The Scottish Oriental
Smaller Companies Trust plc

2018

The **Scottish Oriental** Smaller Companies Trust plc

Annual
Report and Accounts 2018

Contents

Comparative Indices

Since 2003 the Directors have used the Morgan Stanley Capital International AC Asia ex Japan Index to measure the Company's performance, which covers the relevant markets with the exception of Bangladesh, Sri Lanka and Vietnam. This Index, 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 Company in March 1995.

For comparative purposes we are also displaying the Morgan Stanley Capital International AC Asia ex Japan Small Cap Index. This Index is currently made up of companies with a free float-adjusted market capitalisation of between US$28m and US$2,652m. The range does not exactly match that of the Company, which has no lower limit and which invests mainly in companies with a market capitalisation of under US$1,500m at the time of first investment. Nevertheless, it gives a useful indication of the performance of smaller companies in Asia over recent years.

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

Investment Objective

The investment objective of the Trust is to achieve long-term capital growth by investing mainly in smaller Asian quoted companies.

Financial Highlights

Total Return Performance *for the year ended 31 August 2018*

Net Asset Value[AB]	(2.4)%	MSCI AC Asia ex Japan Index (£)	2.2%
Share Price[A]	(3.3)%	MSCI AC Asia ex Japan Small Cap Index (£)	1.3%
Dividend Maintained at 11.5p per share		FTSE All-Share Index (£)	4.7%

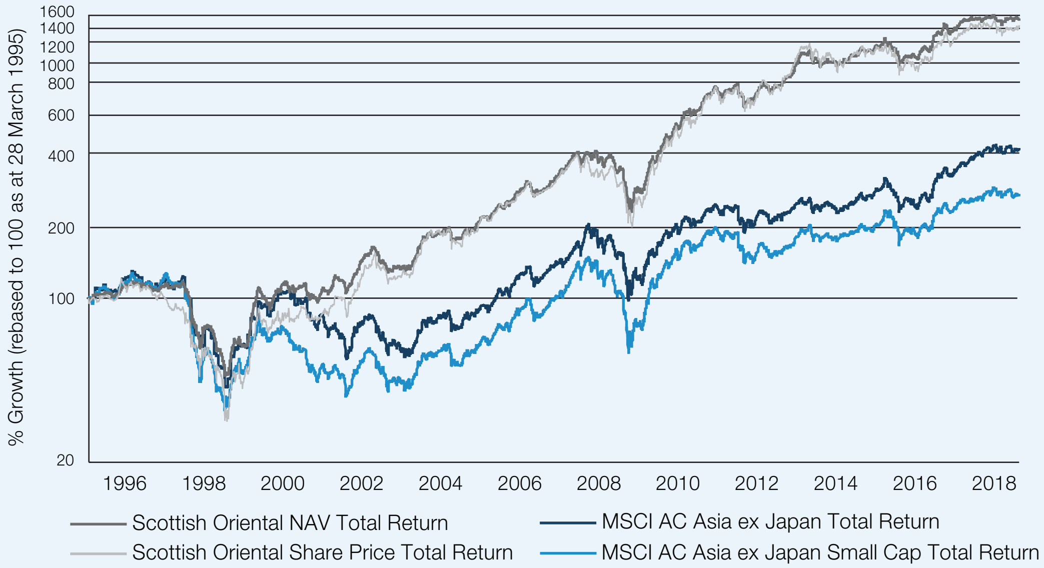
Summary Data *at 31 August 2018*

Shares in issue	29,873,784	Shareholders' Funds	£345.4m
Net Asset Value per share	1,156.20p	Market Capitalisation	£304.7m
Share Price	1,020.00p	Share Price Discount to Net Asset Value[AB]	11.8%
Ongoing Charges[AB]	1.01%	Ongoing Charges including Performance Fee[AB]	1.01%
Net Cash	6%	Active Share[B] (MSCI AC Asia ex Japan Index)	99.8%
		Active Share[B] (MSCI AC Asia ex Japan Small Cap Index)	96.2%

[A] Alternative Performance Measure
[B] A glossary of terms and definitions is on page 60.

Total Return Performance

Since 28 March 1995*



* The date of inception of the Company

Chairman's Statement

Scottish Oriental's Net Asset Value ("NAV") per share fell by 2.4 per cent. in total return terms over the 12 months to August while the 'comparative indices', the MSCI AC Asia ex Japan Index and the MSCI AC Asia ex Japan Small Cap Index, rose by 2.2 per cent. and 1.3 per cent. respectively. As usual, we would stress that the Company is not invested with regard to any particular benchmark and these indices are shown to provide some context. You will see from the Financial Highlights on the previous page that we have produced figures for the portfolio's active share against the two indices. These figures illustrate the extent to which our portfolio differs from each index; 100 per cent. would indicate that there is no overlap whatsoever. The share price decreased in total return terms by 3.3 per cent. A performance fee was not earned this year.

The income per share was 9.19p compared to 6.77p last year. We are proposing an unchanged dividend of 11.5p. As was the case last year, the shortfall will be taken from the revenue reserve, set out on page 53, reflecting our policy of using the reserve when necessary.

During the year, the Company bought back 1,086,379 ordinary shares into Treasury at a total cost of some £10.9 million. 1,539,879 shares were held in Treasury at the year end. The Board continues to have no formal discount control mechanism but will be prepared to buy back shares opportunistically and to issue new shares at a small premium to NAV.

The cash flow statement on page 46 shows that the turnover within the portfolio reduced from the comparatively high figure in the previous year. Turnover is likely to continue to fall.

You will see from our Portfolio Managers' Report that last year was disappointing with the exposure to domestic companies in Indonesia, Pakistan, the Philippines and Sri Lanka being the largest negative factor. These countries' currencies weakened over the year creating a difficult operating environment and negatively impacting returns when measured in sterling. However, the outlook for the current year is encouraging, with the portfolio offering better value and faster growth than at the same point last year. Opportunities to add to existing holdings are arising at reasonable valuations and we are optimistic this will allow us to deploy the 5.7 per cent. held in cash at the year end.

This year the Annual General Meeting ("AGM") will be held in London at the offices of First State Investments, Finsbury Circus House, 15 Finsbury Circus. There will be a brief presentation by our Investment Manager and I look forward to seeing shareholders there. In addition to the usual business of the AGM, this year there is a resolution to approve changes to the Company's Investment Policy. Since the launch of the Company, Asian economies and stock markets have grown significantly and the net assets of the Company have risen by more than one thousand per cent. The changes to the Investment Policy will give the Investment Manager flexibility to invest in companies with greater market capitalisations, reflecting the higher valuations now generally prevailing in Asian stock markets. Further details are provided in the Directors' Report on pages 24 and 25. The Board believes these changes are in the best interests of shareholders.

James Ferguson
Chairman
15 October 2018

Scottish Oriental's Investment Management Team

The Scottish Oriental Smaller Companies Trust plc ("Scottish Oriental", the "Company" or the "Trust") is managed by the First State Stewart Asia ("FSSA") team at First State Investment Management (UK) 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 the Asia Pacific category.

Vinay Agarwal
Lead Manager

Vinay Agarwal is a Portfolio Manager at FSSA. Vinay joined the FSSA team in July 2011, is based in Singapore, and is a Director of First State Stewart Asia. With more than 15 years of investment management experience, Vinay is the Lead Manager of the First State Indian Subcontinent Fund. He is also responsible for managing a number of Far East Leaders and Indian equity portfolios on behalf of key client segregated accounts. Vinay graduated in 2002 with a management degree with a major in Finance from the Indian Institute of Management Calcutta. He also holds a Bachelor of Commerce (Hons) degree with a major in Accountancy from Calcutta University.

Wee-Li Hee
Co-Manager

Wee-Li Hee is a Portfolio Manager at First State Stewart Asia. Wee-Li has more than 16 years of investment experience, with a focus on Asia Pacific equities. She joined the FSSA team in April 2002 and is based in Edinburgh. Wee-Li graduated from the University of Leeds in 2000 with a Bachelor of Science (Hons) in Accounting with Information Systems and gained a Masters Degree in Law and Accounting from the London School of Economics and Political Science in 2001. She is also a CFA charterholder.

Scott McNab
Deputy Manager

Scott is a Senior Investment Analyst at First State Stewart Asia. He joined the team in November 2001 and is responsible for providing research support to the portfolio managers. He has been closely involved with the management of the Company's portfolio since 2003. Scott holds a Bachelor of Science (Hons) in Computer Science from the University of Durham. He is also a Chartered Accountant and a CFA charterholder.

Members of the FSSA team own 328,309 shares in the Company.

Portfolio Managers' Report

The Market

During the year ending 31 August 2018, the performance of Asian equity markets was lacklustre. Stock markets started the period positively with US dollar weakness and little evidence of inflation resulting in accommodative monetary conditions in most of Asia. This, combined with reasonably strong global growth, saw strong share price performance from many of Asia's companies. However, midway through the period, there was a sell-off in Asian equities. This was caused by expectation of further interest rate increases by the Federal Reserve, which resulted in a strengthening of the US dollar, as well as hostile rhetoric from, and the introduction of trade tariffs by, President Trump.

The strengthening US dollar led to a corresponding weakening in Asian currencies. This currency weakness was focused on countries with current account deficits – India, Indonesia, Pakistan, the Philippines and Sri Lanka all saw their currencies weaken notably over the period. With the exception of India, all these markets performed poorly. Surprisingly, India's stock market performed well despite the weakening rupee, although the biggest driver of this performance was its information technology companies which benefit from such currency weakness. Other markets that performed well were Malaysia and Vietnam, both recovering from periods of underperformance; Taiwan, which was boosted by its materials sector; and Thailand, which saw strong performance by its energy sector.

Smaller companies modestly underperformed their larger counterparts over the year with this underperformance most pronounced amongst smaller companies in Hong Kong, India and the Philippines.

The Company's Performance

Scottish Oriental's investment performance over the year was disappointing. The biggest detractor from performance was the Trust's relatively large exposure to domestic companies in the Philippines where declining consumer confidence made revenue growth hard to come by and it was difficult for companies to pass on increased costs resulting from the weakening peso. Given the cheaper valuations resulting from the fall in share prices, we increased Scottish Oriental's exposure to the Philippines over the period, adding to existing portfolio holdings and initiating new positions in companies we believe have pricing power and strong long-term prospects. The Trust was also hurt by stock selection in Indonesia, Malaysia, Pakistan and Sri Lanka where domestically focused companies struggled.

The biggest positive contributor to Scottish Oriental's investment performance was stock selection in China where the Trust's holdings benefited from strong operating performance. However, Scottish Oriental has a relatively low exposure to China and this was not enough to counter the negatives. We further reduced the Trust's China weighting during the period as the strong share price performance of some of our Chinese holdings led to expensive valuations. The Trust also benefited modestly from stock selection in Hong Kong and its large weighting in India. India remains the country to which Scottish Oriental has the largest exposure, and this weighting increased during the year due to investment performance from Indian holdings, as well as additions to existing holdings and new purchases. The Trust's large Indian weighting is a direct result of us finding a large number of high quality companies in this market with strong and growing franchises run by exceptional management teams.

Portfolio Managers' Report – continued

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

Country/Region	Scottish Oriental 2018 %	Scottish Oriental 2017 %	MSCI* 2018 %	MSCI Small Cap† 2018 %	Stock Market Performance (Sterling) 2018 %
China	**8.7**	*9.5*	34.9	14.2	(0.5)
Hong Kong	**6.0**	*7.2*	11.2	7.7	1.9
Taiwan	**11.9**	*11.4*	13.8	21.3	5.7
Greater China	**26.6**	*28.1*	59.9	43.2	
Indonesia	**7.6**	*8.1*	2.2	2.5	(10.0)
Malaysia	**2.1**	*3.0*	2.8	3.7	9.0
Philippines	**9.3**	*7.5*	1.2	1.0	(5.3)
Singapore	**5.6**	*5.3*	3.9	6.3	2.4
Thailand	**2.6**	*2.4*	2.7	4.3	14.3
Vietnam	**1.9**	*1.1*	0.0	0.0	36.2
South East Asia	**29.1**	*27.4*	12.8	17.8	
Bangladesh	**1.7**	*1.4*	0.0	0.0	(2.1)
India	**29.0**	*25.5*	10.5	17.4	6.2
Pakistan	**1.7**	*1.0*	0.1	0.8	(17.1)
Sri Lanka	**4.3**	*4.9*	0.0	0.0	(11.2)
Indian Subcontinent	**36.7**	*32.8*	10.6	18.2	
South Korea	**1.9**	*3.3*	16.7	20.8	2.6
Net Current Assets	**5.7**	*8.4*	0.0	0.0	
Net Assets	***100.0***	*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

Principal Contributors to and Detractors from Performance

Top Five Contributors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance%
Mphasis	India	Information Technology	92	1.1
Towngas China	China	Utilities	38	1.0
Vitasoy International	Hong Kong	Consumer Staples	49	1.0
Uni-President China	China	Consumer Staples	17	0.8
Sinbon Electronics	Taiwan	Information Technology	19	0.5

Mphasis had a change in its controlling shareholder in 2016 when Blackstone Private Equity acquired majority ownership from Hewlett Packard. Blackstone are happy to invest in the business and it is thriving under the leadership of Nitin Rakesh whom they subsequently appointed as Chief Executive. The company has adapted better than most of its IT outsourcing peers to changes in technologies. The result has been industry-leading profit growth which has seen its valuation re-rated.

Portfolio Managers' Report – continued

Towngas China rose during the period as a result of the company achieving its best annual volume growth in five years. The company is benefiting from a recovery in industrial activity and conversion from coal to gas among its customers as environmental regulations become more stringent in China.

Vitasoy International performed strongly during the year on accelerating sales growth in mainland China which is now its dominant market. Having gained significant scale in mainland China, profitability should improve further as the company benefits from operating leverage on its investment in its brands.

Having made changes to its product portfolio, distribution and marketing strategies over the last few years, **Uni-President China** saw a return to revenue growth for both its noodle and beverage divisions. Higher margins led to a strong improvement in operating profits and the company's cash generation was also strong.

Sinbon Electronics continued to grow steadily during the period. Its business model bases pricing on a "cost plus" model which insulated the company from the margin pressure that many of its manufacturing peers faced during the year.

Top Five Detractors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance%
Concepcion Industrial	Philippines	Industrials	(32)	(1.0)
Astra Otoparts	Indonesia	Consumer Discretionary	(51)	(0.9)
Lafarge Malaysia	Malaysia	Materials	(43)	(0.6)
Blue Star	India	Industrials	(20)	(0.5)
Blue Dart Express	India	Industrials	(27)	(0.5)

Concepcion Industrial was negatively impacted by the depreciation of the peso and an increase in commodity prices which impacted its short-term margins. Declining consumer confidence also impacted market growth given that air conditioners and refrigerators are discretionary purchases. However, the company is the market leader in the Philippines and further increased its market share over the year. Having recently completed a significant restructuring, the company is in a strong position to grow, particularly given the Philippines' low penetration of air conditioners, estimated at just 13 per cent. Given the strength of its brands and products, Concepcion Industrial is able to pass on increases in its costs and has recently raised prices. We remain happy with the Trust's holding.

As the largest automobile parts supplier in Indonesia, **Astra Otoparts** has been challenged by weak vehicle sales volumes and increasing costs and this has been reflected in its earnings. However, the company has grown both revenues and profits in its after-market segment during this time period. The after-market segment is much higher margin than selling parts direct to manufacturers and is a more attractive business given the company has much stronger pricing power here. Astra Otoparts also has profitable joint ventures with a number of global auto manufacturers. We believe the company is well positioned for when demand returns.

Lafarge Malaysia has been hurt by rising costs combined with declining demand for cement in Malaysia. The competitive environment has also been difficult with one operator not following Lafarge Malaysia in increasing prices which saw the company's market share decrease. To add to this, following the recent general election, the new government announced it would review all major infrastructure projects. The resulting delays and potential cancellations will suppress cement volumes in Malaysia. The company trades at an attractive value when compared to its installed capacity. However, given how much patience may be required for this value to be reflected fully given the uncertainty prevailing in Malaysia, we sold the Trust's holding in the company subsequent to the period end.

Portfolio Managers' Report – continued

Blue Star's share price fell following a cool and wet summer in India which led to reduced demand for its air conditioners. However, the company continued to gain market share and the opportunity remains massive given low air conditioning penetration levels in India. We added to Scottish Oriental's holding following this share price weakness and remain very happy with the Trust's position in this company.

Blue Dart Express has faced increased competition in the express logistics market following an influx of venture capital funding into start-up businesses. These start-ups have also poached members of the company's management team. The company has been forced to cut prices and stay out of certain markets, which has hurt growth and profitability. We have concerns about a recent partnership Blue Dart Express entered into and are monitoring the position closely.

Portfolio activity

Portfolio turnover remained high during the year as a result of the sale of a relatively large number of companies, often with smaller than average position sizes. For many of these holdings the earnings outlook had weakened or we reappraised the strength of their businesses. The proceeds of these sales have been invested into both existing holdings and new investments in small companies that we believe offer greater potential to become large companies. The result of this activity is a more focused portfolio of 57 stocks where we have higher conviction and expect faster growth than the 67 stocks held last year.

Purchases

During the year we invested £116m, adding ten new companies to the portfolio.

Hatton National Bank is Sri Lanka's second-largest private bank. Since the new CEO, Jonathan Alles, joined in 2013, there has been a focus on improving internal efficiencies and driving financial performance. The bank's cost-to-income ratio has fallen significantly, and the CEO believes that costs can fall further. In addition, fee income is being targeted for improvement and we expect annual loan growth to be around 15 per cent. over the next three years.

Nien Made Enterprise (Taiwan) makes shutters, blinds and shades, predominantly selling into the US market via retail dealers. A family-owned business that is now in the hands of the third generation, the company has evolved over the years from simple bamboo blinds to higher margin custom-made products, where it is now gaining market share from incumbent Hunter Douglas. It continues to develop new products and has a simple strategy of making its products easy to sell, easy to order and easy to install.

Silergy (Taiwan) is the largest analogue integrated circuit (IC) designer in Asia, a market that has historically been dominated by incumbents in the West (such as Texas Instruments and Maxim). Although Silergy is still small – with only 1.2 per cent. market share in power management IC and 0.5 per cent. market share in analogue IC, we believe that its better-performing products, competitive pricing and strong sales support should help it gain market share.

Dr Lal Pathlabs is India's oldest chain of diagnostic laboratories, with a strong management team and brand. There are close to 100,000 diagnostic and testing laboratories in India, with an estimated US$7 billion total market size. As consumers pay for medical expenses from their own pocket (as opposed to under insurance coverage), both branding and pricing are important criteria. Consumers are increasingly shifting towards organised chains, such as Dr Lal, due to the perception of more accurate results and better services. Therefore, Dr Lal has been gaining share from small operators in this fragmented market, and is also benefiting as demand for diagnostic services as a whole is rising.

Portfolio Managers' Report – continued

SP Apparels is India's second-largest exporter of knitted garments for infants and children, a niche segment of the textile manufacturing market, which allows it to make healthy margins. The company has several longstanding major customers, all of which have been buying SP Apparels' children's wear for 15 to 20 years. The company's 2016 initial public offering has bolstered the balance sheet, which should allow SP Apparels to expand capacity and grow sales.

Commencing commercial production in 1984, **Pak Suzuki Motor Company** has grown to become Pakistan's largest car manufacturer by volume. Passenger car penetration in Pakistan is extremely low at 15 passenger vehicles per 1,000 population and, despite the huge potential for growth, the value ascribed to the entire Pakistani car manufacturing industry is very low for a country with a population of 200 million. Suzuki dominates the Indian market, showing that it has technology and cars that are attractive in the Indian subcontinent.

Cemex Holdings is the third-largest cement manufacturer in the Philippines. The company has been hit by a cyclical downturn after a period of high discounting led by imports, predominantly from Vietnam. However, volumes are growing steadily; infrastructure spending appears to be recovering; the cement market is undersupplied and in need of additional capacity to replace existing, ageing stock; and the import risk is being reduced due to Vietnamese export levies as well as Philippine import restrictions based on safety concerns. Subsequent to our purchase Cemex raised its selling prices. Given this improved outlook we expect to see an improvement in the company's profitability.

Century Pacific Food is a packaged foods business in the Philippines. Having started his career outside the family business, the founder's son, Christopher Po, joined as CEO in 2013. Since then, the company's product portfolio has evolved from being focused on canned tuna to higher value branded products such as coconut water, condiments and frozen meats. Christopher Po's emphasis on hiring high quality professional managers also shows a desire to build a franchise that outlasts the family.

Federal Bank is one of India's oldest private sector banks. Its business was historically concentrated in Kerala, where it remains a leader with 14 per cent. market share. Shyam Srinivasan (the ex-head of Standard Chartered's consumer banking business in India) was appointed CEO in 2010. He has attracted a high quality top management team from HDFC Bank, Standard Chartered and State Bank of India. The new management team has expanded the bank's branch network outside Kerala to diversify its deposit base. It has also exited high-risk lending segments, helping the bank to maintain a gross non-performing loan ratio that is considerably below the industry average. Federal Bank's nationwide market share is currently only 1 per cent. but it should be able to grow this at the expense of the inefficient state-owned banks.

Max's Group (Philippines) operates approximately 700 casual dining restaurants. Its brands include Max's (fried chicken), Yellow Cab (pizza), Pancake House and Krispy Kreme Doughnuts. It is majority-owned by the Trota-Fuentabella family, who have grown the business from its founding in 1945 as a single restaurant. After a period of overexpansion and a subsequent decline in profitability, the management team has been professionalised. Ariel Fermin, who spent several years with Jollibee Foods, was appointed Group COO. They have also hired professionals from Nestle, Kraft and KFC to head each of the company's brands. The new management team's target is to double the company's net profit margin. Future store expansion will be led by franchised, rather than company owned stores. This requires less capital expenditure, which should lead to higher free cash flows and lower debt.

Significant additions to existing positions

We added to Scottish Oriental's holdings in several companies following share price weakness which resulted in more attractive valuations. These companies included **Astra Otoparts**; **Concepcion Industrial**; **Delta Electronics**; **Minth**; Korean advanced image solution provider **Vieworks**; and

Portfolio Managers' Report – continued

Taiwanese networking equipment manufacturer **Wistron NeWeb**. We continued to build up positions for the Trust in **Jyothy Laboratories**; Indian auto component and forging business **Mahindra CIE Automotive**; Indian department store group **Shoppers Stop**; and Vietnamese conglomerate **REE Corp**. We added to Scottish Oriental's investments in Hong Kong quick service restaurant operator **Fairwood Holdings**; Indian holding company for the Godrej family **Godrej Industries**; **Gujarat Gas**; **Raffles Medical Group**; and Indonesian auto component manufacturer **Selamat Sempurna** on increased conviction in the investment cases for these companies.

Sales

During the year we disposed of 20 holdings.

Seven companies were sold following strong share price performance which resulted in these companies trading on expensive valuations. These were Thai Finance company **Aeon Thana Sinsap**; logistics provider **Container Corp of India**; Indian property developer **Godrej Properties**; Philippines' electronics manufacturer **Integrated Microelectronics**; Domino's Pizza franchise holder for India **Jubilant Foodworks**; India's **Kansai Nerolac Paints** and South Korean testing pin/socket manufacturer **Leeno Industrial**.

Six companies were sold from the portfolio as a result of revised earnings outlooks. These were Hong Kong finance companies **Aeon Credit Service** and **Public Financial Holdings**; Hong Kong-listed **Asia Satellite Telecommunications**; Malaysian construction conglomerate **IJM Corporation**; Taiwanese industrial control system distributor **Lumax International**; and Taiwanese producer of branded foods and nutritional supplements **Standard Foods**.

Finally, seven companies were sold following a reappraisal of the strength of their respective businesses. Sri Lankan bank **Commercial Bank of Ceylon** was sold as we concluded that the prospects for its competitor Hatton National Bank are better; Singapore-listed confectioner **Delfi** has been losing market share in its key geography of Indonesia as the retail market there modernises; South Korean Tour Operator **Hana Tour Service**'s business model is getting more confusing and it seems unlikely it will make a decent return on its investment in a duty-free franchise; India's **Indoco Remedies** was sold on concerns regarding quality control and poor execution of its expansion plans; Taiwanese point-of-sale-terminal manufacturer **Posiflex Technology** was sold after it made its second large acquisition in as many years, which we believed would be dilutive to returns; Taiwanese integrated circuit chip designer **Sitronix Technology** was sold once it became apparent how tough it was for the company to pass on cost increases to its customers; and textile producer **Texwinca Holdings** was sold when its results showed a weakening of its balance sheet, leading us to question the sustainability of its dividend.

Significant reductions from existing positions

We reduced Scottish Oriental's holdings in several companies following strong share price appreciation which saw their valuations rise. These companies included **Mitra Adiperkasa**, an Indonesian operator of franchises in food and beverage, department stores, sportswear and fashion apparel; **Mphasis**; **Towngas China**; and **Uni-President China**. We reduced the Trust's positions in Indian industrial gas company **Linde India**; Philippines water utility **Manila Water**; and traditional Chinese medicine company **Tong Ren Tang Technologies** following a reappraisal of the strength of their respective businesses.

Purchased and subsequently sold

Three companies were purchased during the year and subsequently sold – **Godrej Agrovet**, the agribusiness subsidiary of Godrej Industries; Chinese fashion brand operator **JNBY**; and **Sumber Alfaria Trijaya**, which operates the Alfamart chain of convenience stores in Indonesia. In all three cases, the share prices of these companies rose sharply after the initial purchase.

Portfolio Managers' Report – continued

Ten Largest Equity Holdings at 31 August 2018

Company	Country	Sector	% of Shareholders' Funds
SKF India	**India**	**Industrials**	**3.5%**

SKF India is the Indian subsidiary of the Sweden-based SKF Group, which is a global leader in bearings, seals, mechatronics and lubrication systems. The company is the largest bearing manufacturer in India, with a market share of more than 25 per cent. Its products are used in numerous segments, including the automotive industry, heavy industry, energy, industrial machinery, oil and gas, and food and beverage. SKF India's focus on quality and product innovation should see it continue to grow for the foreseeable future.

Sinbon Electronics	**Taiwan**	**Information Technology**	**3.3%**

Established originally as a distributor of cables and connectors, Sinbon has evolved to become primarily a cable and connector manufacturer. Focusing on the higher margin industrial segment as opposed to lower margin consumer electronics, the company's products have relatively high barriers to entry as Sinbon focuses on a "long-tail" of lower volume cables and connectors, often with a development period of one to two years. The company has a healthy culture: all staff share in the profits; management as well as the founder have significant stock ownership; and employees show strong loyalty as a result.

Vitasoy International	**Hong Kong**	**Consumer Staples**	**3.3%**

Vitasoy produces and distributes a wide range of non-alcoholic beverages to the Australasian, Hong Kong, Singaporean and mainland Chinese markets. The company's two main brands are VITASOY, a soybean-based soft drink, and VITA, a range of fruit juices, teas, milk, soft drinks and water. The company has performed strongly in mainland China which now generates more than half of the company's profits. Management is innovative yet conservative.

Haw Par	**Singapore**	**Consumer Staples**	**3.0%**

Haw Par is the holding company of the Wee family of Singapore. The bulk of its net asset value comes from its stake in United Overseas Bank, one of the top three banks in Singapore. The company also has a significant stake in property company United Overseas Land. Haw Par also operates a large healthcare business which generates exceptional returns on capital as a result of its high margins, testament to the strength of its core Tiger Balm brand.

Towngas China	**China**	**Utilities**	**2.9%**

Towngas China, a subsidiary of Hong Kong & China Gas, operates a gas distribution business in China focusing on both residential and commercial customers. The company also undertakes the construction of gas pipelines and other gas related services. It continues to grow via investment in its existing operations as well as through acquisitions. The company's scale and reputation for safety and quality service should allow it to benefit from the government's policy to increase the share of natural gas in China's energy mix.

Portfolio Managers' Report – continued

Company	Country	Sector	% of Shareholders' Funds
Jyothy Laboratories	**India**	**Consumer Staples**	**2.8%**

Founded in 1983 with only 5,000 rupees of capital, Jyothy Laboratories has grown to become a leading domestic fast moving consumer goods company. Having built a dominant market share in fabric care, it is now using the cash flows from this business to expand into the dishwashing, household insecticide and personal care segments. Management is also exploring the opportunities for partnerships with global companies which could have a significant impact on the long-term evolution of the company.

Blue Star	**India**	**Industrials**	**2.7%**

Blue Star was founded in 1943 in India as an agency for international air conditioning and refrigeration brands of global companies. It has since established its own portfolio of air conditioning and refrigeration products as well as being the exclusive distributor for several multinational brands in India. It has also entered into large air conditioning engineering, procurement and construction (EPC) projects which will grow with the industrialisation of the country. Family owned but professionally run, the company is set to benefit from both growing consumer demand and a developing Indian economy.

Delta Electronics	**Thailand**	**Industrials**	**2.6%**

Delta Electronics Thailand is a subsidiary of Delta Electronics of Taiwan. It is predominantly a manufacturer of power supplies and associated electronic equipment. It also produces automation equipment used in manufacturing and buildings operations as well as providing energy and telecommunications infrastructure. Management is professional and innovative, with a research and development driven culture. The company has a strong balance sheet.

Raffles Medical Group	**Singapore**	**Healthcare**	**2.6%**

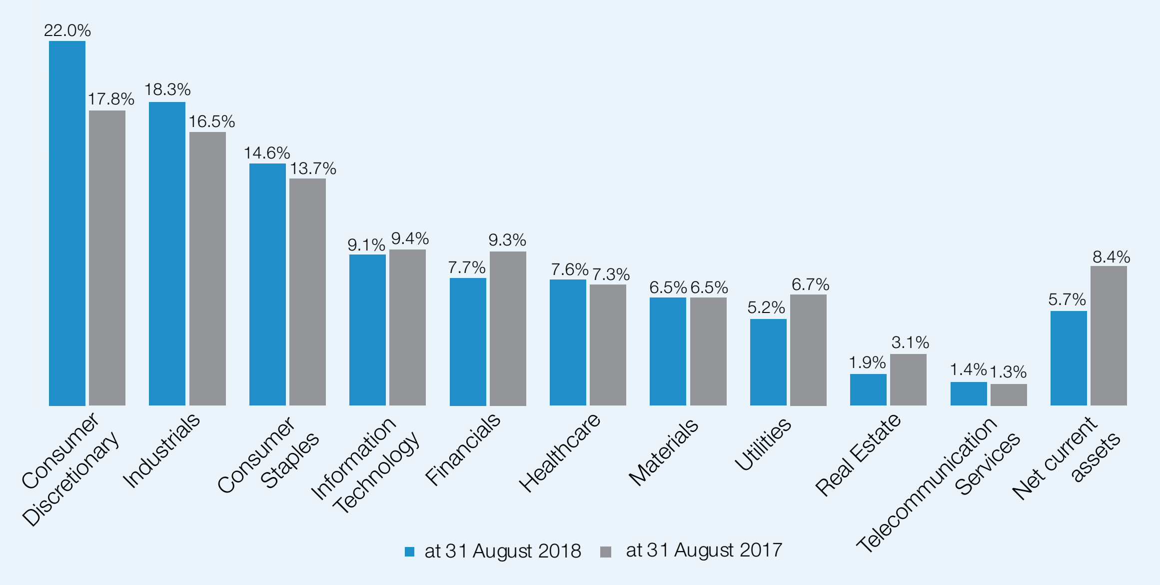
Raffles Medical Group is the largest private medical group practice in Singapore. Founded in 1976 by the Chairman, Dr Loo Choon Yong, with just two clinics, the Group currently operates a network of clinics and a tertiary care private hospital with key specialities such as oncology and orthopaedics. On a smaller scale, it also offers insurance services and runs a consumer healthcare division. Future earnings growth will come from an increase in the number of hospital beds as well as further expansion of the network of medical clinics in Singapore and its new Chongqing and Shanghai hospitals.

Concepcion Industrial	**Philippines**	**Industrials**	**2.5%**

Concepcion Industrial is the Philippines' leading manufacturer of air conditioners and refrigerators. The Concepcion family of RFM Corp controls the company and manages operations, dominating both the board and senior executive posts. Joint ventures with United Technologies, Electrolux and Midea provide leading technology and the company's extensive sales and servicing network both enables the company to retain existing and win new customers and acts as a significant barrier to entry for the competition.

Portfolio Managers' Report – continued

Sector Allocation (% of Shareholders' Funds)



Investment Process

In the two years since Vinay Agarwal took on lead manager responsibilities for Scottish Oriental, the portfolio has been reduced from 76 stocks to 57 stocks. There was a resulting increase in portfolio turnover during this period. As these changes have been completed, portfolio turnover has reduced and should continue to fall. At the margin, Scottish Oriental's portfolio is now more growth oriented, but the central tenet of our investment philosophy remains unchanged in that we think about risk as the risk of losing money as opposed to underperforming a benchmark.

We are conviction-based, bottom-up stock selectors with a strong emphasis on high quality proprietary research. 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 Scottish Oriental's portfolio. Country weightings bear no relationship to regional stock market indices and we do not consider ourselves obliged to hold investments in any individual market, sector or company. As a result, the Trust's asset allocation on a country and industry level is a residual of our stock selection process.

Although we read about corporate debt levels amongst Asia's corporates and occasionally do meet over-leveraged companies, such companies are not represented in Scottish Oriental's portfolio. Of the 57 stocks held by Scottish Oriental, five are conservatively funded banks/finance companies. Of the remaining 52 companies, 28 have net cash balance sheets. For the 24 companies that have net debt balance sheets, we are very careful to ensure that a company's debt burden is not overly onerous. One of the most indebted of Scottish Oriental's investments is **Gujarat Gas**, India's largest city gas distributor. Net debt to equity is 125 per cent. However, the company's prior year operating profits are more than three times its interest expense and its operating cash flow is four times. We expect profits and cash flows to grow substantially in the coming years. Having used debt to help roll out its impressive distribution network, the chief executive is now focused on utilising this network to generate free cash flow. The result is a company that can fund ongoing capital expenditure, interest payments and dividends whilst paying down debt. The vast bulk of the company's debt is via term loans with maturities from 2027 to 2029 with staged capital repayments. In this case, the ability to service and repay debt has been well considered and we are happy to back management as it seeks to grow its business further.

Portfolio Managers' Report – continued

As a rule, we avoid politically exposed stocks. Whilst it can be beneficial in the short term to be aligned with a country's leadership, in democratic systems, these leaders frequently change, turning a prior benefit into a current liability. In non-democratic systems there is unlikely to be any right of appeal should a leadership that a company thought it was aligned with have a change of mind. Therefore, we focus on finding apolitical management teams who focus on building a franchise on its own merits. It is simple to highlight examples of companies we would never buy for Scottish Oriental, with the best example being those run by chief executives who focus on knowing the right people to facilitate speedy licences. But there are deeper considerations also. We had a modest concern about **Concepcion Industrial** given that it is a Filipino company with two major technology partners, based in China and the US respectively. There appeared potential for geopolitical crossfire. However, we are comforted by the fact that these technology partners have formed joint ventures with each other elsewhere, showing operating pragmatism over partisan dogma. Further to this, management has a collaborative style with all its partners, sharing its business thinking to help build long-term relationships that should override politics. Singaporean medical company **Raffles Medical Group's** decision to make weighty investments into China is also worth highlighting. The company talked and thought about China for a long time before investing and refused to take any short cuts. It will own 100 per cent. of its Chongqing hospital and 70 per cent. of its Shanghai hospital. In Shanghai its 30 per cent. partner is a state-owned developer which has formed joint ventures with a number of reputable foreign companies. We would have been wary if this joint venture had been with a well-connected local businessman instead. Management of Raffles Medical Group will have operational control with its partner merely providing the real estate element to the hospital. This seems reasonable and, we believe, is likely to stand the test of time.

Outlook

In the last year, the outlook has become cloudier and most economic commentators are less positive. There are reasons to be negative. Corporate debt levels in Asia are high by historical standards and much of this debt has been taken on in US dollars by companies with no obvious form of US dollar earnings. With interest rates rising and the US dollar strengthening, this is an uncomfortable position to be in. Politics is messy, to say the least, with an increasing cadre of strongmen presidents competing globally to demonstrate the largest ego. The current result of this is the commencement of a trade war, which, from our perspective, does not appear to be in anybody's best interests. Turkey and Argentina have shown the dangers of poor fiscal management and this has focused recent attention on the vulnerability of Asian countries with current account deficits, namely Bangladesh, India, Indonesia, Pakistan, the Philippines and Sri Lanka. Counterintuitively, these concerns make us more positive as they are well understood and, therefore, we believe are more likely now to be priced into valuations.

There is potential for a trade war to lower growth and impact margins for Asia's exporters. If the worst comes to the worst, there will be few beneficiaries and much dislocation. The exporters Scottish Oriental owns, however, have relatively high margins, which should allow them to continue operating successfully, albeit at reduced levels of profitability. One of Scottish Oriental's investments that has been hit by the trade altercation between the US and China is automobile body part manufacturer **Minth**. At first glance, a Chinese company with significant sales to the US is vulnerable. However, Minth has manufacturing operations in China, the US, Mexico, Japan, Thailand and Germany, giving it plenty of flexibility. Its operating margins in recent years have been in the high teens, which is impressive. With approximately 20 per cent. of sales generated in its North American operations, a full-on trade war will be unpleasant but not fatal. And as Minth's Chairman recently pointed out to us, his biggest competition comes from German and Japanese companies which are more expensive so there is limited potential for damage – even from any further escalation.

Portfolio Managers' Report – continued

A number of Asian countries have belatedly raised interest rates in an attempt to defend their currencies, with a flurry of interest rate rises over the summer in India, Indonesia, Pakistan and the Philippines. It is probable that further rises will be necessary. This is likely to lead to a cooling of these economies. However, any temporary cooling does not change the long-term case for investing in well-run companies in these markets. **Indus Motors** and **Pak Suzuki Motor Company** in Pakistan have suffered this year both from a volatile political outlook and a sharp depreciation of the rupee. However, both have demonstrated their ability to pass on costs, growing their businesses severalfold in US dollar terms over the last two decades, albeit with bumps along the way from economic and political turbulence and a currency that lost 60 per cent. of its value. In addition, Pakistan's 2016 automotive development policy will give a fillip to the industry, with increased localisation; a reduction of second-hand imports; and increased demand as quality and pricing improves. This is not dissimilar to India twenty years ago when the incumbents were initially written off, given the expectation of increased competition, but actually thrived in the new environment. Both companies have net cash balance sheets and trade on highly attractive valuations.

The above examples show that whilst we don't know what the coming months may bring for Scottish Oriental's companies, we have every confidence they will be able to prosper over the coming years. The portfolio trades on a historic price earnings ratio of 19 times with expected earnings growth in the current year of 14 per cent. Whilst this is more expensive than for most of the Trust's history it offers better value and faster growth than at the same point last year. The recent market weakness has created opportunities for us to add to the Trust's positions in some of our favourite companies at more reasonable valuations than we have seen for some time. Despite the cloudy outlook we are cautiously optimistic.

Vinay Agarwal
Wee-Li Hee
Scott McNab
First State Investment Management (UK) Limited, Investment Manager
15 October 2018

List of Investments at 31 August 2018

	% of Shareholders' Funds
BANGLADESH (1.7%)	
Financials (1.7%)	
Delta Brac	1.7
CHINA (8.7%)	
Consumer Discretionary (2.4%)	
Minth	2.4
Consumer Staples (2.1%)	
Uni-President China	2.1
Healthcare (1.3%)	
Tong Ren Tang	1.3
Utilities (2.9%)	
Towngas China	2.9
HONG KONG (6.0%)	
Consumer Discretionary (2.0%)	
Fairwood Holdings	2.0
Consumer Staples (3.3%)	
Vitasoy International	3.3
Industrials (0.7%)	
Kwoon Chung Bus Holding	0.7

	% of Shareholders' Funds
INDIA (29.0%)	
Consumer Discretionary (5.4%)	
Mahindra CIE Automotive	2.5
Shoppers Stop	1.8
SP Apparels	0.5
Suprajit Engineering	0.6
Consumer Staples (2.8%)	
Jyothy Laboratories	2.8
Financials (1.1%)	
Federal Bank	1.1
Healthcare (2.7%)	
Dr Lal Pathlabs	0.7
Healthcare Global Enterprises	2.0
Industrials (7.2%)	
Blue Dart Express	1.0
Blue Star	2.7
SKF India	3.5
Information Technology (2.0%)	
Mphasis	2.0
Materials (4.1%)	
Godrej Industries	1.9
HeidelbergCement India	1.6
Linde India	0.6
Real Estate (1.9%)	
Mahindra Lifespace	1.9
Utilities (1.8%)	
Gujarat Gas	1.8

	% of Shareholders' Funds
INDONESIA (7.6%)	
Consumer Discretionary (5.0%)	
Astra Otoparts	1.5
Mitra Adiperkasa	1.4
Selamat Sempurna	2.1
Consumer Staples (1.2%)	
Hero Supermarket	1.2
Financials (1.4%)	
Bank OCBC NISP	1.4
MALAYSIA (2.1%)	
Consumer Discretionary (1.2%)	
APM Automotive	1.2
Materials (0.9%)	
Lafarge Malaysia	0.9
PAKISTAN (1.7%)	
Consumer Discretionary (1.7%)	
Indus Motor Company	0.9
Pak Suzuki Motor Company	0.8

List of Investments at 31 August 2018 – continued

	% of Shareholders' Funds
PHILIPPINES (9.3%)	
Consumer Discretionary (1.0%)	
Max's Group	1.0
Consumer Staples (1.3%)	
Century Pacific Food	1.3
Financials (2.5%)	
China Banking	2.5
Industrials (2.5%)	
Concepcion Industrial	2.5
Materials (1.5%)	
Cemex Holdings	1.5
Utilities (0.5%)	
Manila Water Company	0.5
SINGAPORE (5.6%)	
Consumer Staples (3.0%)	
Haw Par	3.0
Healthcare (2.6%)	
Raffles Medical Group	2.6
SOUTH KOREA (1.9%)	
Consumer Staples (0.9%)	
Amorepacific Group	0.9
Healthcare (1.0%)	
Vieworks	1.0

	% of Shareholders' Funds
SRI LANKA (4.3%)	
Financials (1.0%)	
Hatton National Bank	1.0
Industrials (1.9%)	
Hemas Holdings	0.7
John Keells Holdings	1.2
Telecommunication Services (1.4%)	
Dialog Axiata	1.4
TAIWAN (11.9%)	
Consumer Discretionary (3.3%)	
Nien Made Enterprise	1.4
Taiwan Familymart	1.9
Industrials (2.2%)	
Voltronic Power	2.2
Information Technology (6.4%)	
Silergy	1.4
Sinbon Electronics	3.3
Wistron NeWeb	1.7

	% of Shareholders' Funds
THAILAND (2.6%)	
Industrials (2.6%)	
Delta Electronics	2.6
VIETNAM (1.9%)	
Industrials (1.2%)	
REE Corp	1.2
Information Technology (0.7%)	
FPT	0.7

Ten Year Record

Capital

Year ended 31 August	Market Capitalisation £m	Shareholders' Funds £m	NAV p	Share Price p	Discount to NAV %
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
2014	268.65	283.82	896.93	849.00	5.3
2015	227.39	257.18	816.57	722.00	11.6
2016	280.65	324.82	1,047.12	904.75	13.6
2017	330.19	369.26	1,192.68	1,066.50	10.6
2018	304.71	345.40	1,156.20	1,020.00	11.8

Revenue

Year ended 31 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*
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
2014	6,339	3,035	9.59	11.50	1.03	1.36	93	107
2015	8,716	4,929	15.58	11.50	1.01	1.05	95	108
2016	6,740	2,966	9.50	11.50	1.04	1.04	92	106
2017	6,431	2,097	6.77	11.50	0.99	0.99	91	100
2018	7,004	2,825	9.19	11.50	1.01	1.01	94	100

* A glossary of terms and definitions is provided on page 60

Cumulative Performance (taking year ended 31 August 2008 as 100)

Year ended 31 August	NAV	Share Price	MSCI AC Asia ex Japan Index	FTSE All-Share Index	Earnings per share	Dividend per share
2008	100	100	100	100	100	100
2009	120	125	106	88	115	120
2010	178	185	128	94	159	170
2011	198	229	130	98	172	180
2012	213	230	126	104	217	220
2013	256	280	135	119	219	230
2014	287	324	149	127	144	230
2015	261	276	132	120	235	230
2016	335	345	171	129	143	230
2017	381	407	212	142	102	230
2018	370	389	211	143	138	230

Directors

James Ferguson (Chairman) 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. He retired as Chairman of Stewart Ivory in 2000. He is a former deputy Chairman of the Association of Investment Companies.

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

Alexandra Mackesy 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 Murray International Trust plc, JPMorgan Chinese Investment Trust plc and The Henderson Smaller Companies Investment Trust plc.

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

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

Strategic Report

The purpose of this report is to provide shareholders with details of the Company's strategy, objectives and business model as well as the principal risks and challenges the Company has faced during the year under review. It should be read in conjunction with the Chairman's Statement on page 2 and the Portfolio Managers' Report on pages 4 to 14, which provide a review of the Company's investment activity and a look to the future.

The Board is responsible for the stewardship of the Company, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management. Biographies of the Directors can be found on page 18.

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

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

Business and Status

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

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

Business Model and Strategy for Achieving Objectives

- We aim to maximise the rate of return with due regard to risk. Risk is principally contained by focusing on soundly managed and financially strong companies, and by ensuring that the portfolio is reasonably well diversified geographically and by sector at all times. Quantitative analysis demonstrating the diversification of the Company's portfolio of investments is contained in the country allocation and sector allocation analysis within the Portfolio Managers' Report.
- While cultural, political, economic and sectoral influences play an important part in the decision-making process, the availability of attractively-priced, good quality companies with solid long-term growth prospects is the major determinant of investment policy.
- Our country weightings are not determined by reference to regional stock market indices. We do not consider ourselves obliged to hold investments in any individual market, sector or company.
- Existing holdings are carefully scrutinised to ensure that our corporate performance expectations are likely to be met, and that market valuations are not excessive. Where otherwise, disposals are made.
- Strong emphasis is placed on frequent visits to countries of the Investment Region and on meeting the management of those companies in which the Company is invested, or might invest.

Strategic Report – continued

Investment Objective

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

Investment Policy

- The Company invests mainly in the shares of smaller Asian quoted companies, that is, companies with market capitalisations of below US$1,500m, or the equivalent thereof, at the time of first investment.
- The Company 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 Company's net assets at the time of investment will be invested in such companies.
- To enable the Company to participate in new issues, it may invest in companies which are not quoted on any stock exchange, but only where the Investment Manager expects that the relevant securities will shortly become quoted.
- For investment purposes, the Investment Region includes 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 Company will consider the use of long-term borrowings up to a limit of 50 per cent. of the net assets of the Company at the time of borrowing.
- The Company invests no more than 15 per cent. of its total assets in other listed investment companies (including listed investment trusts).
- The Company invests no more than 15 per cent. of its total assets in the securities of any one company or group of companies at the time of investment.
- The Company reserves the right to invest in equity-related securities (such as convertible bonds and warrants) of companies meeting its investment criteria. In the event that the Investment Manager anticipates adverse equity market conditions, the Company may invest in debt instruments in any country or currency.
- The majority of the Company's assets are denominated in Asian currencies or US dollars. The Company reserves the right to undertake foreign exchange hedging of its portfolio.

As noted in the Chairman's Statement, the Board is proposing amendments to the Investment Policy to provide the Investment Manager with flexibility to invest in companies with greater market capitalisations. Further details are set out on pages 24 and 25 of the Directors' Report.

A portfolio review by the Investment Manager is given on pages 4 to 14 and the investments held at the year end are listed on pages 15 and 16.

Investment Manager

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

Strategic Report – continued

A summary of the terms of the Investment Management Agreement is contained in note 2 of the Accounts on page 51.

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

Principal Risks and Uncertainties

The Board believes that the principal risks facing the Company relate to the Company's investment activities and include market risk, interest rate risk, foreign currency risk, other price risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 56 to 59.

Other risks faced by the Company include breach of regulatory rules which could lead to suspension of the Company's London Stock Exchange listing, financial penalties, or a modified audit report. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company losing its aproval as an investment trust and being subject to tax on capital gains.

In the mitigation and management of these risks, the Board regularly monitors the investment environment and the management of the Company's investment portfolio, and applies the principles detailed in the guidance provided by the Financial Reporting Council. Compliance with regulatory rules is monitored on a daily basis by the Company Secretary who reports to the Board at each Board Meeting. The Company's internal controls are described in more detail on page 28.

Social, Community and Human Rights Issues

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 Board and Outlook

The Company has five Directors. Two are women and three are men. The Company has no employees.

The Chairman provides an outlook for the Company in his Statement on page 2.

On behalf of the Board

PATAC Limited
Company Secretary
15 October 2018

Directors' Report

The Directors have pleasure in submitting their Annual Report and Accounts for the year to 31 August 2018.

Results and Dividend

The table below shows the revenue position and dividend payable by the Company, subject to shareholders' approval of the final dividend of 11.50p per share proposed to be paid on 18 January 2019. The basis of accounting is to reflect the dividend in the year in which the Company pays it.

	£000
Revenue reserve as at 31 August 2017 (per Statement of Financial Position)	8,575
Dividend paid for year ended 31 August 2017	(3,559)
Net revenue earned in the year ended 31 August 2018	2,825
Revenue reserve as at 31 August 2018 (per Statement of Financial Position)	7,841
Dividend proposed for year ended 31 August 2018	(3,435)
Revenue reserve as at 31 August 2018	4,406

Share Capital and Share Buy Backs

The Company's capital structure consisted of 31,413,663 ordinary shares of 25p each at 31 August 2018.

The Company's buy back authority was last renewed at the Annual General Meeting on 7 December 2017 in respect of 4,639,129 ordinary shares of 25p each.

During the year the Company bought back 1,086,379 ordinary shares at a total cost of £10,946,000. The Company held 1,539,879 ordinary shares in Treasury at 31 August 2018.

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

Substantial Shareholders

At 15 October 2018 the Company was aware of the following significant shareholdings representing (directly or indirectly) 3 per cent. or more of the voting rights attaching to the issued share capital of the Company:

	Number of shares held	Percentage held
Clients of BMO Global Asset Management	2,495,579	8.4%
Clients of Brewin Dolphin Securities	2,375,072	8.0%
Clients of Alliance Trust Savings	2,275,872	7.6%
Clients of Hargreaves Lansdown	1,963,669	6.6%
Clients of Investec Wealth & Investment	1,537,181	5.2%
Clients of City of London Investment Management	1,060,475	3.6%
Clients of Rathbones	1,022,546	3.4%

There have been no changes notified in respect of the above holdings, and no new holdings notified, since the end of the year.

Directors' Report – continued

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 there are no material uncertainties and that the Company has adequate resources to continue operating for at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

Viability Statement

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

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

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

The Directors have also carried out a robust assessment of the principal risks that are facing the Company over the period of the review, including those that would threaten its business model, future performance, solvency or liquidity, as noted in the Strategic Report on page 21 and discussed in note 14 to the Accounts.

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

Financial Instruments

Information on the Company's financial instruments can be found in the Notes to the Accounts on pages 51 to 59.

Principal Risks and Risk Management

Information on the principal risks to shareholders and management of these risks can be found in the Strategic Report on pages 19 to 21 and in note 14 to the Accounts on pages 56 to 59.

Directors' Indemnity

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

Directors' Report – continued

Greenhouse Gas Emissions

All the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for any other emission producing sources.

Criminal Finances Act 2017

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

Disclosure of Information to the Auditor

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

Annual General Meeting

The notice convening the Annual General Meeting to be held on 18 December 2018 (the "AGM") is given on pages 61 to 64. The resolutions to be proposed include a resolution to approve the Directors' Remuneration Report which is set out on pages 29 to 31.

Resolution 7 to be proposed at the Annual General Meeting as an ordinary resolution will, if approved, amend the Company's investment policy to provide the Investment Manager with the flexibility to invest in companies with greater market capitalisations.

The Company's current investment objective is to achieve long-term capital growth by investing in mainly smaller Asian quoted companies. There is no intention to change this investment objective. However, in order to facilitate its achievement, permission is being sought to widen the definition of what constitutes a smaller company for the purposes of the Company's investment policy. The full text of the Company's current objective and investment policy is set out on page 20.

From the launch of the Company in March 1995 until the end of August 2018, the net assets of the Company have risen by more than one thousand per cent. to £345.4 million. At launch, the maximum market capitalisation of any individual holding at time of purchase was set at US$500 million with allowance for up to 20 per cent. of the Company's net assets to be held in stocks with a market capitalisation of between US$500 million and US$1,000 million. In 2001, the market capitalisation for any individual holding was increased to US$750 million. In 2006, these limits were raised to US$1,000 million for each individual holding with allowance to hold up to 20 per cent. of the Company's net assets in stocks with a market capitalisation of between US$1,000 million and US$2,000 million. In 2013, these limits were raised to the current levels of US$1,500 million for each individual holding with allowance to hold up to 20 per cent. of the Company's net assets in stocks with a market capitalisation of between US$1,500 million and US$3,000 million.

Since the investment policy was last amended in September 2013, the weighted average market capitalisations of the constituents of the MSCI Asia ex-Japan Index and the MSCI Asia ex Japan Smaller Companies Index have increased by 146 per cent. and 32 per cent. respectively.

Given both the higher valuations now generally prevailing in Asian stock markets and the increased size of the Company, the Board believes that its investment policy should be amended to allow the Investment Manager to invest in stocks with a larger market capitalisation than they are currently permitted.

Directors' Report – continued

In this regard, it is noted that the Investment Manager is not close to using the current allowance of investing up to 20 per cent. of the Company's portfolio in stocks with a market capitalisation of between US$1,500 million and US$3,000 million at the time of first investment. However, if Asian stock markets continue to advance over the longer term and the Company's size grows alongside them, the Board believes it would be in shareholders' interests for the Investment Manager to have the flexibility to invest this 20 per cent. allowance into stocks with a market capitalisation of up to US$5,000 million rather than the US$3,000 million limit now prevailing. It is the Board and the Investment Manager's expectation that a majority of holdings on purchase will have a market capitalisation of under US$3,000 million.

To allow an easy comparison to be made between the current and proposed investment policies, the full terms of each are set out on page 66 (with the changes to the existing investment policy highlighted in bold and underlined).

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 new ordinary shares and empower them to allot some or all of the same for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The authority being sought under Resolution 8 is in respect of £746,844 in nominal value of relevant securities, representing approximately 10 per cent of the issued ordinary share capital at 15 October 2018. The power to disapply pre-emption rights being sought under Resolution 9 is also in respect of £746,844 of equity securities representing approximately 10 per cent of the ordinary shares of the Company (excluding Treasury Shares) in issue on 15 October 2018. The authority under Resolutions 8 and 9, if granted, will expire at the earlier of the next Annual General Meeting or 15 months from the passing of the resolutions. The Directors, who have no present intention of exercising their authority to allot any of the same, will allot relevant securities under this authority only to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

Resolution 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 4,478,080 ordinary shares, representing 14.99 per cent. of the Company's issued share capital at 15 October 2018) and the maximum (105 per cent of the 5 day average middle market price) and minimum (the nominal value) prices at which shares may be bought. The authority, which may be used to buy back shares either for cancellation or to be held in Treasury, will be used to purchase shares only if, in the opinion of the Directors, a purchase would be in the best interests of the shareholder as a whole. The Directors will exercise the authority granted pursuant to this resolution only through the market for cash at prices below the prevailing net asset value of the ordinary shares (as last calculated) in circumstances where such purchases will enhance 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.

Notice Period for General Meetings

Resolution 11 is being proposed to enable general meetings to be held on 14 clear days' notice.

Directors' Report – continued

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

Recommendation

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

Relations with Shareholders

The Board 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 Secretary's office as detailed on page 67 of this report. 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

PATAC Limited
Company Secretary
15 October 2018

Report of the Audit Committee

The Audit Committee is chaired by Alexandra Mackesy and comprises Andrew Baird and Jeremy Whitley.

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

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and to review significant financial reporting judgements contained in them;
- to consider the appointment of the external auditor, the audit fee, and any questions of the external auditor's resignation or dismissal;
- to review the half-year and annual financial statements before submission to the Board;
- to monitor and review the effectiveness of the Company's statements on corporate governance and internal control systems (including financial, operational and compliance controls and risk management) prior to endorsement by the Board; and
- to review and monitor the external auditor's independence and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. The Audit Committee also reviews the objectivity of the auditor and the terms under which they are appointed to perform non-audit services. Ernst & Young LLP ("EY") provided no non-audit services for the year ended 31 August 2018.

At the request of the Board, the Audit Committee considered whether the 2018 Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Audit Committee has reviewed the Annual Report and Accounts and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion the Audit Committee has assumed that the reader of the Annual Report and Accounts has a reasonable level of knowledge of the investment industry.

Auditor

EY was appointed as auditor to the Company on 24 April 2014 following a robust tender process involving other audit firms. The Audit Engagement Partner rotates every five years in accordance with the Auditing Practices Board requirements. 2018 is the fifth year for the current partner, Susan Dawe, and a new partner will rotate onto the audit for the year ended 31 August 2019.

The Audit Committee assessed the effectiveness of the audit, the quality of the team and comments received from them through review of interaction with the auditor and reports received from them. The Audit Committee is satisfied with the effectiveness of the work provided by EY who are objective and independent.

The Audit Committee has noted the amendments to the UK Corporate Governance Code and, in particular, the recommendation to put the external audit out to tender at least every ten years. In accordance with the Financial Reporting Council ("FRC") guidance the Audit Committee will consider undertaking a tender process in six years' time.

A resolution to re-appoint EY, Chartered Accountants and Statutory Auditor, as auditor of the Company will be proposed at the Annual General Meeting.

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

Report of the Audit Committee – continued

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.

These controls include:

- reports at regular Board meetings of all security and revenue transactions effected on the Company's behalf. These transactions can be entered into only following appropriate authorisation procedures determined by the Board, the Investment Manager and the Company Secretary;
- custody of the Company's assets has been delegated to 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; and
- 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 provide only reasonable and not absolute assurance against material misstatement or loss.

Significant Accounting Matters

The significant issues considered by the Audit Committee during the year in relation to the financial statements of the Company were the valuation of investments, the existence/ownership of the investment portfolio, calculation of the management and performance fee and recognition of investment income. The Board addresses these risks by having the following processes in place. The Company's accounting policy for valuing investments is set out on page 48 and the prices of all investments are agreed to an independent source by the Company Secretary. The assets held within the investment portfolio are also agreed regularly to the custodian's records by the Company Secretary. Any performance fee that is payable is calculated by the Company Secretary and is reviewed by the Investment Manager. The recognition of investment income is undertaken in accordance with Accounting Policy (b) on page 48 and all investment dividends are reconciled to the projected dividend schedule each quarter by the Company Secretary, who will investigate any unexpected differences.

Alexandra Mackesy
Director
15 October 2018

Directors' Remuneration Report

Statement by the Chairman

This report has been prepared in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting. The remuneration policy, which was approved by shareholders at the Company's AGM in December 2017 (resolution received 99.82 per cent of votes for, 0.12 per cent of votes against, and 0.06 per cent of votes were withheld), will again be put to shareholders at the AGM in December 2020.

Remuneration Committee

The Company has five non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee which is chaired by James Ferguson. Appointments are periodically reviewed. The Remuneration Committee's terms of reference are available on the Company's website and clearly define the Remuneration Committee's responsibilities.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts that are similar in size and have similar objectives and structures. Furthermore the level of remuneration should be sufficient to attract and retain the high calibre of Directors needed to oversee the Company properly and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue until it is put to Shareholders at the AGM in 2020, unless a revised policy is approved by shareholders prior to that AGM.

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

Directors' Service Contracts

The Directors do not have contracts of service with the Company. All of the Directors have 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.

Annual Report on Remuneration

The Board carried out a review of the level of Directors' fees during the year. It was resolved to maintain the level of the Chairman's fee at £29,400 per annum and Directors' fees at £21,000 each per annum. It was also resolved that the Audit Committee Chair would receive an increase in fee to £23,520 per annum, effective from 30 October 2017. In setting these rates, the Board considers the factors set out in the Policy on Directors' Remuneration above. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

Directors' Remuneration Report – continued

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 36 to 43.

Directors' interests (audited)

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

	31 August 2018 ordinary 25p shares	31 August 2017 ordinary 25p shares
James Ferguson*	134,860	284,860
Andrew Baird	–	–
Alexandra Mackesy	10,000	10,000
Anne West	22,000	2,000
Jeremy Whitley	60,500	19,500

* The reduction in James Ferguson's holding was not a sale but relates to the vesting of shares from family trusts of which Mr Ferguson is a trustee.

There were no changes to the above holdings between 31 August 2018 and 15 October 2018. The Company has no service contracts with its Directors and has not entered into any other contract in which a Director has an interest.

Directors' Emoluments for the Year (audited)

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

	Fees 2018 (£)	Fees 2017 (£)
James Ferguson (Chairman)	29,400	28,238
Andrew Baird	21,000	3,677
Alexandra Mackesy (Audit Committee Chair)	23,100	20,170
Dr Janet Morgan (retired 7 December 2017)	7,000	20,170
Anne West	21,000	20,170
Jeremy Whitley	21,000	9,922
	122,500	102,347

Statement of Voting at Annual General Meeting

Voting on the resolutions to approve the Directors' Remuneration Report at the Company's AGM on 7 December 2017 was as follows:

Resolution	Votes For	Votes Against	Votes Withheld
Approve Directors' Remuneration Report	10,531,608	12,355	1,547

Directors’ Remuneration Report – continued

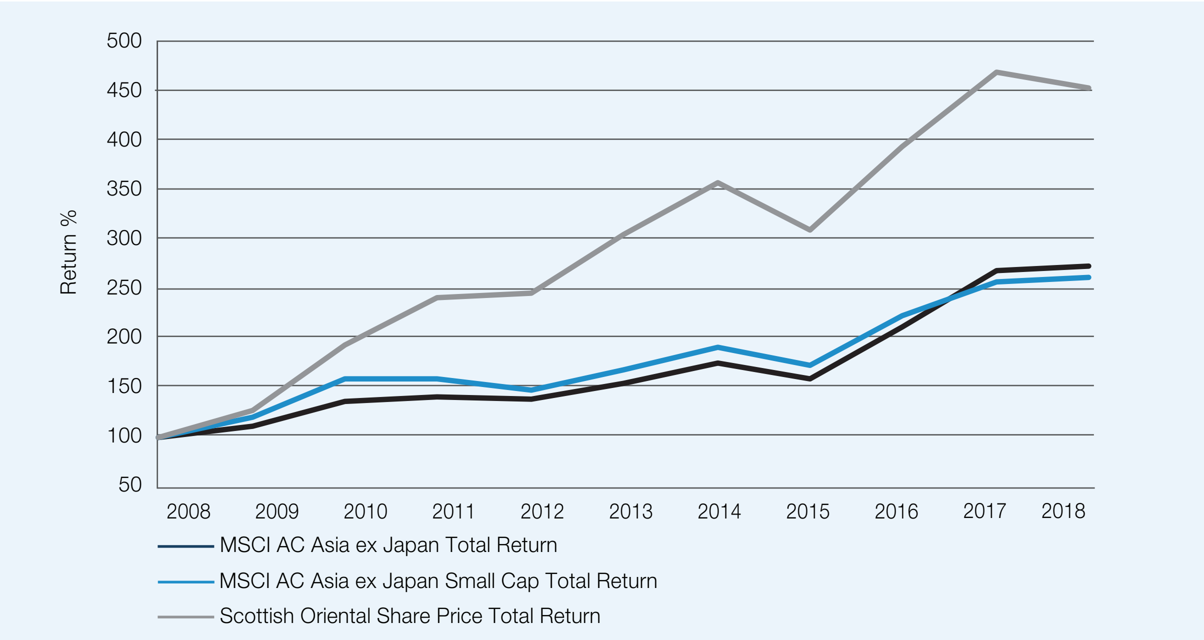
Relative Importance of Spend on Pay

As the Company has no employees it is not possible to present a table comparing remuneration paid to employees with distributions to shareholders.

Company Performance

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

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



The Directors’ Remuneration report on pages 29 to 31 was approved by the Board of Directors on 15 October 2018 and signed on its behalf by

James Ferguson
Chairman
15 October 2018

Corporate Governance

Directors' Statement on Corporate Governance

Arrangements appropriate to an investment trust in respect of corporate governance have been made by the Board. The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance 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 FRC, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts. The AIC Code can be obtained from the AIC's website at www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code 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.

Compliance

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 is an entirely non-executive Board and 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 Nominations Committee, appointments which are reviewed periodically. 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 interest. Anne West is a director of ScotGems plc which is also managed by First State Investment Management (UK) Limited. As a result, for the purposes of the AIC Code, Anne West is deemed to be non-independent following this appointment in June 2017.

Conflicts of Interest

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

Meetings

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

Corporate Governance – continued

Number of Meetings	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
James Ferguson	4/4	2/2	2/2	1/1
Andrew Baird	4/4	2/2	2/2	1/1
Alexandra Mackesy	4/4	2/2	1/2	1/1
Dr Janet Morgan (retired 7 December 2017)	2/2	1/1	–	–
Anne West	4/4	2/2	2/2	1/1
Jeremy Whitley	4/4	2/2	2/2	1/1

Independence of Directors

The Board considers its non-executive Directors (save for Anne West) 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. As noted on page 32, Anne West is on the board of another company managed by the Investment Manager and is therefore not considered to be independent for the purposes of the AIC Code. The Board deems the Chairman to be independent having taken into consideration his previous directorship with the Investment Manager until 2000. James Ferguson and Alexandra Mackesy 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 Company 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, Alexandra Mackesy. 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.

Terms of Appointment and Re-election of Directors

James Ferguson and Alexandra Mackesy, having served on the Board for more than nine years, offer themselves for annual re-election at the AGM. The Board confirms that each of these Directors makes a significant contribution to Board deliberations. The Board therefore believes that it is in the interests of shareholders that Mr Ferguson and Mrs Mackesy 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 18 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. New Directors 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.

Corporate Governance – continued

The Board is of the view that longer term appointments are necessary to ensure long-term stability of the management of the Company, given that the Company has no employees.

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

Nominations Committee

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

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

The Nominations Committee meets at least annually.

On behalf of the Board

PATAC Limited
Company Secretary
15 October 2018

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

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

By order of the Board

James Ferguson
Chairman
15 October 2018

Report of the Independent Auditor

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

Opinion

We have audited the financial statements of The Scottish Oriental Smaller Companies Trust plc (the 'Company') for the year ended 31 August 2018 which comprise the Income Statement, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 August 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Report of the Independent Auditor – continued

Conclusions relating to principal risks, going concern and viability statement

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

the disclosures in the annual report set out on page 21 that describe the principal risks and explain how they are being managed or mitigated;

the Directors' confirmation set out on page 23 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

the Directors' statement set out on page 23 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

the Directors' explanation set out on page 23 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	Incomplete or inaccurate revenue recognition, including classification as revenue or capital in the income statement; Incorrect valuation and defective title of the investment portfolio; and Incorrect calculation of the performance fee
Materiality	Overall materiality of £3.45m which represents 1% of shareholders' funds

Report of the Independent Auditor – continued

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification as revenue or capital in the income statement (as described on page 28 in the Report of the Audit Committee and as per the accounting policy set out on page 48). The investment revenue receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The income received for the year to 31 August 2018 was £6.98m (2017: £6.38m), being dividend receipts from listed investments. The Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. During the year, the Company received two special dividends in excess of our testing threshold, with a cumulative value of £0.15m.	**We have performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends by performing a walkthrough in which we evaluated the design and implementation of controls. We agreed a sample of dividend receipts to the corresponding announcement made by the investee company, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 31 August 2018. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank. We reviewed the income report and the acquisition and disposal report produced by the Administrator to identify special dividends recorded in the year in excess of our testing threshold. There were two such special dividends, for which we confirmed that the classification as revenue and capital was consistent with the underlying motives and circumstances behind each payment.	**The results of our procedures are:** We have no issues to communicate with respect to our assessment of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends. We agreed the sample of dividend receipts to an independent source, recalculating these amounts and agreeing them to the bank statements and noted no issues. We agreed the sample of investee company announcements to the income entitlements recorded by the Company and noted no issues. We recalculated the accrued dividends, agreeing, where possible, to post year end bank statements, and confirming that the income obligation arose prior to 31 August 2018 and noted no issues. We agreed the accounting treatment adopted with respect to the special dividend receipts reviewed.

Report of the Independent Auditor – continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and defective title of the investment portfolio (as described on page 28 in the Report of the Audit Committee and as per the accounting policy set out on pages 48 and 49). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing, or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. Listed investments are valued at fair value, which is deemed to be bid value or the last traded price depending on the convention of the exchange on which the investment is listed. All investments are held by an independent Custodian, JP Morgan Chase Bank, which mitigates the risk of misappropriation of assets. The valuation of the portfolio at 31 August 2018 was £325.73m (2017: £339.39m)	**We performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding investment pricing and trade processing by performing a walkthrough. For all listed investments in the portfolio, we compared the market values and exchange rates applied to an independent pricing vendor. We reviewed pricing exception reports as at 31 August 2018 for unusual or static movements in prices. To confirm the existence of the assets held as at 31 August 2018 we independently obtained confirmation from the Custodian of all securities held at the year end and agreed all securities held from the Company's records to those of the Custodian.	**The results of our procedures are:** We have no issues to communicate with respect to our assessment of the Manager's and Administrator's processes and controls surrounding investment pricing and trade processing. We noted no material differences in market value or exchange rates when compared to an independent source. We noted no issues in reviewing the pricing exception reports. We noted no differences between the custodian confirmation and the Company's underlying financial records.
Incorrect calculation of the performance fee (as described on page 28 in the Report of the Audit Committee). There is a risk that the performance fee is not calculated in accordance with the Investment Management Agreement (IMA). For the year ended 31 August 2018, there was no performance fee payable (2017: £nil).	**We performed the following procedures:** We have re-performed the calculation of the performance fee in line with the IMA. We have vouched the key external inputs in the calculation to independent sources. There was no performance fee payable in the year.	**The results of our procedures are:** We are satisfied that the calculation has been carried out in accordance with the IMA and that no performance fee is payable.

An overview of the scope of our audit

Tailoring the scope

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

Our application of materiality

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

Report of the Independent Auditor – continued

Materiality

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

We determined materiality for the Company to be £3.45m (2017:£3.69m) which is 1% of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £2.59m (2017 £2.77m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate revenue testing threshold of £0.17m (2017:£0.13m) for the revenue column of the Income Statement, being the greater of 5% of the net revenue return on ordinary activities before taxation and our reporting threshold which is set at 5% of planning materiality.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.17m (2017 £0.18m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

Report of the Independent Auditor – continued

We have nothing to report in this regard.

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

Fair, balanced and understandable set out on page 27 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Audit committee reporting set out on pages 27 to 28 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

Directors' statement of compliance with the UK Corporate Governance Code set out on page 32 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and

information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

the strategic report or Directors' report; or

the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Report of the Independent Auditor – continued

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

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

the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

certain disclosures of Directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit; or

a Corporate Governance Statement has not been prepared by the Company.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102, the Companies Act 2006, AIC SORP, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.

We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.

Report of the Independent Auditor – continued

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified fraud risks with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.

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

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

Other matters we are required to address

Following the recommendation of the Audit Committee, we were reappointed by the Company at its annual general meeting to audit the financial statements for the year ending 31 August 2018 and subsequent financial periods.

The period of total uninterrupted engagements including previous renewals and reappointments is five years, covering the years ending 31 August 2014 to 31 August 2018.

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

The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Susan Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

15 October 2018

Notes:

1. The maintenance and integrity of **The Scottish Oriental Smaller Companies Trust plc** website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

For the year ended 31 August 2018

		2018			2017		
		Revenue	**Capital**	**Total***	Revenue	Capital	Total*
	Note	**£000**	**£000**	**£000**	£000	£000	£000
(Losses)/gains on investments	8	**–**	**(10,181)**	**(10,181)**	–	47,524	47,524
Income from investments	1	**6,983**	**–**	**6,983**	6,383	–	6,383
Other income	1	**21**	**–**	**21**	48	–	48
Investment management fee	2	**(2,680)**	**–**	**(2,680)**	(2,625)	–	(2,625)
Currency (losses)/gains		**–**	**(1,228)**	**(1,228)**	–	79	79
Other administrative expenses	3	**(928)**	**–**	**(928)**	(801)	–	(801)
Net return before finance costs and taxation		**3,396**	**(11,409)**	**(8,013)**	3,005	47,603	50,608
Finance costs of borrowing	4	**–**	**–**	**–**	(471)	(649)	(1,120)
Net return on ordinary activities before taxation		**3,396**	**(11,409)**	**(8,013)**	2,534	46,954	49,488
Tax on ordinary activities	5	**(571)**	**(767)**	**(1,338)**	(437)	(513)	(950)
Net return attributable to equity shareholders		**2,825**	**(12,176)**	**(9,351)**	2,097	46,441	48,538
Net return per ordinary share	7	**9.19p**	**(39.60)p**	**(30.41)p**	6.77p	149.94p	156.71p

*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.

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

The Board is proposing a dividend of 11.50p per share for the year ended 31 August 2018 (2017: 11.50p per share) which, if approved, will be payable on 18 January 2019 to shareholders recorded on the Company's shareholder register on 7 December 2018.

The accounting policies on pages 48 to 50 and the notes on pages 51 to 59 form part of these Accounts.

All revenue and capital items derive from continuing operations.

Statement of Financial Position

as at 31 August 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
FIXED ASSETS – EQUITY INVESTMENTS	8				
Bangladesh			**6,003**		5,127
China			**29,892**		35,237
Hong Kong			**20,752**		26,591
India			**100,283**		94,060
Indonesia			**26,268**		30,067
Malaysia			**7,138**		10,988
Pakistan			**5,811**		3,602
Philippines			**32,032**		27,679
Singapore			**19,371**		19,578
South Korea			**6,619**		12,302
Sri Lanka			**14,915**		17,980
Taiwan			**41,064**		41,976
Thailand			**9,083**		8,989
Vietnam			**6,497**		4,209
			325,728		338,385
CURRENT ASSETS					
Debtors	9	**1,496**		2,083	
Cash and deposits		**19,046**		32,816	
		20,542		34,899	
CURRENT LIABILITIES (due within one year)					
Creditors	10	**(870)**		(4,028)	
		(870)		(4,028)	
Net Current Assets			**19,672**		30,871
Total Assets less Current Liabilities			**345,400**		369,256
CAPITAL AND RESERVES					
Ordinary share capital	11		**7,853**		7,853
Share premium account			**34,259**		34,259
Capital redemption reserve			**58**		58
Capital reserve			**295,389**		318,511
Revenue reserve			**7,841**		8,575
Total Equity Shareholders' Funds			**345,400**		369,256
Net asset value per share	12		**1,156.20p**		1,192.68p

These Accounts were approved by the Board on 15 October 2018 and signed on its behalf by

James Ferguson
Director

The accounting policies on pages 48 to 50 and the notes on pages 51 to 59 form part of these Accounts.

Cash Flow Statement

for the year ended 31 August 2018

	Note	2018 £000	2017 £000
Net cash outflow from operations before dividends, interest, purchases and sales	13	**(3,535)**	(3,022)
Dividends received from investments		**7,117**	6,796
Interest received from deposits		**21**	48
Purchases of investments		**(119,010)**	(177,941)
Sales of investments		**118,698**	185,734
Cash from operations		**3,291**	11,615
Taxation		**(1,329)**	(1,009)
Net cash inflow from operating activities		**1,962**	10,606
Financing activities			
Interest paid on borrowings		**–**	(471)
Repayment of loan including breakage costs		**–**	(20,649)
Equity dividend paid		**(3,559)**	(3,560)
Buyback of ordinary shares		**(10,945)**	(541)
Net cash outflow from financing activities		**(14,504)**	(25,221)
Decrease in cash and cash equivalents		**(12,542)**	(14,615)
Cash and cash equivalents at the start of the period		**32,816**	47,352
Effect of currency (losses)/gains		**(1,228)**	79
Cash and cash equivalents at the end of the period*		**19,046**	32,816

*Cash and cash equivalents represents cash at bank.

Statement of Changes in Equity

for the year ended 31 August 2018

	Ordinary Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 31 August 2017	7,853	34,259	58	318,511	8,575	369,256
Total comprehensive income:						
Return for the year	–	–	–	(12,176)	2,825	(9,351)
Transactions with owners recognised directly in equity:						
Buyback of ordinary shares†	–	–	–	(10,946)	–	(10,946)
Dividend paid in the year‡	–	–	–	–	(3,559)	(3,559)
Balance at 31 August 2018	**7,853**	**34,259**	**58**	**295,389**	**7,841**	**345,400**

† See note 11. ‡ See note 6.

for the year ended 31 August 2017

	Ordinary Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 31 August 2016	7,853	34,259	58	272,611	10,038	324,819
Total comprehensive income:						
Return for the year	–	–	–	46,441	2,097	48,538
Transactions with owners recognised directly in equity:						
Buyback of ordinary shares†	–	–	–	(541)	–	(541)
Dividend paid in the year‡	–	–	–	–	(3,560)	(3,560)
Balance at 31 August 2017	**7,853**	**34,259**	**58**	**318,511**	**8,575**	**369,256**

† See note 11. ‡ See note 6.

Accounting Policies

Basis of accounting

(a) The Scottish Oriental Smaller Companies Trust plc is a public company limited by shares, incorporated and domiciled in Scotland, and carries on business as an investment trust. Details of the Company's registered office can be found in the 'Company Information' section on page 67.

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, UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102, and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in November 2014 (the "SORP"). These Accounts are prepared on a going concern basis.

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

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

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

Income

(b) Dividends on securities are recognised on the date on which the security is quoted "ex dividend" on the stock exchange in the country in which the security is listed. Foreign dividends include any withholding taxes payable to the tax authorities. Where a scrip dividend is taken in lieu of cash dividends, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as capital. Interest on securities is accounted for on a time apportioned basis so as to reflect the effective yield on the investment.

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

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

Expenses

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

(f) The investment management fee has been charged in full to the revenue column of the Income Statement. The performance fee is chargeable in full to the capital column of the Income Statement.

Financial Instruments

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

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

(i) Listed investments have been 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 price or last traded price. Gains and losses arising from changes in fair value are included as a capital item in the Income Statement and are ultimately recognised in the Capital Reserve. Gains and losses arising on realisation of investments are shown in the Capital Reserve.

Accounting Policies – continued

(j) Equities include ordinary shares and warrants.

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

(l) Debtors and creditors do not carry any interest, are short term in nature, and are stated as nominal value less any allowance for irrecoverable amounts as appropriate. This is deemed to be the recoverable amount for debtors and the settlement amount for creditors.

(m) Long-term borrowings are initially measured at proceeds less transaction costs and subsequently measured at amortised cost using the effective interest method. Finance costs of such borrowings are charged to revenue in the period in which they are incurred. Interest costs incurred on long-term borrowings are charged to revenue on a time apportioned basis over the life of the liability. Breakage costs on long-term borrowings are charged to capital.

Foreign currency

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

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

Dividends

(p) 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

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

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

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

Significant judgements and estimates

(r) The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. There have been no significant judgements, estimates or assumptions for the current or preceding financial year.

Reserves

Share premium account

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

Capital redemption reserve

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

Accounting Policies – continued

Capital reserve

(u) Gains and losses on the realisation of investments, realised exchange differences of a capital nature and returns of capital are accounted for in this reserve. Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are also accounted for in this reserve. The cost of shares bought back to be held in Treasury is also deducted from this reserve. The articles of the Company stipulate that this reserve is non-distributable. However, subject to a change to the Company's articles approved by shareholders, this reserve could be made distributable should the need arise.

Revenue reserve

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

Notes on the Accounts

1. Income

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

2. Investment Management Fee

	2018 £000	2017 £000
Investment management fee	2,680	2,625

Management

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

The terms of the Agreement provide for payment of a base fee of 0.75 per cent per annum of the Company's net assets payable quarterly in arrears. In addition an annual performance fee may be payable to the Investment Manager. The total fee payable to the Investment Manager is capped at 1.5 per cent per annum of the Company's net assets.

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 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. No performance fee (2017: £nil) is due to be paid for the year ended 31 August 2018.

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 per cent of the value of the Company's net assets up to the date of termination on a pro rata basis. In addition, a termination performance fee amount may be due to the Investment Manager based on the Company's three year performance up to the date of termination and paid on a pro rata basis.

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.

Notes on the Accounts – continued

3. Other Administrative Expenses

	2018 £000	2017 £000
Auditor's remuneration for audit services	**22**	21
Directors' fees	**123**	102
Company secretarial fees	**115**	111
Bank, custodial and other expenses	**668**	567
	928	801

Company Secretary

PATAC Limited provides company secretarial, accounting and administrative services. The fee for the year ended 31 August 2018, which is payable quarterly in advance and linked to the movement in the Retail Price Index annually, was £115,000 (2017: £111,000). The appointment is terminable on three months' notice.

4. Finance Costs of Borrowing

Costs in relation to bank borrowing:

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Interest costs	–	–	–	471	–	471
Breakage costs	–	–	–	–	649	649
	–	–	–	471	649	1,120

The £20,000,000 loan was repaid in full including all interest on 1 June 2017.

5. Taxation

(a) Analysis of charge in the year

Overseas tax:

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Tax on overseas dividends	**571**	**–**	**571**	437	–	437
Indian capital gains tax	**–**	**767**	**767**	–	513	513
	571	**767**	**1,338**	437	513	950

Notes on the Accounts – continued

(b) Factors affecting the tax charge for the year

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

	2018 Revenue £000	2018 Capital £000	2018 Total £000	2017 Revenue £000	2017 Capital £000	2017 Total £000
Return for the year before taxation	**3,396**	**(11,409)**	**(8,013)**	2,534	46,954	49,488
Total return for the year before taxation multiplied by the standard rate of corporation tax of 19.00% (2017:19.00%)	**645**	**(2,168)**	**(1,523)**	481	8,922	9,403
Effect of:						
Non-taxable losses/(gains) on investments	**–**	**1,935**	**1,935**	–	(9,030)	(9,030)
Non-taxable losses/(gains) on foreign currency	**–**	**233**	**233**	–	(15)	(15)
Non-taxable income	**(1,327)**	**–**	**(1,327)**	(1,213)	–	(1,213)
Overseas tax	**571**	**767**	**1,338**	437	513	950
Unutilised management expenses	**682**	**–**	**682**	732	123	855
Total tax charge for the year	**571**	**767**	**1,338**	437	513	950

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 £5,867,000 (2017: £5,227,000) at 31 August 2018 in respect of unrelieved tax losses carried forward. This asset has not been recognised in the Accounts as it is unlikely under current legislation that it will be capable of being offset against future taxable profits.

6. Dividends

	2018 £000	2017 £000
Dividends paid in the period:		
Dividend of 11.50p per share paid 19 January 2018 (2017 – 11.50p)	**3,559**	3,560

The below proposed dividend in respect of the financial year 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 Accounts.

	2018 £000	2017 £000
Income available for distribution	**2,825**	2,097
Proposed dividend for the year ended 31 August 2018 – 11.50p payable 18 January 2019 (2017 – 11.50p)	**(3,435)**	(3,560)
Amount transferred from retained income	**(610)**	(1,463)

Notes on the Accounts – continued

7. Return per Ordinary Share

	2018 Revenue p	2018 Capital p	2018 Total p	2017 Revenue p	2017 Capital p	2017 Total p
Net return per share	**9.19**	**(39.60)**	**(30.41)**	6.77	149.94	156.71

	2018	2017
Revenue return	**£2,825,000**	£2,097,000
Capital return	**(£12,176,000)**	£46,441,000
Weighted average ordinary shares in issue	**30,750,547**	30,973,341

There are no dilutive or potentially dilutive instruments in issue.

8. Equity Investments

	£000
Cost at 31 August 2017	262,315
Unrealised appreciation	76,070
Valuation at 31 August 2017	338,385
Purchases at cost	115,850
Sales – proceeds	(118,326)
Sales – realised gains on sales	32,778
Unrealised depreciation on investments in the year	(42,959)
Valuation at 31 August 2018	325,728
Cost at 31 August 2018	292,617
Closing unrealised appreciation	33,111
Gains/(losses) on Investments	
Realised gains on sales	32,778
Unrealised losses on the fair value of investments during the year	(42,959)
	(10,181)

All investments are listed on recognised stock exchanges.

Transaction Costs

During the year the Company incurred transaction costs of £319,000 (2017: £490,000) on the purchase of investments and £366,000 (2017: £511,000) on the sale of investments.

9. Debtors

	2018 £000	2017 £000
Sales awaiting settlement	**1,027**	1,398
Accrued income	**469**	617
Sundry debtors	**–**	68
	1,496	2,083

Notes on the Accounts – continued

10. Creditors (amounts falling due within one year)

	2018 £000	2017 £000
Purchases awaiting settlement	–	3,163
Management fee payable	648	691
Other creditors	222	174
	870	4,028

11. Share Capital

The allotted and fully paid capital is £7,853,416 (2017: £7,853,416) represented by 31,413,663 ordinary shares of 25p each (2017: 31,413,663). During the year the Company bought back 1,086,379 (2017: 60,000) ordinary shares at a total cost of £10,946,000 (2017: £541,000), all of which are held in Treasury. The Company held 1,539,879 ordinary shares in Treasury at the year end (2017: 453,500), being 4.9 per cent of share capital, with a nominal value of £384,970 (2017: £113,375). There have been no shares issued or bought back since the year end.

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

– the level of equity shares in issue; and

– the extent to which revenue in excess of that which is required to be distributed should be retained.

The capital of the Company is the ordinary share capital and the other reserves. It is managed in accordance with its investment policy in pursuit of its investment objective, detailed on page 20.

12. Net Asset Value per Ordinary Share

Net assets per share are based on total net assets of £345,400,000 (2017: £369,256,000) divided by 29,873,784 (2017: 30,960,163) ordinary shares of 25p each in issue (excludes shares held in Treasury).

13. Cash Flow Statement

	2018 £000	2017 £000
Reconciliation of net return before finance costs and tax to net cash outflow from operations before dividends, interest, purchases and sales		
Net return before finance costs and taxation	(8,013)	50,608
Net losses/(gains) on investments	10,181	(47,524)
Currency losses/(gains)	1,228	(79)
Dividend income	(6,983)	(6,383)
Interest income	(21)	(48)
Increase in creditors	5	122
Decrease in debtors	68	282
Net cash outflow from operations before dividends, interest, purchases and sales	(3,535)	(3,022)

Notes on the Accounts – continued

14. Risk Management, Financial Assets and Liabilities

The Company invests mainly in smaller Asian quoted companies. Other financial instruments comprise cash balances and short-term debtors and creditors. The Investment Manager follows the investment process outlined on page 20 and in addition the Board conducts quarterly reviews with the Investment Manager. 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 other price risks) and credit risk. As the Company's assets are mainly in readily realisable securities, other than in exceptional circumstances there is no significant liquidity risk. The Board, in conjunction with the Investment Manager, regularly reviews and agrees policies for managing each of these risks. The Investment Manager's policies for managing these risks are available on the website and summarised below.

Market Risk

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

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

Interest Rate Risk

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

The Company is exposed to interest rate risk on interest receivable from bank deposits and interest payable on bank overdraft positions. The interest rate risk profile of the Company at 31 August is shown below.

Interest Rate Risk Profile

	2018 £000	2017 £000
Cash	**19,046**	32,816
	19,046	32,816

Interest Rate Sensitivity

Considering effects on cash balances, an increase of 50 basis points in interest rates would have increased net assets and total return for the period by £95,000 (2017: £164,000). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at date of the Statement of Financial Position and are not representative of the year as a whole.

Foreign Currency Risk

The majority of the Company's assets, liabilities and income were denominated in currencies other than sterling (the currency in which the Company reports its results) as at 31 August 2018. The Statement of Financial Position therefore can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company reserves the right to undertake foreign exchange hedging of its portfolio. The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Notes on the Accounts – continued

14. Risk Management, Financial Assets and Liabilities – continued

Foreign Currency Risk Exposure by Currency of Denomination

	31 August 2018 Overseas investments £000	Net monetary assets £000	Total currency exposure £000	31 August 2017 Overseas investments £000	Net monetary assets £000	Total currency exposure £000
Indian rupee	**100,283**	**–**	**100,283**	94,060	(1,008)	93,052
Hong Kong dollar	**50,644**	**78**	**50,722**	61,828	214	62,042
Taiwanese dollar	**41,064**	**162**	**41,226**	41,976	257	42,233
Philippine peso	**32,032**	**1,027**	**33,059**	27,679	(6)	27,673
Indonesian rupiah	**26,268**	**–**	**26,268**	30,067	(527)	29,540
Singapore dollar	**19,371**	**157**	**19,528**	19,578	125	19,703
Sri Lankan rupee	**14,915**	**–**	**14,915**	17,980	–	17,980
Thai baht	**9,083**	**–**	**9,083**	8,989	644	9,633
US dollar	**–**	**9,054**	**9,054**	–	19,351	19,351
Malaysian ringgit	**7,138**	**–**	**7,138**	10,988	–	10,988
Korean won	**6,619**	**–**	**6,619**	12,302	–	12,302
Vietnamese dong	**6,497**	**57**	**6,554**	4,209	3,164	7,373
Bangladeshi taka	**6,003**	**–**	**6,003**	5,127	–	5,127
Pakistan rupee	**5,811**	**72**	**5,883**	3,602	(963)	2,639
Total foreign currency	**325,728**	**10,607**	**336,335**	338,385	21,251	359,636
Sterling	**–**	**9,065**	**9,065**	–	9,620	9,620
Total currency	**325,728**	**19,672**	**345,400**	338,385	30,871	369,256

Currency Risk Sensitivity

At 31 August 2018, if sterling had strengthened by 5 per cent in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5 per cent weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2017.

	2018 £000	2017 £000
Indian rupee	**5,014**	4,653
Hong Kong dollar	**2,536**	3,102
Taiwanese dollar	**2,061**	2,112
Philippine peso	**1,653**	1,384
Indonesian rupiah	**1,313**	1,477
Singapore dollar	**976**	985
Sri Lankan rupee	**746**	899
Thai baht	**454**	482
US dollar	**453**	968
Malaysian ringgit	**357**	549
Korean won	**331**	615
Vietnamese dong	**328**	369
Bangladeshi taka	**300**	256
Pakistan rupee	**294**	132
Total	**16,816**	17,983

Notes on the Accounts – continued

14. Risk Management, Financial Assets and Liabilities – 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 date of the Statement of Financial Position had been 10 per cent higher or lower with all other variables remaining constant, the return attributable to ordinary shareholders for the year ended 31 August 2018 would have increased/(decreased) by £32,572,800 (2017: increased/(decreased) by £33,838,500) and equity reserves would have increased/(decreased) by the same amount.

Liquidity Risk

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

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

	2018			2017		
	3 months or less £000	3 to 12 months £000	More than 12 months £000	3 months or less £000	3 to 12 months £000	More than 12 months £000
Amount due to brokers	–	–	–	3,163	–	–
Other creditors and accruals	870	–	–	865	–	–
	870	–	–	4,028	–	–

Credit Risk

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

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

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

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

Notes on the Accounts – continued

14. Risk Management, Financial Assets and Liabilities – continued

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 August 2018 was as follows:

	2018		2017	
Current assets	**Statement of Financial Position £000**	**Maximum exposure £000**	Statement of Financial Position £000	Maximum exposure £000
Receivables	**1,496**	**1,496**	2,083	2,083
Cash at bank	**19,046**	**19,046**	32,816	32,816
	20,542	**20,542**	34,899	34,899

Fair Value Hierarchy

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

The levels are determined by the lowest (that is, the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

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

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

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

All of the Company's investments were categorised as Level 1 for the year to 31 August 2018 (2017: All investments Level 1).

15. Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on pages 29 to 31. An amount of £19,000 was outstanding to the Directors at the year end (2017: £22,000). No Director has a contract of service with the Company. During the year no Director had any related party transactions requiring disclosure under section 412 of the Companies Act 2006.

Alternative Investment Fund Managers Directive

Under the Alternative Investment Fund Managers Directive the Company is required to publish maximum exposure levels for leverage on a 'Gross' and 'Commitment' basis. The process for calculating exposure under each method is largely the same, except that, where certain conditions are met, the Commitment method allows instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the Company's leverage exposure would then be reduced. The AIFM set maximum leverage levels of 3.0 and 1.7 times the Company's net asset value under the 'Gross' and 'Commitment' methods respectively. At the Company's year end the levels were respectively 0.97 and 1.00 times the Company's net asset value.

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

Glossary of Terms and Definitions

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

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

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

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

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

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

Ongoing Charges
The management fee and all other administrative expenses expressed as a percentage of the average daily net assets during the year (2011 and prior: expressed as a percentage of the average of the month end net assets during the year).

Potential Gearing
Total assets less current liabilities divided by shareholders' funds.

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

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

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

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, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB on 18 December 2018 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 2018.
2. To approve the dividend of 11.50 pence per ordinary share of 25 pence 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-appoint Ernst & Young LLP, Chartered Accountants and Statutory Auditor, as Auditor and to authorise the Directors to fix their remuneration.
6. To approve the Directors' Remuneration Report within the Report and Accounts for the financial year ended 31 August 2018.
7. That the proposed investment policy set out on page 66 of the Annual Report and Accounts for the year ended 31 August 2018, a copy of which has been produced to the Meeting and signed by the Chairman for the purposes of identification, be and is hereby adopted as the investment policy of the Company to the exclusion of all previous investment policies of the Company.
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 £746,844, (being approximately 10 per cent of the nominal value of the issued share capital as at 15 October 2018) 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.

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 in the Company (as defined in Section 724 of the Act) for cash either pursuant to the authority conferred by resolution number 8 above or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

Notice of Annual General Meeting – continued

(a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £746,844 (being approximately 10 per cent of the nominal value of the issued share capital of the Company (excluding treasury shares) as at 15 October 2018).

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 4,478,080 or if less the number of ordinary shares representing 14.99 per cent of the Company's issued share capital (excluding treasury shares) at the date of the passing of this resolution;

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

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

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

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

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

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: 15 October 2018 By Order of the Board

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

PATAC Limited
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 14 December 2018 ("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 14 December 2018. 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.

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

Notice of Annual General Meeting – continued

provider(s), to procure that her/his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

(9) The letters of appointment of the Directors are available for inspection at 21 Walker Street, Edinburgh EH3 7HX before, during and after the meeting. They will also be available on the date of the meeting at Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB until the conclusion of the meeting.

(10) As at close of business on 15 October 2018, the Company's issued share capital comprised 31,413,663 ordinary shares of 25p each of which 1,539,879 ordinary shares are held in Treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 15 October 2018 is 29,873,784.

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

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

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

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

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

(13) The members of the Company may require the Company (without payment) to publish, on its website, a statement (which is also to be passed to the auditors) setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the sender's full name and address and be sent to the Company's registered address at 10 St Colme Street, Edinburgh EH3 6AA.

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

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

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

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

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

(17) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

Information for Investors

Financial Diary
The Company's financial year ends on 31 August. The results are announced in October or November and the Annual Report and Accounts are published in October or 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 £11,700 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.

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

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

Further Information
If you require any further information please contact PATAC Limited at the address on page 67, 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)370 707 1307.

Current and Proposed Objective and Investment Policy

To be voted on at the AGM on 18 December 2018

Current objective and investment policy	Amended objective and investment policy
Objective The Company's investment objective is to achieve long-term capital growth by investing in mainly smaller Asian quoted companies.	*Objective* The Company's investment objective is to achieve long-term capital growth by investing in mainly smaller Asian quoted companies.
Investment policy The Company invests mainly in the shares of smaller Asian quoted companies, that is companies with market capitalisations of below US$1,500 million, or the equivalent thereof, at the time of first investment.	*Investment policy* The Company invests mainly in the shares of smaller Asian quoted companies, that is companies with market capitalisations of below **US$3,000 million**, or the equivalent thereof, at the time of first investment.
The Company may also invest in companies with market capitalisations of between US$1,500 million and US$3,000 million at the time of first investment, although not more than 20 per cent. of the Company's net assets at the time of investment will be invested in such companies.	The Company may also invest in companies with market capitalisations of between **US$3,000 million** and **US$5,000 million** at the time of first investment, although not more than 20 per cent. of the Company's net assets at the time of investment will be invested in such companies.
To enable the Company to participate in new issues, it may invest in companies which are not quoted on any stock exchange, but only where the Investment Manager expects that the relevant securities will shortly become quoted.	To enable the Company to participate in new issues, it may invest in companies which are not quoted on any stock exchange, but only where the Investment Manager expects that the relevant securities will shortly become quoted.
For investment purposes, the Investment Region includes 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.	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 Company will consider the use of long-term borrowings up to a limit of 50 per cent. of the net assets of the Company at the time of borrowing.	With the objective of enhancing capital returns to shareholders, the Directors of the Company will consider the use of long-term borrowings up to a limit of 50 per cent. of the net assets of the Company at the time of borrowing.
The Company invests no more than 15 per cent. of its total assets in other listed investment companies (including listed investment trusts).	The Company invests no more than 15 per cent. of its total assets in other listed investment companies (including listed investment trusts).
The Company invests no more than 15 per cent. of its total assets in the securities of any one company or group of companies at the time of investment.	The Company invests no more than 15 per cent. of its total assets in the securities of any one company or group of companies at the time of investment.
The Company reserves the right to invest in equity-related securities (such as convertible bonds and warrants) of companies meeting its investment criteria. In the event that the Investment Manager anticipates adverse equity market conditions, the Company may invest in debt instruments in any country or currency.	The Company reserves the right to invest in equity-related securities (such as convertible bonds and warrants) of companies meeting its investment criteria. In the event that the Investment Manager anticipates adverse equity market conditions, the Company may invest in debt instruments in any country or currency.
The majority of the Company's assets are denominated in Asian currencies or US dollars. The Company reserves the right to undertake foreign exchange hedging of its portfolio.	The majority of the Company's assets are denominated in Asian currencies or US dollars. The Company reserves the right to undertake foreign exchange hedging of its portfolio.

Company Information

Registered Office
10 St Colme Street
Edinburgh EH3 6AA

Company Number
SC156108

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

Alternative Investment Fund Manager
First State Investments (UK) Limited
15 Finsbury Circus
London EC2M 7EB

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

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

Company Secretary
PATAC Limited
21 Walker Street
Edinburgh EH3 7HX
Email: cosec@patplc.co.uk
Tel: +44 (0)131 538 6610

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

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

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The Association of
Investment Companies

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