting date.

17. Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on pages 39 to 41. An amount of £20,800 was outstanding to the Directors at the year end (2022: £23,500). No Director has a contract of service with the Company. During the year no Director had any related party transactions requiring disclosure under section 412 of the Companies Act 2006.

The management and performance fees for the year are detailed in note 2 and amounts payable to the Investment Manager at year end are detailed in note 10. The Investment Management team's individual shareholdings in the Company are set out on page 4.

Alternative Investment Fund Managers Directive (unaudited)

Under the Alternative Investment Fund Managers Directive the Company is required to publish maximum exposure levels for leverage on a 'Gross' and 'Commitment' basis. The process for calculating exposure under each method is largely the same, except that, where certain conditions are met, the Commitment method allows instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the Company's leverage exposure would then be reduced. The AIFM set maximum leverage levels of 3.0 and 1.7 times the Company's net asset value under the 'Gross' and 'Commitment' methods respectively. At the Company's year end the levels were respectively 1.06 and 1.10 times the Company's net asset value.

The Alternative Investment Fund Managers Directive requires the AIFM to make available certain remuneration disclosures to investors. This information is available from the AIFM on request.

Glossary of Terms and Alternative Performance Measures

Active Share

Active share shows the percentage of the investment portfolio that is different from an index, with 0 per cent representing total overlap and 100 per cent representing no common holdings with the index.

Actual Gearing

Total assets less current liabilities and all cash and fixed interest securities (excluding convertibles) divided by shareholders' funds. A figure of 100 represents no gearing, a figure below 100 represents net cash and above 100 represents gearing e.g. a figure of 105 represents gearing of 5 per cent.

		2023	2022
		£000	£000
Total Assets	a	391,801	377,353
Current liabilities	b	3,572	1,145
Cash	c	18,089	7,490
	d = a-b-c	370,140	368,718
Equity shareholders' funds	e	354,577	343,202
Actual Gearing	f = d/e	**104**	**107**

Alternative Performance Measure

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes UK GAAP, including FRS 102, and the AIC SORP.

Discount

The amount by which the share price is lower than the net asset value per share, expressed as a percentage of the net asset value per share.

		2023	2022
NAV per share	a	1455.6p	1,382.9p
Share price	b	1,275.0p	1,190.0p
Discount	c=(b-a)/a	**12.4%**	**14.0%**

Earnings Per Share

The earnings per share is calculated by dividing the net return attributable to equity shareholders by the weighted average number of ordinary shares in issue.

Net Asset Value or NAV

The value of total assets less liabilities. To calculate the net asset value per share the net asset value is divided by the number of shares in issue (which excludes shares held in Treasury).

Glossary of Terms and Alternative Performance Measures cont'd

Net Cash

The value of current assets less current liabilities, divided by the total assets of the Company, expressed as a percentage.

		2023	2022
		£000	£000
Current assets	a	19,141	8,911
Current liabilities	b	3,572	1,145
Total assets	c	391,801	377,353
Net Cash	d=(a-b)/c	**4.0%**	**2.1%**

Ongoing Charges

The management fee and all other administrative expenses expressed as a percentage of the average daily net assets during the year.

	2023	2022
	£000	£000
Investment management fee	2,549	2,453
Adminsitrative expenses	697	698
Ongoing charges	3,246	3,151
Average net assets	339,900	328,003
Ongoing charges ratio (net of performance fee)	**0.95%**	**0.96%**
Performance fee	2,247	–
Ongoing charges ratio	**1.60%**	**0.96%**

Potential Gearing

Total assets less current liabilities divided by shareholders' funds.

		2023	2022
		£000	£000
Total Assets	a	391,801	377,353
Current liabilities	b	3,572	1,145
Equity shareholders' funds	c	354,577	343,202
Potential Gearing	d=(a-b)/c	**110**	**110**

Prior Charges

The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

Total Assets

Total assets less current liabilities (excluding prior charges as defined above).

Total Return

Net asset value/share price total return measures the change in net asset value per share/share price plus the dividends paid in the period, which are assumed to be reinvested at the time that the share price is quoted ex-dividend.

NAV Total Return

	2023	2022
Opening NAV per share	1,382.9p	1,264.5p
Increase in NAV per share	73.3p	118.4p
Closing NAV per share	1,455.6p	1,382.9p
% increase in NAV	5.3%	9.4%
Impact of dividends reinvested*	1.2%	0.6%
NAV total return	**6.5%**	**10.0%**

* Assumes that dividends of 14.0p (2022: 11.5p) paid by the Company was reinvested at the ex-dividend date.

Share Price Total Return

	2023	2022
Opening share price	1,190.0p	1,090.0p
Increase in share price	85.0p	100.0p
Closing share price	1,275.0p	1,190.0p
% increase in share price	7.1%	9.2%
Impact of dividends reinvested*	1.3%	1.1%
Share price total return	**8.4%**	**10.3%**

* Assumes that dividends of 14.0p (2022: 11.5p) paid by the Company were reinvested at the ex-dividend date.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Scottish Oriental Smaller Companies Trust plc will be held at the offices of Juniper Partners Limited, 28 Walker Street, Edinburgh EH3 7HR on 7 December 2023 at 12.15 pm.

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions.

1. To receive the reports of the Directors and Auditor and to adopt the Report and Accounts for the financial year ended 31 August 2023.

2. To approve a final dividend of 13 pence per ordinary share of 25 pence each in the capital of the Company.

3. To elect Uma Bhugtiar as a Director.

4. To re-elect Andrew Baird, who retires from office annually, as a Director.

5. To re-elect Michelle Paisley, who retires from office annually, as a Director.

6. To re-elect Jeremy Whitley, who retires from office annually, as a Director.

7. To re-appoint Johnston Carmichael LLP, Chartered Accountants and Statutory Auditor, as Auditor and to authorise the Directors to fix their remuneration.

8. To approve the Policy on Directors' Remuneration.

9. To approve the Directors' Remuneration Report within the Report and Accounts for the financial year ended 31 August 2023.

10. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the ''Act'') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (''Securities'') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £604,721, (being approximately 10 per cent of the nominal value of the issued share capital as at 3 November 2023) such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, pass the following resolutions as special resolutions.

11. That, subject to the passing of resolution number 10 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the ''Act''), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into ordinary shares in the Company (as defined in Section 724 of the Act) for cash either pursuant to the authority conferred by resolution number 10 above or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

(a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company 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 any such offer or agreement as if the power conferred hereby had not expired; and

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £604,721 (being approximately 10 per cent of the nominal value of the issued share capital of the Company (excluding treasury shares) as at 3 November 2023).

12. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the ''Act''), to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 25 pence each in the capital of the Company (''ordinary shares'') (either for retention as treasury shares for future reissue, resale or transfer or for cancellation), provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 3,625,908 or if less the number of ordinary shares representing 14.99 per cent of the Company's issued share capital (excluding treasury shares) at the date of the passing of this resolution;

(b) the minimum price (excluding expenses) which may be paid for each ordinary share is 25 pence;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:

(i) 5 per cent above the average of the middle market quotations (as derived from the daily official list of the London Stock Exchange) for the ordinary shares over the five business days immediately preceding the date of purchase; and

(ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

(d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

13. That the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company.

Dated: 6 November 2023

By Order of the Board

Registered Office:
28 Walker Street
Edinburgh EH3 7HR

Juniper Partners Limited
Company Secretary

Notice of Annual General Meeting cont'd

Notes

(1) To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at close of business on 5 December 2023 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours (excluding non-working days) before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

(2) If you wish to attend the meeting in person, you should present your attendance card, attached to your Form of Proxy, to the registration desk on the day of the meeting. Alternatively, please ensure you pre-register in accordance with the instructions on your Form of Proxy. Failure to do so may result in your being prohibited from voting on resolutions during the meeting. These forms must be submitted no later than 12.15 pm on 5 December 2023. Attendance by non shareholders will be at the discretion of the Company.

(3) Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from www.scottishoriental.com.

(4) Holders of ordinary shares who are entitled to attend and vote at the meeting convened by the foregoing notice may appoint one or more proxies (who need not be a member or members) to attend, speak and vote in their place. If appointing more than one proxy, each proxy must be appointed to exercise rights attaching to different shares held by the holder. The instruments appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be delivered to the offices of the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or www.investorcentre.co.uk/eproxy: (i) in the case of a meeting or adjourned meeting, 48 hours (excluding non-working days) before the time for holding the meeting or adjourned meeting; or (ii) in the case of a poll taken 48 hours after it was demanded, 24 hours before the time appointed for the taking of the poll. Return of a completed Form of Proxy will not preclude a member from attending and voting personally at the meeting. Members may not use any electronic address provided in this notice or in any related documents to communicate with the Company for any purpose other than those expressly stated.

(5) 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 and by logging on to the website www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(6) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID number 3RA50) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(7) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that her/his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(8) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(9) The letters of appointment of the Directors are available for inspection at the office of Juniper Partners Limited, 28 Walker Street, Edinburgh EH3 7HR before, during and after the meeting.

(10) As at close of business on 3 November 2023, the Company's issued share capital comprised 31,413,663 ordinary shares of 25p each of which 7,224,812 ordinary shares are held in Treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 3 November 2023 is 24,188,851.

(11) Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as her/his proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.

(12) Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

(a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

(b) the answer has already been given on the Company's website in the form of an answer to a question; or

(c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(13) The members of the Company may require the Company (without payment) to publish, on its website, a statement (which is also to be passed to the auditors) setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the sender's full name and address and be sent to the Company's registered address at 28 Walker Street, Edinburgh EH3 7HR.

(14) Members meeting the threshold requirements set out in the Companies Act 2006 have the right:

(a) to require the Company to give notice of any resolution which can properly be, and is to be, moved at the meeting pursuant to Section 338 of the Companies Act 2006, and/or

(b) to include a matter in the business to be dealt with at the meeting, pursuant to Section 338A of the Companies Act 2006.

(15) Any corporation which is a member can appoint one or more corporate representatives. Members can appoint more than one corporate representative only where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

(16) In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

(17) 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/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

Information for Investors

Financial Diary

Financial year end	31 August
Annual results announced	November
Annual General Meeting	December
Annual dividend paid	January
Half-year end	28 February
Interim results announced	April/May

Capital Gains Tax

An individual tax payer is currently entitled to an annual total tax-free gain, presently £6,000 from the sale of any shares and other capital assets. Any gain beyond that amount may be liable to capital gains tax.

For initial investors the apportioned base cost of ordinary shares and warrants for capital gains tax purposes was 92.59p per ordinary share and 37.05p per warrant.

Where to find Scottish Oriental's Share Price

Scottish Oriental's share price can also be found on the London Stock Exchange website by using the Trust's TIDM code 'SST' within the price search facility.

The Internet

Scottish Oriental's website provides up-to-date information on the share price, net asset value and discount. We hope you will visit the Trust's website at: **www.scottishoriental.com**. Investor Centre from Computershare (Scottish Oriental's registrar) enables you to manage and update your shareholder information. For this purpose you can register free with Investor Centre at **www.investorcentre.co.uk**.

Data Protection

The Company is committed to ensuring the privacy of any personal data provided to it. Further details of the Company's privacy policy can be found on the Company's website **www.scottishoriental.com**.

Regulatory Status

Since Scottish Oriental is an investment trust pursuant to section 1158 of the Corporation Tax Act 2010, the FCA rules in relation to non-mainstream investment products do not apply to the Company.

Further Information

If you require any further information please contact Juniper Partners Limited Limited at the address on the following page or by telephone on +44 (0)131 378 0500.

Shareholder Enquiries

For registry queries contact Computershare by telephone on +44 (0)370 707 1307.

You can also manage your shareholding online at www.investorcentre.co.uk.

If you have not used this service before, you will need to register your account. In order to do so, you will need your Shareholder Reference Number (SRN) which can be found on a recent share certificate or dividend cheque.

Company Information

Registered Office
28 Walker Street
Edinburgh EH3 7HR

Company Number
SC156108

Investment Manager
First Sentier Investors (UK) Investment Management Limited
23 St Andrew Square
Edinburgh EH2 1BB
(Authorised and regulated by the Financial Conduct Authority)
Tel: +44 (0)131 473 2200

Alternative Investment Fund Manager
First Sentier Investors (UK) Funds Limited
15 Finsbury Circus
London EC2M 7EB

Custodian
JP Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

Depositary
JP Morgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Company Secretary and Administrator
Juniper Partners Limited
28 Walker Street
Edinburgh EH3 7HR
Email: cosec@junipartners.com
Tel: +44 (0)131 378 0500

Registrar
Computershare Investor Services plc
The Pavilions, Bridgwater Road,
Bristol BS99 6ZZ

Auditor
Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

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The Association of
Investment Companies

The Scottish Oriental Smaller Companies Trust plc is a member of the Association of Investment Companies

The Scottish Oriental
Smaller Companies Trust plc