The Scottish Oriental
Smaller Companies Trust plc

Annual
Report and Accounts 2013

2013

The **Scottish Oriental** Smaller Companies Trust plc

Contents

Annual Report and Accounts 2013

Financial Highlights

Performance *for the year ended 31 August 2013*

Net Asset Value	20.1%	MSCI AC Asia ex Japan Index (£)*	10.1%
Share Price	21.7%	MSCI AC Asia ex Japan Small Cap Index (£)*	14.2%
Dividend Increase	4.5%	FTSE All-Share Index (£)*	18.9%

*Total return (capital return with dividends reinvested).

Summary Data *at 31 August 2013*

Shares in issue	31,643,650	Shareholders' Funds	£253.63m
Net Asset Value per share	801.53p	Market capitalisation	£232.19m
Share Price	733.75p	Share Price Discount to Net Asset Value	8.5%

Benchmark and Comparative Indices

From inception in March 1995 until October 1999, the Trust adopted the Morgan Stanley Capital International AC Asia ex Japan Index ("MSCI") as its benchmark. No suitable regional smaller companies index was available at that time.

In October 1999 the Directors agreed to the replacement of the MSCI with the SG Asian (ex Japan) Smaller Companies Index, following its reconstitution to cover previously excluded countries. Unfortunately, this Index ceased to be available from the end of 2002.

In 2003 the Directors agreed to revert to the MSCI as the Trust's benchmark. This Index, being dominated by larger companies, is far from ideal as a performance measurement tool. It has, however, the dual merit of being the most widely recognised regional index and of pre-dating the inception of the Trust.

For comparative purposes we are also displaying the MSCI AC Asia ex Japan Small Cap Index, which covers the relevant markets with the exception of Pakistan and Sri Lanka. This Index is currently made up of companies with a market capitalisation of between US$20m and US$3,580m. The range does not exactly match that of the Trust, which has no lower limit and which mainly invests in companies with a market capitalisation of under US$1,500m. Nevertheless, it gives a useful indication of the performance of smaller companies in Asia over recent years.

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

Investment Policy and Objective

- The Scottish Oriental Smaller Companies Trust PLC ("Scottish Oriental", "the Company" or "the Trust") aims to achieve long-term capital growth by investing in mainly smaller Asian quoted companies.
- The Trust invests mainly in the shares of smaller Asian quoted companies, that is companies with market capitalisations of below US$1,500m, or the equivalent thereof, at the time of first investment.
- The Trust may also invest in companies with market capitalisations of between US$1,500m and US$3,000m at the time of first investment, although not more than 20 per cent of the Trust's net assets at the time of investment will be invested in such companies.
- To enable the Trust 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 China, Hong Kong, India, Indonesia, 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 Trust will consider the use of long term borrowings up to a limit of 50 per cent of the net assets of the Trust at the time of borrowing.
- The Trust invests no more than 15 per cent of its gross assets in other listed investment companies (including listed investment trusts).
- The Trust 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 Trust 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 Trust may invest in debt instruments in any country or currency.
- The majority of the Trust's assets are denominated in Asian currencies or US dollars. The Trust reserves the right to undertake foreign exchange hedging of its portfolio.

A portfolio review by the Investment Manager is given on pages 11 to 15 and the investments held at the year end are listed on pages 16 and 17.

Investment Statement

- 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 Trust's portfolio of investments is contained in the country allocation and sector allocation analysis within the Portfolio Review.
- 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 bear no relationship 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 Region and on meeting the management of those companies in which the Trust is invested, or might invest.

Chairman's Statement

Scottish Oriental has had another good year. As you will see, the net asset value ("NAV") increased by 20.1 per cent over the 12 months, while the MSCI AC Asia ex Japan Index rose by 10.1 per cent. As the discount narrowed slightly, the share price increased by 21.7 per cent. A performance fee was earned by our Investment Manager for the fourth year in succession. This is based on a demanding target for the Company's share price total return over three years (the details are set out on page 21).

Earnings per share have increased again to 14.56p, compared to 14.39p last year. We are proposing a dividend of 11.5p net, an increase of 4.5 per cent. The undistributed balance of £879,000 will be added to the revenue reserve, as set out on page 20. It remains our intention to maintain at least this level of dividend, using our reserves if necessary.

Susie Rippingall, who succeeded Angus Tulloch as the manager of Scottish Oriental in October 2000, retired in April. We are extremely grateful for the exceptional results that she achieved for the trust during her thirteen years with us and she left with our best wishes. As we had announced, Angus Tulloch returned as the manager. His deputy, Wee Li, is at present on maternity leave and Martin Lau has been acting in her place.

During the year we raised £12.0 million from the issue of 1,430,000 shares, at a premium to NAV. The board has no formal discount control mechanism, but we will be prepared both to buy back shares opportunistically or to issue new shares at a small premium to NAV, provided that in each case this is in the interests of continuing shareholders.

Our arrangements for complying with the AIFMD are well advanced. First State has agreed to be the AIFM which will not involve any extra expense for Scottish Oriental. We are unfortunately obliged to engage a depositary; this will mean an extra cost for the Company.

As this is written, the portfolio is 93% invested. Our manager is cautious for the reasons set out on page 10, and it is useful to have reserves of cash because interesting buying opportunities are emerging. This is despite the fact that, in general, equity markets are fairly fully valued; our cash will be invested gradually. The yield on our current equity portfolio is 2.9% and the historic PE is 14x. We remain optimistic about the longer term prospects for smaller companies in Asia.

The Annual General Meeting will be held in Edinburgh on 12 December 2013 at the offices of First State Investments, 23 St Andrew Square, and I look forward to seeing shareholders there.

James Ferguson

Chairman

30 October 2013

Directors

Dr Janet Morgan CBE, aged 67, joined the Board in 1995. She is a non-executive Director of Murray International Trust plc and Close Enterprise VCT plc. She is also Chairman of the Nuclear Liabilities Fund, the Nuclear Trust and the Nuclear Liabilities Financing Assurance Board.

James Ferguson, aged 65, joined the Board in 2004. He is Chairman of Value and Income Trust plc, The Monks Investment Trust plc, Northern 3 VCT plc and The North American Income Trust plc and is a Director of The Independent Investment Trust plc and Audax Properties plc. He retired as Chairman of Stewart Ivory in 2000. He is a former deputy Chairman of the Association of Investment Companies.

Alexandra Mackesy, aged 52, joined the Board in 2004. Between 1988 and 2000, she worked as an investment analyst specialising in Asian equities, based in Hong Kong, becoming Director of Hong Kong and China equity research at Credit Suisse First Boston in 1998. Since 2000, she has worked as a consultant to a number of Asian-based companies. She is a non-executive Director of Asia Total Return Investment Company Plc and RENN Universal Growth Investment Trust Plc.

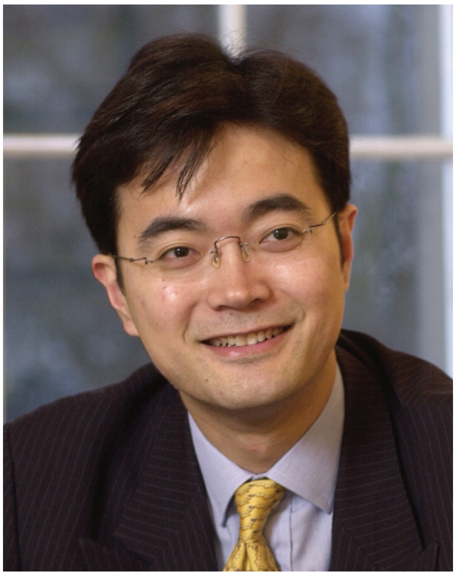
Anne West, aged 63, joined the Board in July 2010. She retired from Cazenove Capital Management at the end of 2012 and was most recently a Fund Director in the Private Client Department of Cazenove Capital Management. She joined Cazenove in 1989 and assumed responsibility for Asian and Japanese portfolios, later becoming Head of the Emerging Markets team and then the Global Equity team. She was Chief Investment Officer from 2001 to 2008. Previously she held positions at Standard Chartered Bank and Hambro Pacific, based in Hong Kong.

Scottish Oriental's Investment Management Team

Scottish Oriental is managed by the First State Stewart team at First State Investment Management (UK) Limited, previously known as Stewart Ivory & Company Limited (the "Investment Manager"). The Investment Manager is part of Colonial First State Global Asset Management, the consolidated asset management business of The Commonwealth Bank of Australia. The Investment Manager offers a range of products across categories including Asia Pacific and Global Emerging Markets/Worldwide Equities under the First State Stewart umbrella, as well as global fixed interest, resources, property and infrastructure strategies.

Angus Tulloch
Head of Asia Pacific (ex Japan) Equities

Angus Tulloch is Head of Asia Pacific (ex Japan) Equities at First State Stewart. Angus graduated from Clare College, Cambridge in 1970 with an Honours degree in Economics and History. After working as an accountant for ten years, he joined Cazenove in 1980 where he specialised in Far East equity investment based in Hong Kong and then London. Angus returned to Scotland in 1988, joining Stewart Ivory & Company Limited to establish an Asia Pacific (ex Japan) capability. Since then, this team has gained industry recognition as one of the world's leading specialists in this and the global emerging markets sectors. Angus reassumed the role of Scottish Oriental Portfolio Manager on the retirement of Susie Rippingall in April 2013.



Martin Lau
Deputy Portfolio Manager of Scottish Oriental

Martin Lau is Director of Greater China Equities at First State Stewart based in Hong Kong. He joined the team in April 2002. Martin graduated from Cambridge University with a Bachelor of Arts degree and a Masters degree in Engineering. Martin is responsible for stock picking and portfolio construction of Asia Pacific and Greater China portfolios. He is also a CFA charterholder.

Portfolio Manager's Report

REVIEW

In the year ending 31 August 2013, Asian equities performed well, with notable gains achieved in China, Hong Kong, and Taiwan. All Asian stock markets rose during the period, with the exception of India and Indonesia. The external environment became more uncertain as the year progressed, amid concerns that the US Federal Reserve might be willing to scale back its stimulus programme. Markets became increasingly volatile as a result. Economic growth in the region was impacted by the slow pace of the recovery in the US, and by the malaise that continues to affect the economies of Europe. The macro situation globally meant weaker demand for Asian exports. However, slowing external demand was offset by higher domestic consumption, with consumers across the region benefiting from the availability of credit. Commodity prices fell for a second successive year, allowing authorities, in most Asian countries, to pursue accommodative fiscal and monetary policies.

Equities in China and Hong Kong performed strongly, reversing the disappointment of the previous year, as investors came to terms with the lower growth environment in China under its new leadership. Certain sectors such as textiles, which were widely sold off last year, performed well. Taiwan's stock market recorded a significant gain, with consumer stocks performing particularly well, in part because of better relations with China and commercial reforms. Just like last year, equities in the Philippines also rose sharply; the country continues to prosper from President Aquino's reforms and also from higher consumer spending, moderate inflation, and historically low interest rates. India and Indonesia, the worst performing markets, continued to suffer from slowing economic growth, current account deficits, high inflation, and depreciating currencies.

Scottish Oriental's performance over the year was pleasing both in absolute terms and also relative to its benchmark, the MSCI AC Asia ex Japan Index. The Trust outperformed the benchmark for a third successive year. It also outperformed the MSCI AC Asia ex Japan Small Cap Index. Scottish Oriental benefited from its exposure to Singapore, Taiwan, and Thailand, and from certain sectors, such as textiles in China. Strong returns from some of the Trust's larger holdings, such as Aeon Thana, Ezion Holdings, and St. Shine Optical, also helped performance.

Stockmarket Performance *for the year ending 31 August 2013*

Country	Sterling %	Local Currency %	Country Allocation on 31 August 2013 %
China	17.5	14.4	15.6
Hong Kong	18.8	15.7	9.9
Taiwan	14.4	11.3	12.9
Greater China			38.4
Singapore	3.2	2.9	14.7
Thailand	1.9	1.9	5.1
Malaysia	6.3	8.8	5.1
Indonesia	(8.4)	2.2	4.3
Philippines	18.3	22.1	1.9
Vietnam	4.1	3.0	–
South East Asia			31.1
India	(5.6)	9.2	10.7
Sri Lanka	14.5	12.6	2.4
Indian Subcontinent			13.1
South Korea	8.0	2.9	7.1
MSCI*	10.1	9.3	–
Net current assets	–	–	10.3
Total			100.0

* Morgan Stanley Capital International AC Asia ex Japan Index

Greater China

Economic growth slowed in **China** over the course of the year, despite efforts from the government to boost domestic consumption. The new government has shown a desire for higher quality growth, and it appears unwilling to spend its way out of the current slowdown, a tactic popular with the former regime. The most worrying development in China has been the growth of a shadow banking system. Its reformation will be at the top of the new leadership's agenda, as evidenced by the liquidity squeeze in the interbank market earlier this year. Nevertheless, we have been impressed with the intentions to limit corruption, reduce ostentatious spending, and create a level playing field for private enterprise.

Portfolio Manager's Report – continued

Hong Kong has been impacted by China's softening macro situation. Retail sales continue to be influenced by the spending patterns of mainland tourists. Luxury goods retailers were adversely affected by China's austerity measures, as consumers became more reluctant to purchase visible displays of wealth. Demand for both commercial and residential real estate remained strong during the year. This prompted the government to apply further restrictions on mortgages and state its commitment to increasing the supply of affordable housing.

Taiwan continues to benefit from commercial reforms and better relations with China. The country has also prospered from its low inflationary environment, which has seen a number of higher end manufacturers relocate to Taiwan in the light of rapidly rising labour costs in China. Real wages in Taiwan have not risen in ten years. Domestic consumer stocks performed surprisingly well but more generally the country's economic growth is dependent on exports, the growth of which slowed during the period.

South East Asia

It was a much tougher year for **Indonesia's** economy. Economic growth slowed, in part because commodity prices fell, reducing foreign currency earnings, corporate profits and investment activity. This hurt an economy already suffering from a burgeoning current account deficit. Falling foreign exchange reserves, capital outflows, accelerating inflation, and a depreciating Rupiah, placed Indonesia's economy under further stress. The government made a positive move to reduce the current account deficit by cutting the fuel subsidy, the main cause of the country's rising oil import bill. The short-term impact, however, is further inflationary pressure. In addition, there appears to be a new wave of 'resource nationalism', which will increase the reluctance of domestic and foreign companies to invest in Indonesia.

The economic situation in **Malaysia** is stable, and has been supported by infrastructure investment and robust domestic consumption. Consumer indebtedness is a concern, though; relative to GDP, consumer debt is now 83%, compared to 32% on the eve of the Asian financial crisis. The re-election of Prime Minister Najib and his Barisan Nasional coalition removed the overhang of political uncertainty and provided the government with the platform to enact much needed economic reforms. Inflation remains low but it is likely to rise owing to a gradual reduction in fuel subsidies.

The **Philippines'** economy continues to defy the regional trend. Growth has been supported by higher consumer spending, moderate inflation, and historically low interest rates. The government continues to exercise fiscal discipline and has recorded budget surpluses in recent months. President Aquino has surpassed expectations in reforming the public procurement process, tackling corruption and taking on vested interests in areas such as family health and 'sin taxes'. Weak commodity prices have helped matters, resulting in lower than expected inflation. Strong business confidence has unfortunately left valuations at record levels.

Singapore's economic growth has also experienced a significant downturn despite the support provided by ongoing infrastructure investment. Weak external demand, particularly for manufactured products, has resulted in poor production and trade data. Furthermore, living costs are rising, the population is ageing, and there is an increasingly vocal discontent about growing inequality. Consequently the budget has focused on key concerns such as affordable housing supply, transportation needs and income support through the wage credit scheme. It will take time for tangible results to be seen, so it is unlikely the situation will change quickly.

Thailand's economy continues to recover from the devastating floods at the end of 2011. Domestic consumption, led by strong wage growth and low unemployment, has driven the economy at a time when exports remain soft. Consumption started to slow at the end of the year, however, as a number of populist government policies, such as the First Car Policy, came to an end, and fears heightened over consumer indebtedness. The political situation was relatively calm over the period but it remains to be seen whether the government will be able to make much needed investments in infrastructure.

Vietnam's economy continues to struggle, and will do into the foreseeable future. Exports have performed well, bucking the regional trend. The problem has been the banking sector, which is in a state of crisis. For years, aggressive lending drove growth but it has left the economy in a bad state. The situation is being addressed but it will take a long time for credit growth to pick up. Furthermore, the government continues to battle with inflation, and corruption is widespread.

Portfolio Manager's Report – continued

Indian Subcontinent

India remains burdened with both large fiscal and current account deficits. Unfortunately the slowdown in the economy appears structural and is therefore unlikely to respond to lower interest rates. Politics is the problem, as evidenced by the recent Land Acquisition Bill, which will make it costly, difficult, and time consuming to acquire land for infrastructure investments. The situation requires strong government as there has been a lack of reform. Tough and unpleasant decisions need to be taken in order to achieve long term benefits. At the same time, lower corporate profitability and cautious investor sentiment have impeded the corporate sector's ability to raise new equity and reduce historically high debt levels.

Sri Lanka has experienced high levels of economic growth since the cessation of the civil war. However, growth and access to credit has slowed, and the government is now stuck in a difficult position as the only way to meet fiscal targets without growing tax revenue is to hold back on spending. This will naturally impact economic growth. The government has so far failed to reduce its large fiscal deficit, which has placed downward pressure on the currency. Scottish Oriental's holdings are companies with all or at least some of their revenues denominated in US dollars.

South Korea

Economic growth in **South Korea** remains soft, through a combination of weak external demand and soft domestic consumption. The election of President Park Geun-hye, with her mantra of economic democratisation, served as proof that discontent with the country's widening income disparity is far-reaching. It also remains to be seen whether the new regime can exert tighter control of Korea's large industrial groups. The government has also tried to stimulate the struggling residential property market where demand has shifted away from ownership to the rental market despite relatively low interest rates.

Performance of individual equity holdings *for the year ending 31 August 2013*

Company	Country	Contribution Performance %	% of Shareholders' Funds (as of 31 Aug 2013)
Best			
Aeon Thana Sinsap	Thailand	1.9	1.1
Ezion Holdings	Singapore	1.9	2.1
St. Shine Optical*	Taiwan	1.6	–
Erawan Group*	Thailand	1.2	–
Super Group	Singapore	1.1	0.9
Worst			
BW Plantation	Indonesia	(0.6)	1.3
Salamander Energy	Indonesia	(0.4)	0.9
Trinity	China	(0.4)	1.3
EID Parry (India)	India	(0.4)	1.1
Able C&C*	South Korea	(0.4)	–

* Sold prior to the year end.

Portfolio Manager's Report – continued

The returns achieved by the Trust's five best performing stocks can be credited to increased domestic consumption in the region. **Aeon Thana** benefited from the surge in consumer confidence in Thailand, a result of strong wage growth and low unemployment, which led to greater acceptance of consumer credit in Thailand. **Erawan Group** also profited from consumption growth in Thailand, and from higher inbound tourist numbers. Instant beverages company **Super Group** continued to gain from the growth of its food ingredients business, which now accounts for a third of sales. **St. Shine Optical**, meanwhile, was rerated sharply as the company gained further market share in both Taiwan and Japan. Scottish Oriental reduced its exposure to the above consumer stocks over the course of the year as valuations reached unrealistic levels. **Ezion Holdings**, the best performing non-consumer stock, was able to take advantage of strong demand from the oil services sector, as its liftboats business continued to prosper.

BW Plantations' earnings were negatively affected by a number of logistical problems, as well as weakening crude palm oil prices. Fundamentally, however, the outlook for the company is satisfactory, as acreage will double by 2015. **Salamander Energy** also disappointed the market, which had expected better results from its oil exploration activity in Thailand. Although the long-term outlook for **EID Parry** remains positive, the company suffered as its fertiliser business experienced lower-than-expected sales following a drought in its key market, the state of Andhra Pradesh. The correction in **Trinity's** share price reflected investors' concerns that continued cost inflation, oversupply, and the evolving sophistication of Chinese consumers will make life harder for all but the top global fashion brands. **Able C&C** failed to adapt to increased competition at the lower end of Korea's fast moving cosmetics industry.

OUTLOOK

The performance of Asian equities is likely to continue to be influenced by the outlook for the global economy, and specifically by monetary policies in China, the West, and Japan. Asian stock markets have become more volatile in recent months. They will continue to react to news flow regarding the tapering of the US Federal Reserve's asset purchasing programme. We expect further volatility, as there appears to be no signs of a resolution in the short term. The stimulus programme being undertaken is unprecedented and the longer term consequences remain unknown. So far the risk of inflation has been limited but the risk remains that easy money may push prices higher and create currency volatility.

The current economic slowdown in Asia will have some beneficial effects in the longer term if the required structural reforms take place. In the case of India, the government must take advantage of the economic slowdown and sense of political paralysis to impose economic reforms in areas such as infrastructure. Such reforms will aid growth longer term. China can use its current slowdown to push through more radical reforms aimed at addressing the country's mounting socioeconomic and political problems. It is clear that Chinese citizens are demanding more of their government; they want to see more transparency, and require real changes in areas such as the environment.

Politics remains an interesting theme. Both China and Korea welcomed a change of leadership this year. The widening gap between rich and poor is a major issue for both of these countries, as it is for Hong Kong and Singapore where the governments must attempt to resolve the problems surrounding property ownership, which have seen many low income people forced out of the market.

Economic growth in Asia is unlikely to accelerate without a recovery in external demand. The region has become increasingly dependent on domestic consumption, and the valuations of locally focused consumer companies, especially in South East Asia, have become stretched. More generally, there are a limited number of companies trading on valuations that offer significant upside over the longer term. Scottish Oriental has increased its exposure to India where there are some excellent franchises with good management trading on reasonable valuations.

Angus Tulloch
Martin Lau
First State Investment Management (UK) Limited, Investment Manager

30 October 2013

Portfolio Review

Scottish Oriental's portfolio of investments is well diversified not only by country but also by sector. The largest country exposure is China with a 15.6 per cent position. Consumer Discretionary accounted for 19.4 per cent of the portfolio, the largest sector weighting. As at 31 August 2013 Scottish Oriental was invested in 93 different companies with the largest holding accounting for 2.4 per cent of the Portfolio. The aggregate of the trust's ten largest holdings was 18.1 per cent.

Country Allocation at 31 August 2013 *(based on geographical area of activity)*

Country/Region	Scottish Oriental %	MSCI* %	MSCI Small Cap† %
China	15.6	25.1	20.0
Hong Kong	9.9	12.9	10.4
Taiwan	12.9	15.0	22.3
Greater China	*38.4*	*53.0*	*52.7*
Singapore	14.7	6.7	9.3
Thailand	5.1	3.1	3.9
Malaysia	5.1	4.9	5.6
Indonesia	4.3	3.3	4.2
Philippines	1.9	1.2	1.2
South East Asia	*31.1*	*19.2*	*24.2*
India	10.7	7.5	4.9
Sri Lanka	2.4	–	–
Indian Subcontinent	*13.1*	*7.5*	*4.9*
South Korea	7.1	20.3	18.2
Net current assets	*10.3*	–	–
Net assets	*100.0*	*100.0*	*100.0*

* Morgan Stanley Capital International AC Asia ex Japan Index

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

Greater China

Scottish Oriental continues to have an underweight position in **China**. The structural slowdown has had a negative impact on corporate earnings and raised questions about the quality of banks' loan portfolios. Financial reform is likely to remain at the top of the agenda as the authorities remain concerned by the rapid growth of the shadow banking system. Such reform would impact financial institutions' behaviour and the pace of growth in broad credit. China's retail environment is looking increasingly competitive, leading to margin erosion, and ultimately profitless growth. A recent addition to the Trust's holdings in China is Singamas Container, the world's second largest container manufacturer, which is expected to benefit from a pick up in global trade in the medium term.

Hong Kong's US dollar currency peg has meant that quantitative easing policies undertaken by the US Federal Reserve have had a significant impact on the economy. Foreign exchange reserves have almost doubled to US$300bn, creating increased liquidity, which combined with record low interest rates, has fuelled a credit boom that has drastically increased property prices. Lower income investors have been priced out of the market, forcing the government to introduce dampening measures. The Manager is cautious of such seemingly unsustainable real estate valuations and has subsequently reduced Scottish Oriental's exposure to Hong Kong property.

The Trust's position in **Taiwan** increased over the period. The focus remains on those companies that are expected to gain from improved integration with China. There are a number of attractively valued smaller companies, more specifically in the industrial and technology sectors, with dividend yields in excess of 5 per cent. The Trust's largest position is in Chroma Ate, which has recovered well from cyclical lows.

Portfolio Review – continued

ASEAN Countries

Scottish Oriental remains overweight in **Indonesia**, despite the deteriorating macro economic picture. The Trust's holdings are largely focused on modern retail, a sector that will naturally continue to evolve and profit from Indonesia's favourable demographics as the country develops.

The Trust reduced its exposure to **Malaysia** over the course of the year. A number of the Trust's holdings were rerated in the weeks that followed the re-election of Prime Minister Najib and his Barisan Nasional coalition. Unfortunately these valuations were on occasion unsustainably high, so the Trust sold its entire position in both Aeon Credit Service and Eastern & Oriental. The Manager remains cautious as to the longer term effects of Malaysia's recent consumer boom, which has resulted in a significant increase in consumer indebtedness.

Although the holding is still overweight relative to the benchmark, Scottish Oriental significantly reduced its position in the **Philippines**. SM Development was taken over during the period and the Manager decided to sell the Trust's position, rather than accept a stake in the new entity, SM Prime. Nevertheless the Trust also took advantage of a sharp pull back in the share price of Manila Water to establish a meaningful position.

Singapore remains an overweight position for the Trust. The holdings are diversified in terms of geographical reach with some, such as Petra Foods, having a broad regional focus and others, such as retailer Sheng Siong, operating exclusively on the island.

Thailand is another country where Scottish Oriental has reduced its exposure, especially in those companies that profited from increased consumer confidence, a product of higher wages and relatively low unemployment. The Trust is positioned to benefit from a pick up in export growth, which has been sluggish in recent years.

Indian Sub-Continent

The biggest change to the Trust is the significant exposure to **India**. The poor state of the country's economy is well known. The Manager believes that India's politicians will eventually take the necessary reform measures; historically, political progress and common sense has prevailed in times of such fragility. The Manager has identified high quality franchises that will be able to prosper even if the domestic economy remains soft. In addition, a number of the new holdings including CMC and Tata Global Beverages have significant sales overseas, and therefore benefit from Rupee weakness.

In the near term, growth in **Sri Lanka** will be subdued. The easy credit that accompanied the end of the civil war has largely disappeared, and the risk of currency devaluation remains, as the government continues to pursue populist policies.

South Korea

Scottish Oriental significantly reduced its exposure to **South Korea** in the last year. The outlook for the country's economy is negative, as both exports and domestic consumption have shown minimal signs of a recovery. Unfortunately, and often because of governance concerns, it has proven difficult to find attractively valued smaller companies in South Korea that may offer significant upside in the longer term.

Portfolio Review – continued

Sector Allocation *at 31 August 2013*

Sector	**%**
Consumer Discretionary	19.4
Consumer Staples	13.3
	32.7
Energy	3.5
Financial	15.1
Healthcare	10.7
Information Technology	9.0
Industrial	11.4
Materials	3.4
Technology	1.3
Telecommunication Services	0.9
Utilities	1.7
	89.7
Net current assets	*10.3*
Net assets	*100.0*

The Trust's exposure to the **Consumer Discretionary** sector remains high, although it has fallen during the year. As highlighted throughout this report, the Manager has found it difficult to justify the valuations of many consumer stocks, especially those operating in South East Asia. As a result, the Trust sold its entire holding in Aeon Credit Malaysia and the Erawan Group. The Manager has identified alternative consumer discretionary companies, trading at more attractive valuations, such as Tao Heung Holdings and Trinity. The Trust's holdings in the **Consumer Staples** sector strengthened with the purchases of Standard Foods and Tata Global Beverages. The Manager will continue to favour sensibly managed, financially secure consumer businesses that are well placed to benefit from the strength of the Region's domestic economies.

The position in **Financials** was reduced. Those holdings with significant exposure to China's rapid credit expansion, such as Dah Sing Financial, were sold. Property companies are included within this sector; Scottish Oriental reduced its exposure to the Hong Kong and Singapore property markets, as commercial rental prices appear unsustainably high.

Scottish Oriental added to its **Industrial** sector exposure with the purchases of Indian companies Blue Dart Express and Lakshmi Machine Works. The sector has suffered from the global economic slowdown and consequential negative sentiment that has led to more attractive valuations.

The Trust's position in **Information Technology** was increased, as a result of a new position in CMC, and the Manager's decision to add to the Trust's existing position in Chroma Ate. Its exposure to the **Healthcare** sector was also increased with larger positions being taken in Pacific Hospital Supply and Ton Ren Tang Technology.

Exposure to stocks in cyclical **Energy** and **Materials** sectors remains low, as the Trust attempts to avoid price-takers which may be vulnerable to further economic downturns. The purchases of EID Parry and Linde India, two companies well positioned to benefit from industry consolidation, doubled the Trust's exposure to the Materials sector. Scottish Oriental also has a very low weighting in the **Telecommunications** and **Utilities** sector owing to the limited number of small and reasonably valued companies.

Portfolio Review – continued

Ten Largest Equity Holdings *at 31 August 2013*

Company	Market	Value	% of Shareholders' Funds
Chrome Ate	Taiwan	£6,236,507	2.4%

Established in 1984, Chroma is the leading electronic testing and measurement manufacturer in Taiwan. Testing equipment for power electronic and passive components is viewed as its core business and these components need replacing every 3 to 5 years. Management is also developing and marketing products in power electronics and clean technology test solutions, particularly in LED, solar cell/module, battery formation and electrical cars. These clean technology related products are expected to be a major contributor to earnings over the medium term supported by strong demand for battery formation equipment coming from US auto component manufacturers.

Ezion Holdings	Singapore	£5,227,593	2.1%

Ezion was created in March 2007 via a backdoor listing into Nylect Technology Limited. The Chief Executive and major shareholder is TK Chew, who was previously Chief Executive of KS Energy. Mr Chew established an impressive track record in his previous position. The Company was established to own and lease out liftboats which are used for the maintenance and operational support of offshore platforms. Ezion also has a fleet of more than 20 ships, which include ballastable vessels, barges and tugs, of which half are under long term contracts and the rest on charter. The Company has already commissioned six liftboats with two more due for completion by the end of next year.

Tao Heung Holdings	Hong Kong	£4,860,141	1.9%

Tao Heung owns and operates a network of Chinese restaurants in Hong Kong and China. The company adopts a successful multi-brand strategy that allows several different restaurants to be run profitably in the same popular dining areas. It has a net-cash balance sheet and strong cash flows that will support future growth. The founders and senior management own more than 40% of the company.

Pacific Hospital Supply	Taiwan	£4,594,193	1.8%

The core business of Pacific Hospital Supply is the design and manufacture of medical devices, such as closed suction catheters. In addition the Company is involved in the production and installation of medical equipment and gas piping systems for hospitals in Taiwan. Pacific Hospital Supply produces more than 600 different medical devices, with revenues mainly from 200 key products. It has a vertically integrated manufacturing process with a particular expertise in plastic injection, blow moulding and extrusion. The Company undertakes ODM orders on behalf of some of the larger Japanese and European healthcare companies but sells under its own PASHCO brand in Taiwan and emerging markets.

Supermax	Malaysia	£4,593,279	1.8%

Supermax manufactures and distributes a wide range of latex gloves from its factories in Malaysia. The Company is different to the other Malaysian latex glove manufacturers in that it has developed its own marketing strategy. Supermax has five different brands – Supermax, Aurelia, Maxter, Medic-Dent and Supergloves. Its distribution network now includes over 750 distributors in 145 countries. Supermax is now the second largest supplier of latex gloves to the US dental market.

Asia Satellite Telecommunication	China	£4,561,213	1.8%

Asia Satellite Telecommunication is Asia's largest privately owned commercial satellite operator. The Company presently owns and operates four satellites, which provide transponder capacity primarily to the broadcasting and telecommunications markets, both public and private. More than 50% of revenues are derived from China, Hong Kong and Taiwan and its 'footprint' covers approximately two thirds of the world's population. Profits in recent years have been negatively affected by the slowdown in demand for transponder capacity and increased competition from China's state owned satellite operators. All new satellites will have the technology that meets China's stringent security requirements, which should result in stronger demand.

Portfolio Review – continued

Company	Market	Value	% of Shareholders' Funds
Tong Ren Tang	**China**	**£4,272,545**	**1.7%**

Tong Reng Tang is one of the oldest and most respected traditional Chinese medicine companies in China. The Company's history as a listed company has been interesting with strong growth achieved in 2000 to 2005 followed by a period of consolidation and more modest growth in 2006 to 2009 as Management focused on restructuring its distribution network. More recently the Company's earnings growth has accelerated as a result of increased medical coverage and higher disposable incomes. In addition, senior Management now have a financial incentive which is directly linked to the rate of growth of its profits. The Company is also relatively immune to China's medical reforms as more than 80% of its products are classified as OTC and priced below the minimum threshold.

Aeon Company	**Malaysia**	**£3,976,225**	**1.6%**

Aeon Company owns and operates general merchandise stores as well as standalone Maxvalu supermarkets in Malaysia. The Company has been operating there for over 20 years and has developed a strong network of suppliers and distributors. Aeon's stores target the middle income consumer and are located in high density residential estates in the suburbs of major towns. Despite strong competition from hypermarkets, the Company has been able to identify new store locations albeit at a conservative pace. Management are impressive with a strong focus on customer service.

Singamas Container	**China**	**£3,860,981**	**1.5%**

Singamas Container is the world's second largest producer of steel containers and a major logistics provider in the Asia Pacific Region. The Company operates 12 factories located throughout China which manufacture a wide range of containers. While the current uncertain economic environment has resulted in weak demand, the longer term outlook remains positive with the average age of the world's container fleet now more than 9 years versus a useful life of 15 years. Current replacement rates are exceptionally low. In addition, the industry has undergone a significant consolidation in the past 20 years with the four largest operators accounting for more than 90% of global capacity. Singamas Container is a well managed company operating in a difficult industry.

Public Financial	**Hong Kong**	**£3,774,175**	**1.5%**

Public Financial, a subsidiary of Public Bank in Malaysia, provides consumer finance to individuals on low incomes as well as taxi finance via its subsidiary Winton. In 2006, it acquired Asia Commercial Bank in Hong Kong which provided Public Financial with not only a Hong Kong banking licence but also a licence to operate in China, albeit only Shenzhen. Management have since been active in restructuring and expanding the Company's branch network in order to increase its access to low cost deposits.

Angus Tulloch
Martin Lau
First State Investment Management (UK) Limited, Investment Manager

30 October 2013

List of Quoted Equity Investments at 31 August 2013

	% of Shareholders' Funds
CHINA (15.6%)	
Consumer Discretionary (9.5%)	
Asia Satellite Telecom	1.8
Minth	1.4
Pacific Textiles	0.8
Pou Sheng International	0.6
Samson	0.9
Sun Hing Vision	0.7
Texwinca	1.0
Trinity	1.3
YGM Trading	1.0
Consumer Staples (0.3%)	
Beijing Jingkelong	0.3
Healthcare (3.0%)	
Microport Scientific	1.3
Tong Ren Tang	1.7
Industrial (1.6%)	
Lung Kee Holdings	0.1
Singamas Container	1.5
Utilities (1.2%)	
Towngas China	1.2
HONG KONG (9.9%)	
Consumer Discretionary (1.5%)	
Dickson Concepts	1.1
Tai Ping Carpets	0.4
Consumer Staples (3.8%)	
Aeon Stores	0.5
Four Seas Mercantile	0.3
Tao Heung Holdings	1.9
Vitasoy International	1.1
Financial (3.8%)	
Aeon Credit Service	0.7
Keck Seng Investment	0.8
Public Financial	1.5
Tai Cheung Holdings	0.8
Industrials (0.8%)	
Pacific Basin Shipping	0.8

	% of Shareholders' Funds
INDIA (10.7%)	
Consumer Discretionary (0.5%)	
Indian Hotels	0.0
Motherson Sumi Sys.	0.5
Consumer Staples (2.1%)	
Marico	0.6
Tata Global Beverages	1.5
Energy (0.5%)	
Great Eastern Shipping	0.5
Financials (3.3%)	
Godrej Properties	0.5
Mahindra Lifespace Developer	1.0
Max India	0.9
Tube Investments of India	0.9
Industrials (0.9%)	
Blue Dart Express	0.4
Lakshmi Machine Works	0.5
Materials (2.1%)	
EID Parry (India)	1.1
Linde India	1.0
Technology (1.3%)	
CMC	1.3
INDONESIA (4.3%)	
Consumer Discretionary (1.3%)	
Ace Hardware	0.6
Sumber Alfaria Trijaya	0.7
Consumer Staples (0.8%)	
Nippon Indosari Corpindo	0.8
Energy (0.9%)	
Salamander Energy	0.9
Materials (1.3%)	
BW Plantation	1.3

	% of Shareholders' Funds
MALAYSIA (5.1%)	
Consumer Discretionary (0.7%)	
Media Prima	0.7
Consumer Staples (1.6%)	
Aeon Company	1.6
Healthcare (1.8%)	
Supermax	1.8
Industrial (1.0%)	
IJM Corporation	1.0
PHILIPPINES (1.9%)	
Financial (1.4%)	
Century Properties	0.6
Security Bank	0.8
Utilities (0.5%)	
Manila Water	0.5
SINGAPORE (14.7%)	
Consumer Discretionary (0.7%)	
Tan Chong International	0.7
Consumer Staples (2.8%)	
Petra Foods	1.1
Sheng Siong Group	0.8
Super Group	0.9
Energy (2.1%)	
Ezion Holdings	2.1
Financial (2.9%)	
Bukit Sembawang Estates	1.2
Hong Leong Finance	1.0
Sabana Shari'ah	0.7
Healthcare (1.2%)	
Raffles Medical Group	1.2

List of Quoted Equity Investments at 31 August 2013 – continued

	% of Shareholders' Funds
Industrial (2.6%)	
Amtek Engineering	1.5
Yongnam Holdings	1.1
Information Technology (2.4%)	
CSE Global	1.0
euNetworks	0.3
Venture Corporation	1.1
SOUTH KOREA (7.1%)	
Consumer Discretionary (3.2%)	
Amorepacific	1.2
Cosmax	1.3
Hana Tour Service	0.7
Financial (1.0%)	
DGB Financial	1.0
Healthcare (2.9%)	
JVM	1.0
LG Life Sciences	0.7
Yuhan Corp	1.2
SRI LANKA (2.4%)	
Consumer Discretionary (0.7%)	
Aitken Spence Hotels	0.7
Industrial (0.8%)	
Expolanka Holdings	0.5
Hemes Holdings	0.3
Telecommunication Services (0.9%)	
Dialog Axiata	0.9

	% of Shareholders' Funds
TAIWAN (12.9%)	
Consumer Discretionary (1.0%)	
Johnson Health Tech.	1.0
Consumer Staples (1.9%)	
Standard Foods	1.0
Taiwan Familymart	0.9
Healthcare (1.8%)	
Pacific Hospital Supply	1.8
Industrial (2.5%)	
KD Holdings	1.2
Yungtay Engineering	1.3
Information Technology (5.7%)	
Chroma Ate	2.4
Lumax International	1.1
Taiflex Scientific	1.4
Wah Lee Industrial	0.8

	% of Shareholders' Funds
THAILAND (5.1%)	
Consumer Discretionary (0.3%)	
Amarin Printing	0.3
Financial (2.7%)	
Aeon Thana Sinsap	1.1
Lalin Property Fb	0.9
Tisco Financial	0.7
Industrial (1.2%)	
Ticon Industrial	1.2
Information Technology (0.9%)	
Hana Microelectronic	0.9

Ten Year Record

Capital

Year ended 31st August	Market Capitalisation £m	Shareholders' Funds £m	NAV Diluted (p)	NAV Undiluted (p)	Price Ordinary (p)	Price Warrant (p)	Discount to NAV Diluted %	Discount to NAV Undiluted %
2004	39.94	46.00	169.14	180.50	156.75	69.50	(7.3)	(13.2)
2005	54.23	61.57	219.95	241.56	212.75	112.50	(3.3)	(11.9)
2006	64.41	73.26	256.22	279.24	245.50	144.00	(4.2)	(12.1)
2007	94.87	104.14	—	344.67	314.00	—	—	(8.9)
2008	79.16	94.50	—	312.78	262.00	—	—	(16.2)
2009	98.95	113.86	—	376.85	327.50	—	—	(13.1)
2010	146.08	167.76	—	555.26	483.50	—	—	(12.9)
2011	181.28	186.89	—	618.56	600.00	—	—	(3.0)
2012	182.19	201.60	—	667.26	603.00	—	—	(9.6)
2013	232.19	253.63	—	801.53	733.75	—	—	(8.5)

Revenue

Year ended 31st August	Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per share* p	Dividend per share (net) p	Ongoing charges† %	Ongoing charges incl performance fee %	Actual gearing‡	Potential gearing§
2004	1,567	547	2.14	1.58	1.54	—	102	108
2005	2,262	960	3.77	2.60	1.48	—	93	105
2006	2,416	1,239	4.78	3.60	0.88	—	94	101
2007	3,379	1,812	6.35	4.60	0.83	—	94	101
2008	3,643	2,008	6.64	5.00	0.78	—	98	101
2009	3,744	2,307	7.63	6.00	1.04	—	94	101
2010	4,940	3,197	10.58	8.50	1.00	1.65	94	101
2011	5,726	3,443	11.39	9.00	1.01	2.29	95	111
2012	7,073	4,348	14.39	11.00	1.01	1.96	97	110
2013	7,903	4,518	14.56	11.50	1.03	1.73	88	108

* The calculation of earnings per share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares in issue

† Management fee and all other operating expenses, excluding interest, expressed as a percentage of the daily net assets during the year (2011 and prior: percentage expressed of the average of the month end net assets during the year)

‡ Total assets (including all debt used for investment purposes) less all cash and fixed interest securities (excluding convertibles) divided by shareholders' funds

§ Total assets (including all debt used for investment purposes) divided by shareholders' funds

Cumulative Performance (taking year ended 31 August 2003 as 100)

Year ended 31st August	NAV per share	Price per share	Price per warrant	MSCI AC Asia ex Japan Index	FTSE All-Share Index	Earnings per share	Dividend per share
2003	100	100	100	100	100	100	100
2004	103	100	103	98	107	110	105
2005	138	136	167	122	129	193	173
2006	160	157	213	141	146	245	240
2007	197	201	—	193	158	326	307
2008	179	168	—	171	139	341	333
2009	215	210	—	182	122	391	400
2010	317	310	—	220	131	543	567
2011	354	385	—	223	136	584	600
2012	381	387	—	216	144	738	733
2013	458	470	—	232	165	747	767

Company Information

Registered Office
10 St. Colme Street
Edinburgh EH3 6AA, Scotland

Company Number
SC156108

Investment Manager
First State Investment Management (UK) Limited
23 St Andrew Square
Edinburgh EH2 1BB, Scotland
(Authorised and regulated by the Financial Conduct Authority)
Tel: +44 (0)131 473 2200 Fax: +44 (0)131 473 2222

Company Secretary
Steven K Davidson ACIS
Personal Assets Trust Administration
Company Limited
10 St. Colme Street
Edinburgh EH3 6AA, Scotland

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

Auditor
Chiene + Tait
Chartered Accountants and
Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL, Scotland

Information for Investors

Financial Diary
The Company's financial year ends on 31 August. The preliminary results are announced in October or November and the Annual Report and Accounts are published in November. Any dividend payable on the ordinary shares will be paid in January or February.

Capital Gains Tax
An individual tax payer is currently entitled to an annual total tax-free gain, presently £10,900 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 appears daily in the Investment Companies Sector of the Financial Times and other leading daily newspapers.

The 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-uk.computershare.com/investor.

Regulatory Status
As an investment trust pursuant to section 1158 of the Corporation Taxes 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 Personal Assets Trust Administration Company Limited at the above address, by telephone on +44 (0)131 538 6610 or by fax on +44 (0)131 538 6607. For registry queries contact Computershare by telephone on +44 (0)870 707 1307.

Directors' Report

The Directors have pleasure in submitting their Annual Report and Accounts for the year to 31 August 2013.

Business Review

Principal Activity, Status and Review

The Company is an investment company within the meaning of the Companies Act 2006 (company number: SC156108). It has been approved as such by HM Revenue and Customs for all accounting periods commencing on or after 1 January 2012 subject to the Company continuing to meet the eligibility conditions in Section 1158 of the Corporation Taxes Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instruments 2011/2999).

In the Directors' view, the description of the Company's development over the year and the identification of its key performance indicators are contained in the Financial Highlights, Ten Year Record, Chairman's Statement and Portfolio Manager's Report. The principal risks facing the Company relate to its investment activities and include market price risk and foreign currency risk. Further details of these risks are disclosed in note 16 of the Accounts on pages 43 to 45. Information on the Company's internal controls is set out on pages 25 and 26.

In common with most investment trusts, the Company has no employees.

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.

The table below shows the revenue position and dividend payable by the Company, subject to shareholders' approval of the final dividend of 11.50 pence per share proposed to be paid on 31 January 2014. The former basis of accounting was to reflect a dividend in the accounts in the year to which it related rather than, as at present, to reflect it in the year in which the Company actually pays it.

	£000	Pence per share
Revenue reserve as at 31 August 2012	5,480	17.32
Net revenue earned in the year	4,518	14.28
Dividend payable	(3,639)	(11.50)
Revenue reserve as at 31 August 2013	6,359	20.10

Pence per share figures are based on the number of shares in issue at 31 August 2013

Borrowings

Details of the Company's US$32.5 million three year fixed rate loan with Scotiabank Europe plc can be found in notes 10 and 11 on pages 41 and 42.

Directors' Report – continued

Share Capital

The Company's capital structure consisted of 31,643,650 ordinary shares of 25p each in issue at 31 August 2013. During the year the Company issued 1,430,000 ordinary shares for gross proceeds of £11,994,000.

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.

Management

First State Investment Management (UK) Limited has been Investment Manager since 20 March 1995. The current Investment Management Agreement was put in place on 1 March 2011 ("the Agreement").

The terms of the Agreement provide for payment of a base fee of 0.75% 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. These fees are capped, in aggregate, at an amount not exceeding or equal to 5% of the lower of (1) the gross asset value of the Company and (2) its market capitalisation, in each case at the relevant 31 August year end.

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. If the Company's SPTR exceeds the SPTR of the Company's benchmark index (the MSCI AC Asia ex Japan Index) over the three year period plus ten percentage points, 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 £1,724,988 (2012: £1,795,277) is due to be paid for the twelve months ending 31 August 2013 and this fee will be charged against the Company's capital.

The Investment Manager's appointment is subject to termination on one year'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% 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.

The 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.

Company Secretary

Personal Assets Trust Administration Company Limited provides company secretarial, accounting and administrative services. The fee for the year ended 31 August 2013, which is payable quarterly in advance and linked to the movement in the Retail Price Index annually, was £102,750 (2012: £99,314). The appointment is terminable on three months' notice.

Directors' Report – continued

Continuing Appointment of the Investment Manager

The Board regularly appraises the performance and effectiveness of the investment managerial arrangements of the Company. As part of this process, such arrangements are reviewed formally once a year. In relation to the Board'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 Board, 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.

Creditor Payment Policy

The Company's payment policy for the year to 31 August 2014 is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them. The Company has no trade creditors.

Substantial Shareholders

At 30 October 2013 the Company was aware of the following significant shareholdings representing (directly or indirectly) 3% or more of the voting rights attaching to the issued share capital of the Company:

	Number of Shares held	Percentage held
Clients of Brewin Dolphin Securities	4,380,312	13.8%
Clients of Hargreaves Lansdown	2,217,850	7.0%
Clients of Alliance Trust Savings	2,075,666	6.6%
Clients of Investec Wealth & Investment	1,730,166	5.5%
Clients of Rathbones	1,230,210	3.9%
Clients of Barclays Stockbrokers	1,081,775	3.4%
Clients of Charles Stanley	1,049,346	3.3%

Going Concern

After making inquiries, and bearing in mind the nature of the Company's business and assets, which are considered to be readily realisable if required, the Directors believe that the Company has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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") by reference to the AIC Corporate Governance

Directors' Report – continued

Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council, 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, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code) will provide better information to shareholders than if it had adopted the UK Corporate Governance Code.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The Board comprises four non-executive Directors, three of whom, James Ferguson, Alexandra Mackesy and Dr Janet Morgan, have been Directors for a period of longer than nine years. The Board considers each of these 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 their independent judgement. Mr Ferguson, Mrs Mackesy and Dr Morgan are therefore considered to be independent notwithstanding the length of their appointment. The Board considers that it is in the interests of the Company to have loyal and committed non-executive Directors, particularly as it does not have any employees or executive Directors.

James Ferguson was a Director of the Investment Manager until 2000 but has not been a Director of or employed by the Investment Manager or any member of its group since then and is therefore considered by the Board to be independent because of the period of time since he was connected with the Investment Manager.

Finally, as the Board is an entirely non-executive Board, the Directors are involved in discussions to determine their own remuneration taking various factors into consideration. James Ferguson, the Chairman, also chairs the Remuneration Committee and the Audit Committee, appointments which are periodically reviewed. The Board considers that it is appropriate for Mr Ferguson to be Chairman of both committees as he is considered to be independent and has no conflicts of interests.

Directors

The following Directors served during the year and 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 2013 Ordinary 25p shares	31 August 2012 Ordinary 25p shares
James Ferguson*	292,290	292,290
Alexandra Mackesy	21,000	21,000
Dr Janet Morgan	3,600	3,600
Anne West	2,000	–

* 272,290 ordinary shares in the Company are family interests

Directors' Report – continued

There were no changes to the above holdings between 31 August 2013 and 30 October 2013. The Company has no service contracts with its Directors and has not entered into any other contract in which a Director has an interest.

Meetings

The Board meets at least quarterly 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 and Nominations 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 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	Committee of the Board	Remuneration Committee	Nominations Committee
James Ferguson	5/5	3/3	6/6	1/1	1/1
Alexandra Mackesy	5/5	3/3	6/6	1/1	1/1
Dr Janet Morgan	5/5	3/3	–	1/1	1/1
Anne West	5/5	3/3	–	1/1	1/1

Independence of Directors

The Board considers its four 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. The Board deems the Chairman to be independent having taken into consideration his previous directorship with the Investment Manager. James Ferguson, Alexandra Mackesy and Dr Janet Morgan have served on the Board for more than nine years. The Board considers that each of these Directors is independent of the Investment Manager in mind, character and judgement and free from any business or other relationship with the Investment Manager which could interfere with or compromise the exercise of their independent judgment. In addition, as the Trust does not have an executive board or any employees, it is considered to be in shareholders' interests for non-executive Directors to serve on the Board for longer periods of time.

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, Dr Janet Morgan. 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.

Directors' Report – continued

Terms of Appointment and Re-election of Directors

James Ferguson, Alexandra Mackesy and Dr Janet Morgan, having served on the Board for more than nine years, offer themselves for re-election at the AGM. The Board confirms that each of these Directors continues to make a significant contribution to Board deliberations. The Board therefore believes that it is in the interests of shareholders that Mr Ferguson, Mrs Mackesy and Dr Morgan be re-elected. The Articles of Association provide that each Director is subject to election at the first AGM after his or her appointment and must retire by rotation every three years. His or her 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 5 of this Annual Report to enable shareholders to take an informed decision on their 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 Directors are experienced in their role as Directors and any new Director will, upon appointment, 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 Board is of the view that longer term appointments are necessary to ensure long term stability of the management of the Trust, given that the Trust has no employees. As an investment trust, the Board also adheres to the AIC Code.

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.

The Nominations Committee terms of reference are available on the Trust's website and clearly define the Committee's responsibilities.

The Nominations Committee meets at least annually.

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 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.

Directors' Report – continued

These controls include:

- Reports at regular Board meetings of all security and revenue transactions effected on the Company's behalf. These transactions can only be entered into 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 JPMorgan Chase. The records maintained by JPMorgan Chase permit the Company's holdings to be readily identified. The Investment Manager and Company Secretary 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;
- A risk matrix is prepared which identifies the significant risks faced by the Company and the Investment Manager's and Company Secretary's controls in place to manage these risks effectively.

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

Audit Committee and Auditor

An Audit Committee has been established consisting of all the Directors, with three constituting a quorum. James Ferguson was appointed Chairman of the Audit Committee's meetings held on 31 October 2012, 27 March 2013, and 23 July 2013. The Board considers that it is appropriate for all Directors to be members of the Committee given the size and composition of the Board. 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 and 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 auditors and the terms under which they are appointed to perform non-audit services. Fees for these services amounted to £4,000 for the year ended 31 August 2013. The Board consider that the provision of such services at this low level is cost effective and does not impair the independence of Chiene + Tait.

The Audit Committee meets the Auditor at least once a year to review these and other matters. A resolution to re-appoint Chiene + Tait, Chartered Accountants and Statutory Auditor, as Auditor of the Company will be proposed at the Annual General Meeting. The Board does not consider that an internal audit function is necessary as a result of the Company's straightforward structure.

Directors' Report – continued

Disclosure of Information to 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.

Share Buy Backs

The Company's buy back authority was last renewed at the AGM on 24 January 2013 in respect of 4,532,047 ordinary shares of 25p each. No shares were bought back during the period under review and no shares are held in treasury.

Annual General Meeting

The notice convening the Annual General Meeting to be held on 12 December 2013 is given on pages 48 to 52. The resolutions to be proposed include a resolution to approve the Directors' Remuneration Report, which is set out on pages 29 and 30.

Resolutions 8 and 9 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 unissued ordinary shares and empower them to allot some 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 8 is in respect of £791,000 in nominal value of relevant securities, representing approximately 10% of the issued ordinary share capital on that date. The power to disapply pre-emption rights being sought under Resolution 9 is also in respect of £791,000 of equity securities representing approximately 10% of the ordinary shares of the Company in issue on 30 October 2013. The authority under Resolutions 8 and 9 will expire at the conclusion of the next Annual General Meeting of the Company after the passing of the resolutions or on the expiry of 15 months from the passing of the resolutions, whichever is the earlier. The Directors, who have no present intention of exercising their authority to allot any of the same, will only allot relevant securities under this authority 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 10 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 4,743,000 ordinary shares, just under 15% of the Company's issued share capital at 30 October 2013) and the maximum (105% of the 5 day average middle market price) and minimum (the nominal value) prices at which shares may be bought. The Directors will only exercise the authority granted pursuant to this resolution 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 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 10. There are no options outstanding over the Company's share capital.

Directors' Report – continued

Notice Period for General Meetings

Resolution 11 is being proposed to enable general meetings to be held on 14 clear days' notice rather than 21 clear days' notice following the implementation of The Companies (Shareholders' Rights) Regulations 2009 which implemented the EU Shareholder Rights Directive (2007/36/EC) (the "Directive").

The provisions of the Companies Act 2006 relating to meetings have been amended as a result of the implementation of the Directive. The minimum notice period for listed company general meetings has been increased to 21 clear days, but companies have an ability to reduce this period back 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 11 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 only be used 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 recognises the value of the views of shareholders. The Investment Manager has a policy of meeting major shareholders and reports to the Board following such meetings. Any shareholder wishing to communicate with a member of the Board may do so by writing to him or her at the Company's registered office as detailed on page 19. All who attend at the AGM have an opportunity to question the Board and the Investment Manager. 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 20 working 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

Steven K Davidson
Company Secretary
30 October 2013

Directors' Remuneration Report

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

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 and 47.

Remuneration Committee

The Company has four non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee as it considers specific appointments to such a committee are not appropriate due to the size and composition of the Board. Appointments are periodically reviewed. The Remuneration Committee terms of reference are available on the Trust's website and clearly define the Committee's responsibilities.

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 £25,000 to £26,500 per annum and Directors' fees from £18,000 to £19,000 each per annum, such increases to take effect from 1 July 2013.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, 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. It is intended that this policy will continue for the year ended 31 August 2014 and subsequent years.

The fees for the non-executive Directors are set within maximum limits determined from time to time by the Company in general meeting. 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

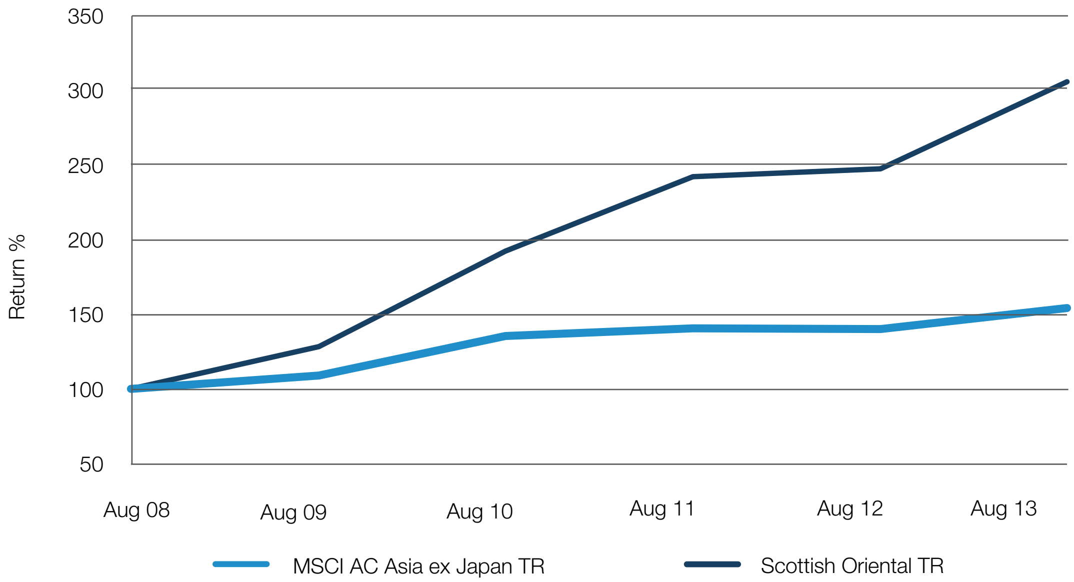
The Directors do not have a contract of service with the Company. All of the Directors have been provided with letters of appointment. The letters of appointment provide that Directors are appointed for a period of three years and are subject to election by shareholders at the first Annual General Meeting 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.

Directors' Remuneration Report – continued

Your Company's Performance

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

Total Return – Scottish Oriental versus MSCI AC Asia ex Japan Index



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 2013 (£)	Fees 2012 (£)
James Ferguson (Chairman)	25,250	23,750
Alexandra Mackesy	18,167	17,167
Dr Janet Morgan	18,167	17,167
Anne West	18,167	17,167
	79,751	75,251

Sums Paid to Third Parties (audited)

No sums were paid to third parties.

The Directors' Remuneration report on pages 29 and 30 was approved by the Board of Directors on 30 October 2013 and signed on its behalf by

James Ferguson, Chairman
30 October 2013

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the accounts 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). 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 the 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 judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 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 Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

By order of the Board

James Ferguson
Chairman
30 October 2013

Income Statement

For the year ended 31 August 2013

		2013			2012		
	Note	Revenue £000	Capital £000	Total* £000	Revenue £000	Capital £000	Total* £000
Gains on investments		–	41,060	41,060	–	15,129	15,129
Income from investments	1	7,859	–	7,859	7,056	–	7,056
Other income	1	44	–	44	17	–	17
Investment management fee	2	(1,946)	(1,725)	(3,671)	(1,435)	(1,795)	(3,230)
Currency losses	13	–	(460)	(460)	–	(247)	(247)
Other administrative expenses	3	(635)	–	(635)	(457)	–	(457)
Net return before finance costs and taxation		5,322	38,875	44,197	5,181	13,087	18,268
Finance costs of borrowing	4	(460)	–	(460)	(461)	–	(461)
Net return on ordinary activities before taxation		4,862	38,875	43,737	4,720	13,087	17,807
Tax on ordinary activities	5	(344)	–	(344)	(372)	–	(372)
Net return attributable to equity shareholders		4,518	38,875	43,393	4,348	13,087	17,435
Net return per ordinary share	7	14.56p	125.31p	139.87p	14.39p	43.32p	57.71p

*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.

A Statement of Total Recognised Gains and Losses has not been prepared as any gains or losses are recognised in the Income Statement.

The Board is proposing a dividend of 11.50p per share for the year ended 31 August 2013 (2012: 11.00p per share) which, if approved, will be payable on 31 January 2014 to shareholders recorded on the Company's shareholder register on 13 December 2013.

The accounting policies on pages 36 and 37 and the notes on pages 38 to 45 form part of these accounts.

All revenue and capital items derive from continuing operations.

Balance Sheet

as at 31 August 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
FIXED ASSETS – EQUITY INVESTMENTS	8				
China			**39,552**		28,422
Hong Kong			**25,180**		20,178
India			**27,248**		2,947
Indonesia			**10,820**		10,268
Malaysia			**12,870**		16,872
Philippines			**4,744**		8,534
Singapore			**37,314**		33,771
South Korea			**17,920**		24,873
Sri Lanka			**6,097**		3,773
Taiwan			**32,862**		29,471
Thailand			**12,992**		16,451
Vietnam			**–**		3,389
			227,599		198,949
CURRENT ASSETS					
Debtors	9	**1,628**		3,299	
Cash and deposits		**48,497**		22,997	
		50,125		26,296	
CURRENT LIABILITIES (due within one year)					
Creditors	10	**(24,091)**		(3,154)	
		(24,091)		(3,154)	
Net Current Assets			**26,034**		23,142
Total Assets less Current Liabilities			**253,633**		222,091
CREDITORS (due after one year)					
Loan	11		**–**		(20,487)
Equity Shareholders' Funds			**253,633**		201,604
Represented by					
CAPITAL AND RESERVES					
Ordinary share capital	12		**7,911**		7,554
Share premium account	13		**32,940**		21,337
Warrant reserve exercised	13		**1,319**		1,319
Capital reserve	13		**201,465**		162,590
Revenue reserve	13		**9,998**		8,804
			253,633		201,604
Net asset value per share	14		**801.53p**		667.26p

These accounts were approved by the Board on 30 October 2013 and signed on its behalf by

James Ferguson, Director

The accounting policies on pages 36 and 37 and the notes on pages 38 to 45 form part of these accounts.

Cash Flow Statement

for the year ended 31 August 2013

	2013 £000	2013 £000	2012 £000	2012 £000
OPERATING ACTIVITIES:				
Dividends received from investments		**7,805**		7,234
Other income		**193**		17
		7,998		7,251
Investment management fee	**(1,845)**		(1,413)	
Secretarial fee	**(103)**		(99)	
Directors' fees	**(79)**		(75)	
Other expenses paid	**(394)**		(277)	
		(2,421)		(1,864)
Net cash inflow from operating activities		**5,577**		5,387
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:				
Interest paid on borrowings	**(460)**		(457)	
Arrangement fees	**—**		(20)	
Net cash outflow from investments and servicing of finance		**(460)**		(477)
TAXATION:				
Total tax paid		**(343)**		(457)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:				
Purchases of investments	**(89,519)**		(43,936)	
Sales of investments	**103,394**		35,996	
Currency gains	**10**		280	
Performance fee	**(1,795)**		(2,405)	
Net cash inflow/(outflow) from capital expenditure and financial investment		**12,090**		(10,065)
Net cash inflow/(outflow) before financing		**16,864**		(5,612)
FINANCING:				
Issue of ordinary shares	**11,995**		—	
Cost of issue of ordinary shares	**(35)**		—	
Equity dividend paid	**(3,324)**		(2,719)	
Net cash inflow/(outflow) from financing		**8,636**		(2,719)
Increase/(decrease) in cash		**25,500**		(8,331)

The notes to the Cash Flow Statement are contained in note 15.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 August 2013

	Share Capital £000	Share Premium Account £000	Warrant Reserve Exercised £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 31 August 2012	7,554	21,337	1,319	162,590	8,804	201,604
Realised gain on investments	**–**	**–**	**–**	**36,244**	**–**	**36,244**
Currency loss	**–**	**–**	**–**	**(460)**	**–**	**(460)**
Unrealised appreciation on investments in the year	**–**	**–**	**–**	**4,816**	**–**	**4,816**
Performance fee	**–**	**–**	**–**	**(1,725)**	**–**	**(1,725)**
Issue of new Ordinary Shares	**357**	**11,603**	**–**	**–**	**–**	**11,960**
Income retained in the year	**–**	**–**	**–**	**–**	**4,518**	**4,518**
Dividend paid in the year	**–**	**–**	**–**	**–**	**(3,324)**	**(3,324)**
Balance at 31 August 2013	**7,911**	**32,940**	**1,319**	**201,465**	**9,998**	**253,633**

for the year ended 31 August 2012

	Share Capital £000	Share Premium Account £000	Warrant Reserve Exercised £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 31 August 2011	7,554	21,337	1,319	149,503	7,175	186,888
Realised gain on investments	–	–	–	10,799	–	10,799
Currency loss	–	–	–	(247)	–	(247)
Unrealised appreciation on investments in the year	–	–	–	4,330	–	4,330
Performance fee	–	–	–	(1,795)	–	(1,795)
Income retained in the year	–	–	–	–	4,348	4,348
Dividend paid in the year	–	–	–	–	(2,719)	(2,719)
Balance at 31 August 2012	7,554	21,337	1,319	162,590	8,804	201,604

Accounting Policies

Basis of accounting

(a) These accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention (modified to include the revaluation of fixed asset investments which are recorded at fair value), the Companies Act 2006 and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in January 2009 (the "SORP") except for certain illiquid stocks which have been valued at the last traded price, as has been the Company's practice. The Directors consider the last traded price for such stocks to be the best estimate of fair value. Financial assets and liabilities are recognised in the Company's Balance Sheet when it becomes party to the contractual provisions of the instrument.

In order better to 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 accounts, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

The functional and reporting currency of the Company is pounds sterling as most investors in the Company are based in the United Kingdom.

Income

(b) Dividends on securities are brought into account on the date on which the security is quoted "ex dividend" on the stock exchange in the country in which the security is listed. Interest on securities is accounted for on a time apportioned basis. 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.

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

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

Expenses

(e) Expenses and interest payable are dealt with 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 Income Account. The performance fee is chargeable in full to the Capital Account.

Valuation of Investments

(g) Listed investments have been designated upon initial recognition 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. Subsequent to initial recognition, investments are valued at fair value which for listed investments is deemed to be bid market or last traded prices. 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. In accordance with the guidance given in the Association of Investment Companies SORP issued in January 2009 the Capital Reserve is not separated into realised and unrealised.

(h) Equities include ordinary shares and warrants.

(i) Gains and losses arising on realisation of investments are shown in the Capital Reserve.

Accounting Policies – continued

Foreign currency

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

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

Cash and liquid resources

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

Long term borrowings and finance costs

(m) Long term borrowings are carried in the Balance Sheet at fair value. Finance costs of such borrowings are charged to capital in the period in which they are incurred. Interest costs incurred on long-term borrowings are charged to income on a time apportioned basis over the life of the liability. Breakage costs on long term borrowings are charged to capital.

Dividends

(n) Interim dividends are recognised in the period in which they are paid and final dividends are recognised in the period in which they are approved by the Company's shareholders.

Taxation

(o) In accordance with Financial Reporting Standard 19, 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.

Notes on the Accounts

1. Income

Income from investments relates to dividends. Other income relates to bank deposit interest and £43,000 (2012: £17,000) in relation to Taiwan tax reclaims from overseas listed companies.

2. Investment Management Fee

	2013 £000	2012 £000
Performance fee	**1,725**	1,795
Investment management fee	**1,946**	1,435
	3,671	3,230

The basis of calculation of the investment management fee and performance fee is given on page 21.

3. Other Administrative Expenses

	2013 £000	2012 £000
Auditor's remuneration for :		
– audit	**13**	13
– tax services	**4**	4
Directors' fees	**80**	75
Company secretarial fees	**103**	99
Bank, custodial and other expenses	**435**	266
	635	457

Since 1 July 2013 Directors' fees have been as follows:

Chairman of the Board	£26,500 per annum
Each other Director	£19,000 per annum

Prior to 1 July 2013 Directors' fees were as follows:

Chairman of the Board	£25,000 per annum
Each other Director	£18,000 per annum

4. Finance Costs of Borrowing

	2013 £000	2012 £000
Costs in relation to bank borrowing	**460**	461

Notes on the Accounts – continued

5. Taxation

(a) Analysis of charge in period

	2013 £000	2012 £000
Current tax: overseas tax	**344**	372

(b) Factors affecting the tax charge for the period

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:

	2013 £000	2012 £000
Net gains on investments during the period	**41,060**	15,129
Other losses	**(460)**	(247)
Performance fee	**(1,725)**	(1,795)
Net investment income before tax	**4,862**	4,720
Total return for the period before taxation	**43,737**	17,807
Total return for the period before taxation multiplied by the effective rate of corporation tax of 23.58% (2012: 25.16%)	**10,313**	4,480
Effect of:		
Capital returns not subject to corporation tax	**(9,573)**	(3,744)
Non-taxable income	**(1,853)**	(1,775)
Overseas tax	**344**	372
Movement in excess expenses	**1,113**	1,039
Current tax charge for the period	**344**	372

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 £3,038,000 (2012: £2,611,000) at 31 August 2013 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.

Notes on the Accounts – continued

6. Dividends	2013 £000	2012 £000
Dividends paid in the period:		
Dividend of 11.00p per share (2012 – 9.00p) paid 31 January 2013	**3,324**	2,719

We note below the proposed dividend in respect of the financial year, which is the basis upon which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

	2013 £000	2012 £000
Income available for distribution	**4,518**	4,348
Proposed dividend for the year ended 31 August 2013 – 11.50p (2012 – 11.00p) payable 31 January 2014	**(3,639)**	(3,324)
Retained income for section 1158 Corporation Tax Act 2010 purposes	**879**	1,024

7. Return per Ordinary Share	2013 Revenue p	2013 Capital p	2013 Total p	2012 Revenue p	2012 Capital p	2012 Total p
Net return per share	**14.56**	**125.31**	**139.87**	14.39	43.32	57.71

	2013	2012
Revenue return	**£4,518,000**	£4,348,000
Capital return	**£38,875,000**	£13,087,000
Weighted average ordinary shares in issue	**31,023,198**	30,213,650

There are no dilutive or potentially dilutive shares in issue.

Notes on the Accounts – continued

8. Equity Investments

	£000
Cost at 31 August 2012	158,663
Unrealised appreciation	40,286
Valuation at 31 August 2012	198,949
Purchases at cost*	89,409
Sales – proceeds*	(101,819)
Sales – realised gains on sales	36,244
Unrealised appreciation on investments in the year	4,816
Valuation at 31 August 2013	227,599
Cost at 31 August 2013	182,497
Closing unrealised appreciation	45,102

All investments are listed on recognised stock exchanges.

*These figures include the following charges.

Transaction Costs

During the year the Company incurred transaction costs of £239,000 (2012: £139,000) on the purchase of investments and £379,000 (2012: £154,000) on the sale of investments.

9. Debtors

	2013 £000	2012 £000
Sales awaiting settlement	**816**	2,391
Accrued income	**639**	585
Overseas tax recoverable	**170**	320
Sundry debtors	**3**	3
	1,628	3,299

10. Creditors (amounts falling due within one year)

	2013 £000	2012 £000
US$32,500,000 fixed rate loan	**20,957**	–
Purchases awaiting settlement	**755**	865
Performance fee	**1,725**	1,795
Interest due on loan	**23**	22
Other creditors	**631**	472
	24,091	3,154

Notes on the Accounts – continued

11. Creditors (amounts falling due after one year)

	2013 £000	2012 £000
US$32,500,000 fixed rate loan 2.191% 12/08/14	–	20,487

The main covenants relating to the loan are that total net assets shall not fall below £80 million and the ratio of adjusted total net assets to debt shall exceed 3.333 to 1. There were no breaches of loan covenants during the year.

12. Share Capital

The allotted capital is £7,910,912 (2012: £7,553,412) represented by 31,643,650 ordinary shares of 25p each (2012: 30,213,650). During the year the Company issued 1,430,000 ordinary shares (2012: nil) for gross proceeds of £11,994,000.

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.

Other than the loan covenants described in note 11 the Company does not have any externally imposed capital requirements. The capital of the Company is the ordinary share capital as detailed above. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 3.

13. Reserves

	Share Premium Account £000	Warrant Reserve Exercised £000	Capital Reserve £000	Revenue Reserve £000
Balance at 31 August 2012	21,337	1,319	162,590	8,804
Realised gain on investments	–	–	36,244	–
Currency loss	–	–	(460)	–
Unrealised appreciation on investments in the year	–	–	4,816	–
Performance fee	–	–	(1,725)	–
Issue of new Ordinary Shares	11,603	–	–	–
Income retained in the year	–	–	–	4,518
Dividend paid in year	–	–	–	(3,324)
Balance at 31 August 2013	**32,940**	**1,319**	**201,465**	**9,998**

The capital reserve includes investment holding gains amounting to £45,102,000 (2012: £40,286,000), as disclosed in note 8. The revenue reserve is distributable by way of dividend.

14. Net Asset Value per Ordinary Share

Net assets per share are based on total net assets of £253,633,000 (2012: £201,604,000) divided by 31,643,650 (2012: 30,213,650) ordinary shares of 25p each in issue.

Notes on the Accounts – continued

15. Cash Flow Statement

(a) Reconciliation of total income to net cash inflow from operating activities

	2013 £000	2012 £000
Income	**7,903**	7,073
Administrative expenses	**(2,581)**	(1,892)
Decrease/(increase) in debtors	**150**	(3)
(Increase)/decrease in dividends accounted for but not yet received	**(54)**	178
Increase in creditors	**159**	31
Net cash inflow from operating activities	**5,577**	5,387

(b) Analysis of changes in cash and net debt during the year

	At the Start of the year £000	Cash Flows £000	Non-cash Changes £000	At the End of the Year £000
Cash	22,997	25,500	–	48,497
Loan due between one and five years	(20,487)	–	20,487	–
Loan due within one year	–	–	(20,957)	(20,957)
	2,510	25,500	(470)	27,540

16. Risk Management, Financial Assets and Liabilities

The Company invests mainly in smaller Asian quoted companies. Other financial instruments comprise cash balances, short-term debtors, creditors and a fixed rate loan. The Investment Manager follows the investment process outlined on page 3 and in addition the Board conducts quarterly reviews with the Investment Management team. The Investment Manager's Risk and Compliance department monitors 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 share 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 detailed 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. These valuations are deemed to represent the fair value of the investments.

Notes on the Accounts – continued

Interest Rate Risk

As the Company does not invest in either fixed or floating rate securities at present, interest rate risk exposure is restricted to interest receivable on bank deposits or interest payable on bank overdraft positions which will be affected by fluctuations in interest rates.

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.

Movements in interest rates, to the extent that they affect the fair value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value (assuming that the Company's share price is unaffected by movements in interest rates). Throughout the year the Company held a US$32.5 million three year fixed rate bank loan.

Foreign Currency Risk

The majority of the Company's assets, liabilities and income are denominated in currencies other than sterling (the currency which the Company reports its results) as at 31 August 2013. The Balance Sheet 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 2013			31 August 2012		
	Overseas investments £000	Net monetary assets £000	Total currency exposure £000	Overseas investments £000	Net monetary assets £000	Total currency exposure £000
Hong Kong dollars	66,619	331	66,950	50,137	244	50,381
Taiwanese dollars	32,862	5,298	38,160	29,471	666	30,137
Singapore dollars	35,427	1,010	36,437	32,234	1,552	33,786
Indian rupees	27,248	–	27,248	2,947	–	2,947
Korean won	17,920	179	18,099	24,873	1,429	26,302
Thai baht	12,992	54	13,046	16,451	27	16,478
Malaysian ringgits	12,870	–	12,870	16,872	–	16,872
Indonesian rupiahs	8,518	10	8,528	6,751	–	6,751
US dollars	–	8,483	8,483	3,389	(4,943)	(1,554)
Sri Lankan rupees	6,097	–	6,097	3,773	–	3,773
Philippine pesos	4,744	–	4,744	8,534	–	8,534
Total foreign currency	**225,297**	**15,365**	**240,662**	**195,432**	**(1,025)**	**194,407**
Sterling	2,302	10,669	12,971	3,517	3,680	7,197
Total currency	**227,599**	**26,034**	**253,633**	**198,949**	**2,655**	**201,604**

Notes on the Accounts – continued

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 Balance Sheet date had been 10% higher or lower with all other variables remaining constant, the return attributable to ordinary shareholders for the year ending 31 August 2013 would have increased/(decreased) by £25,363,000 (2012 increased/(decreased) by £20,160,000) and equity reserves would have increased/(decreased) by the same amount.

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.

Cash exposures are carefully managed to ensure that money is placed on deposit with reputable counterparties meeting a minimum credit rating.

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 August 2013 was as follows:

	2013		2012	
Current assets	**Balance sheet £000**	**Maximum exposure £000**	**Balance sheet £000**	**Maximum exposure £000**
Receivables	**1,628**	**1,628**	3,299	3,299
Cash at bank	**48,497**	**48,497**	22,997	22,997
	50,125	**50,125**	26,296	26,296

17. Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on pages 29 and 30. No Director has a contract of service with the Company. During the year no Director was interested in any matter requiring disclosure under section 412 of the Companies Act 2006.

Report of the Independent Auditor

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

We have audited the accounts of The Scottish Oriental Smaller Companies Trust PLC for the year ended 31 August 2013 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31 August 2013 and of its 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.

Report of the Independent Auditor – continued

Opinion 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; and
- the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 22, in relation to going concern;
- the part of the Directors' Statement on Corporate Governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration.

Malcolm Beveridge BA CA (Senior Statutory Auditor)
For and on behalf of CHIENE + TAIT
Chartered Accountants & Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

30 October 2013

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 First State Investments, 23 St Andrew Square, Edinburgh EH2 1BB on 12 December 2013 at 12.15 pm for the purpose of transacting the following business:

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

1. To receive the reports of the Directors and Auditors and to adopt the Report and Accounts for the financial year ended 31 August 2013.
2. To approve the dividend of 11.50p per ordinary share of 25p each in the capital of the Company.
3. To re-elect James Ferguson, who retires from office annually, as a Director.
4. To re-elect Alexandra Mackesy, who retires from office annually, as a Director.
5. To re-elect Dr Janet Morgan, who retires from office annually, as a Director.
6. To re-appoint Chiene + Tait, Chartered Accountants and Statutory Auditor, as Auditor and to authorise the Directors to fix their remuneration.
7. To approve the Directors' Remuneration Report within the Report and Accounts for the financial year ended 31 August 2013.
8. 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 £791,000, 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 of the Company:

9. That, subject to the passing of resolution number 8 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 held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority given by resolution number 8 above 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 aftersuch 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

Notice of Annual General Meeting – continued

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £791,000 being approximately 10% of the nominal value of the issued share capital of the Company, (excluding treasury shares) as at 30 October 2013.

10. 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 4,743,000 ordinary shares representing 14.99% of the Company's issued share capital (excluding treasury shares);

(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 10, 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.

11. 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: 30 October 2013 By Order of the Board

Registered Office:
10 St. Colme Street
Edinburgh EH3 6AA

Steven K Davidson
Company Secretary

Notice of Annual General Meeting – continued

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 10 December 2013 ("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 10 December 2013. 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.eproxyappointment.com; (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. 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 & Ireland 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.

Notice of Annual General Meeting – continued

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 & Ireland 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 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 10 St. Colme Street, Edinburgh EH3 6AA before, during and after the meeting. They will also be available on the date of the meeting at 23 St Andrew Square, Edinburgh from 12 noon until the conclusion of the meeting.

(10) As at close of business on 30 October 2013, the Company's issued share capital comprised 31,643,650 ordinary shares of 25p each. 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 30 October 2013 is 31,643,650.

(11) Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure 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% 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 your full name and address and be sent to the Company at 10 St. Colme Street, Edinburgh EH3 6AA.

Notice of Annual General Meeting – continued

(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 only appoint more than one corporate representative 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.

The Association of Investment Companies

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

First State Investments