Annual Report 2021

The Scottish Oriental
Smaller Companies Trust plc

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, Vietnam, Australasia and Japan. 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$19m and US$5,844m. The range does not exactly match that of the Company, which has no lower limit and which invests mainly in companies with a market capitalisation of under US$5,000m at the time of first investment. Nevertheless, it gives a useful indication of the performance of smaller 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.

Contents

Investment Objective

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

Financial Highlights

Total Return Performance for the year ended 31 August 2021

Net Asset Value[A]	28.4%	MSCI AC Asia ex Japan Index (£)	14.7%
Share Price[A]	28.8%	MSCI AC Asia ex Japan Small Cap Index (£)	37.8%
Dividend Maintained at 11.5p per share		FTSE All-Share Index (£)	26.9%

Summary Data at 31 August 2021

Shares in issue	27,321,159	Shareholders' Funds	£345.5m
Net Asset Value per share	1,264.54p	Market Capitalisation	£297.8m
Share Price	1,090.0p	Share Price Discount to Net Asset Value[A]	13.8%
Ongoing Charges[AB]	1.02%	Active Share (MSCI AC Asia ex Japan Index)[C]	99.9%
Net Cash[A]	4.3%	Active Share (MSCI AC Asia ex Japan Small Cap Index)[C]	96.8%

[A] Alternative Performance Measure.

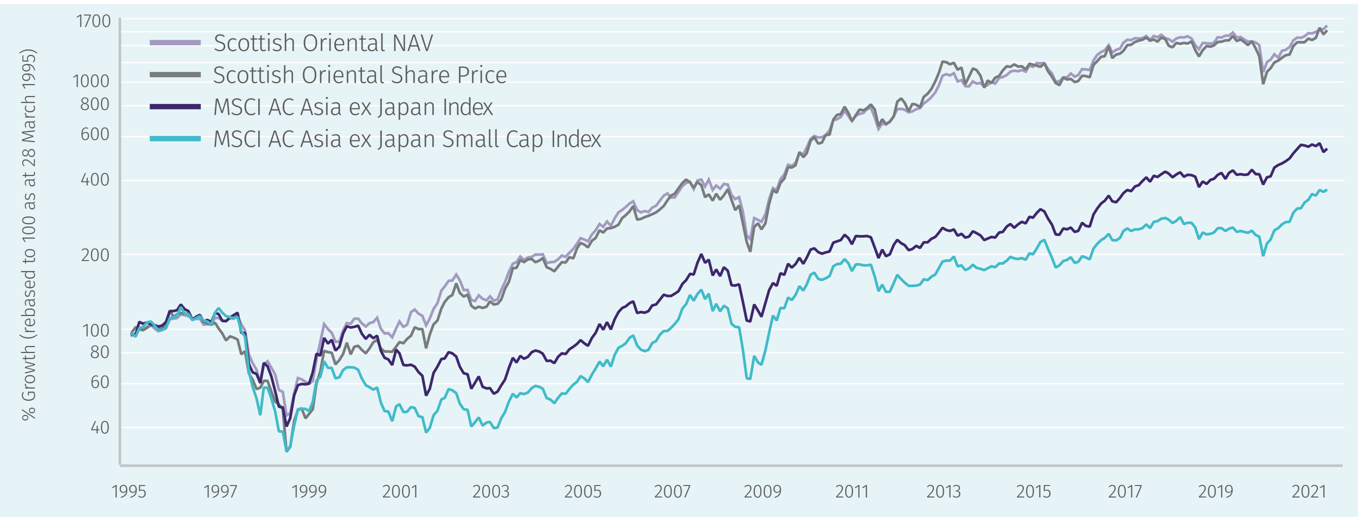
[B] No performance fee was payable during the year (2020: nil), please refer to note 2 on page 54 for more details.

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

A glossary of terms and definitions is provided on pages 64 and 65.

Total Return Performance

Since 28 March 1995*



* The date which the Company was launched

Chairman's Statement

Scottish Oriental had a much improved performance last year compared to the poor result for 2020. The Net Asset Value ("NAV") per share rose by 28.4 per cent in total return terms over the 12 months to 31 August 2021 while the 'comparative indices', the MSCI AC Asia ex Japan Index and the MSCI AC Asia ex Japan Small Cap Index, rose by 14.7 per cent and 37.8 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. In the Financial Highlights on the previous page you will see 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 total return was 28.8 per cent. A performance fee was not paid this year.

In last year's annual report we raised a note of caution that it was likely that our dividend could be cut this year. This view was based on the premise that the objective of Scottish Oriental since its inception has been capital growth with the dividend being a secondary consideration. However, in the very unusual circumstances that have prevailed recently, we have decided to recommend an unchanged dividend of 11.5p. This is not fully covered by earnings and would require the use of part of our revenue reserve.

We believe that this is a sensible compromise for this year, but that it should not be seen as a longer term policy of exhausting revenue reserves to maintain the dividend. Although it means that the outlook for the dividend will be uncertain, it will be a continuation of the approach that has served the trust well for many years. We expect that the portfolio's dividends for the year to August 2022 will be likely to increase, but it is too early to make an accurate estimate of the extent of this and to make any forecast for the dividend next year.

During the year, the Company bought back 1,852,871 ordinary shares. 4,092,504 ordinary 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 review of the method of selecting shares for the portfolio that I referred to last year has helped to improve the performance (please see page 27 for further details). It justified the strong emphasis on India rather than China, which has been beneficial. The Managers' report gives more details of this investment process.

The Managers are confident that the outlook for Asian equities over a 20-year time frame will be very strong. Due to this, and the availability of long-term debt at relatively low rates of interest, the Board approved the issue of £30 million of loan notes in March 2021 providing the Company with long-term financing. The privately placed loan notes were issued in one tranche, with a fixed coupon of 2.75 per cent payable semi-annually, to be repaid 24 March 2041.

Our plan for Board succession is unchanged from last year. We value the balance of our three more recently appointed directors from diverse financial backgrounds alongside the experience of the two longer serving directors and I intend to step-down as Chairman within the next twelve months.

Despite the present background of concerns about China, you will see from the outlook section of the Managers' report that they are enthusiastic about the outlook for the companies in our portfolio. We share that optimism.

This year's Annual General Meeting will be held on 7 December 2021 at the offices of Juniper Partners Limited, 28 Walker Street, Edinburgh. I look forward to seeing shareholders then.

James Ferguson
Chairman

20 October 2021

Scottish Oriental's Investment Management Team

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

Vinay Agarwal
Lead Manager

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

Martin Lau
Co-Manager

Martin Lau is a Managing Partner of FSSA Investment Managers and the Co-Manager of The Scottish Oriental Smaller Companies Trust plc. He has been with the team for more than 17 years, starting with the firm as Director, Greater China Equities, in 2002. Martin is the lead manager of a number of First Sentier funds, based in Hong Kong. He has more than 24 years of investment experience and graduated from Cambridge University with a Bachelor of Arts degree and a Master's degree in Engineering. He is also a CFA charterholder.

Scott McNab
Senior Investment Analyst

Scott McNab is a Senior Investment Analyst at FSSA Investment Managers. He joined in 2001 and is responsible for regional research, covering all relevant geographical regions and industry sectors. Scott has 20 years of investment experience and holds a Bachelor of Science (Hons) in Computer Science from the University of Durham. He is also a Chartered Accountant and a CFA charterholder.

Sreevardhan Agarwal
Investment Analyst

Sreevardhan Agarwal is an Investment Analyst at FSSA Investment Managers. Sree joined FSSA Investment Managers as a graduate from the National University of Singapore with a management degree and a specialisation in Finance in 2014. He provides research support to the portfolio managers, with a focus on Australia, India, and regional smaller companies.

Members of the FSSA team own 639,577 (2020: 369,772) shares in the Company.

Portfolio Managers' Report

This report addresses the following topics:

1. Company Performance
2. Our investment process and the attributes of Scottish Oriental's portfolio companies:
   - Market leaders in under-penetrated categories
   - Exceptional management teams
   - High returns on capital employed (ROCE)
   - Potential for strong earnings growth
   - An integrated approach to sustainability
3. Recent Portfolio Activity
4. Ten Largest Holdings as at 31 August 2021
5. Sector Allocation as at 31 August 2021
6. Portfolio Positioning and Outlook

1. Company Performance

Scottish Oriental has enjoyed strong absolute investment performance over the last 12 months. It had a net asset value total return of 28.4% for the year ended 31 August 2021. The largest contributions to performance were the holdings in India, as business activity has gradually returned to normal in the country. The biggest detractors from performance were the holdings in Hong Kong and South Korea.

Top Five Contributors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance %
Mphasis	India	Technology	159	2.7
Mahindra Lifespace	India	Real Estate	166	2.2
Mahindra CIE Automotive	India	Consumer Discretionary	80	1.9
Hero Supermarket	Indonesia	Consumer Staples	118	1.6
Century Pacific Food	Philippines	Consumer Staples	51	1.6

Mphasis benefited from strong demand for its digital transformation and cloud migration capabilities. Global enterprises have increased their spending on these areas as a consequence of COVID-19 disruption. The company reported a large increase in the value of new deals signed during the period from new clients as well as its existing customers.

Mahindra Lifespace appointed a new Chief Executive Officer (CEO) who has focused on faster land acquisition and increasing the number of new project launches. In recent years, Indian residential property buyers have been moving rapidly from local developers to larger companies such as Mahindra Lifespace which have stronger balance sheets. The share price rose as the new CEO's initiatives combined with this industry tailwind are expected to drive an acceleration in its growth.

Mahindra CIE Automotive had declined during the previous period due to the impact on the Indian and European automotive industries from the COVID-19 pandemic. We added to Scottish Oriental's holding during this period. The company's management implemented initiatives to reduce its costs. It also gained market share from smaller competitors who are struggling. The revival of automotive demand in its key markets led to a rebound in its share price.

Hero Supermarket rose after it announced that it will shut down its Giant branded hypermarket stores and focus its operations on IKEA, Guardian pharmacies and Hero Supermarket brands. The Giant branded stores were loss-making while its IKEA, Guardian and Hero Supermarket brands are profitable. This should lead to a marked improvement in the company's cash flows and return on capital employed.

Century Pacific Food reported strong revenue and profit growth as demand for its canned food products remained high due to their long shelf life and affordable pricing. The company has also been gaining market share in the dairy products category. Its initiatives to enter new categories such as alternative meat products should sustain its growth momentum in the coming years.

Portfolio Managers' Report cont'd

Top Five Detractors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance %
Philippine Seven	Philippines	Consumer Staples	(34)	(1.2)
Vitasoy International	Hong Kong	Consumer Staples	(27)	(0.9)
Nissin Foods	Hong Kong	Consumer Staples	(36)	(0.7)
NHN KCP	South Korea	Financials	(28)	(0.6)
Beijing Capital International Airport	China	Industrials	(33)	(0.6)

Some of the detractors during the year were companies which operate businesses such as convenience stores, casual dining, and quick service restaurants. These businesses depend on customers visiting their stores, which was obviously affected by the COVID-19 lockdown. Our engagement with the management teams has indicated that their competitive position has strengthened during this period. Smaller competitors lack the strong balance sheets and technology investments which our holdings benefit from.

Philippine Seven has been severely affected by the continuing movement restrictions in the Philippines. Its convenience stores have witnessed a decline in customer footfall. The company has changed its product mix to increase the share of essential products in its stores, introduced new services such as ATMs and partnered with e-commerce and delivery platforms. As footfall gradually normalises, these initiatives should improve the company's profitability. We have added to Scottish Oriental's holding in the company.

"We said that while we had no idea how the current pandemic would play out and when, we were preparing for a 3-5 year horizon, and were working on plans to adapt the company to a very different (and constantly evolving) environment. We take no pleasure in our bearishness being proven right after a severe economic contraction driven by a long, stringent and stingy lockdown, a second wave of infections, and now a lag in vaccinations; nevertheless, we are grateful that we are prepared not just to weather an extended storm, but to use it to improve our competitive position."

Jose Victor Paterno, President & CEO, Philippine Seven Corporation (FY 2021 Annual Report).

Vitasoy International declined as it was affected by lower sales of its beverage products due to movement restrictions in Hong Kong as well as a temporary disruption to its fast growing business in China. The company has engaged proactively with authorities and increased investment in marketing to its Chinese consumers. Its products have regained their presence across major retail channels. Given its strong track record and long term growth potential in the Chinese market, we added to Scottish Oriental's holding in the company.

"Throughout our 80 years' history, the Vitasoy Group has proved resilient in the face of diverse disruption and adversity. We will continue to sustain growth upon firm financial discipline and thus advance our purpose to deliver sustainable plant-based tasty and nutritional products to our communities."

Roberto Guidetti, Group Chief Executive Officer, Vitasoy International (FY 2021 Annual Report).

Nissin Foods' instant noodle products had benefited from pantry stocking during the previous year. We had reduced Scottish Oriental's holding during this period. As mobility levels improved in China, demand for its products fell to more normal levels. It also suffered cost inflation across its raw materials which affected its profitability.

South Korea's leading payment gateway service provider **NHN KCP** declined as it increased investment in expanding its service offering, which led to lower profitability. The company is likely to benefit from the structural increase in online spending in South Korea. The management has signed agreements to set up payment gateway services for large global clients. This should improve the company's growth prospects and its profitability. We have added to Scottish Oriental's holding.

Beijing Capital International Airport reported weak operating profit due to a resurgence of COVID-19 and the re-imposition of movement controls in China. This led to a decline in passenger traffic. The company has reduced its operating expenses and should benefit from an improvement in passenger volumes, as travel penetration in China increases from a low base. We have added to Scottish Oriental's holding.

Through their history, portfolio holdings have faced several disruptions and have emerged stronger in each instance. We are convinced that there will be a similar outcome on this occasion also. As lockdowns were lifted in India, we observed a strong rebound in customer demand across sectors and a weaker competitive environment for our holdings. Indonesia and Philippines have suffered from more prolonged restrictions. We are confident of a similarly strong recovery in the performance of our holdings in these markets as mobility improves. Valuations are exceptionally attractive as market participants focus on the immediate disruption, while we are focused on the long term opportunity. We added to these holdings during the year.

2. Our investment process and the attributes of Scottish Oriental's portfolio companies

We are conviction-based, bottom-up stock selectors. As a team, we conduct over 800 meetings with Asian smaller companies each year. Our goal is to identify companies which are managed by responsible stewards with whom we feel aligned; and businesses which have built leading positions in attractive categories with high returns on capital employed. We take a long-term perspective of valuations, with a preference for using simple measures rather than complicated financial models. Our research process is predicated upon assessing the potential downside of any investment as much as its potential upside. We pay no attention to indices and think of risk as losing money rather than underperforming a market index. The country and sector weights of Scottish Oriental's portfolio are a residual outcome of our bottom-up stock selection process.

The characteristics of Scottish Oriental's holdings are detailed below:

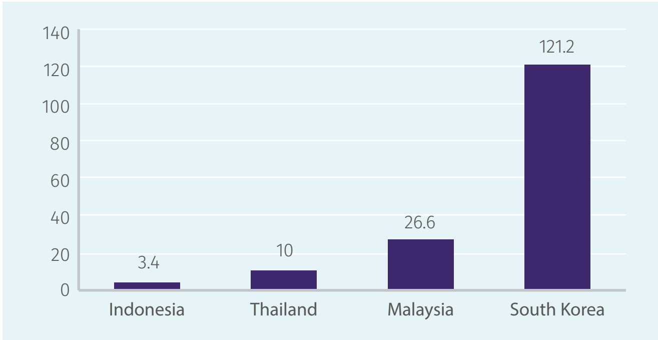
Market leaders in under-penetrated categories

Many Asian economies are at early stages of their development. Most product and service categories are highly under-penetrated in these markets. We look for dominant franchises which have the ability to take the lion's share of profit growth in these market sectors. In our view, these are potentially large businesses, currently hiding in small market capitalisations, whose growth can generate attractive returns for patient investors.

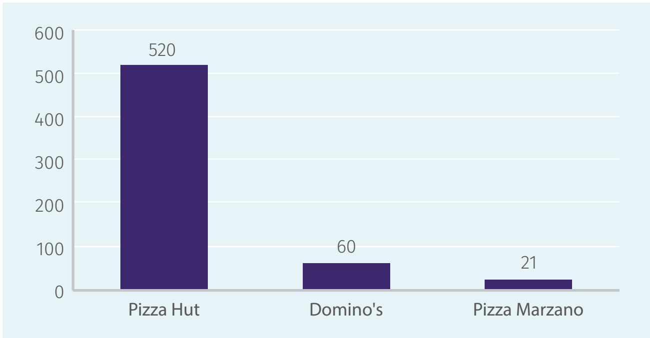
Portfolio Managers' Report cont'd

Sarimelati Kencana is the exclusive franchise operator of Pizza Hut in Indonesia. The company has led the introduction of pizzas as a popular option for Indonesian diners. It operates over 500 stores of Pizza Hut, more than eight times as many as the next largest pizza restaurant operator. The management has consistently introduced innovative formats to stay ahead of changes in consumer preferences. They launched dedicated stores for food delivery as early as 2007 and have localised menus to cater to the varying tastes of each region. Its dedicated network of 250 delivery stores has paid dividends as demand for food delivery accelerated in recent years. The company's growth potential is significant. Domino's, the market leader in Australia and United Kingdom, has over 700 stores catering to a population of 25 million in Australia and over 1000 stores in the United Kingdom serving a population of 65 million. As the leader in Indonesia with over 270 million consumers, Pizza Hut's store footprint can grow by multiples. Sarimelati Kencana is valued at only 0.7 times its revenues, compared to Domino's in the UK at over 4 times its revenue and Domino's Indian franchise at 15 times its revenue. We are excited by the opportunity ahead.

Pizza outlets per million people



Stores in Indonesia



Uni-Charm Indonesia has built a dominant position in hygiene products in Indonesia, led by the premium brand positioning and technology of its parent, Unicharm Japan. The annual per capita usage of these products in Indonesia is as low as one-tenth of the levels of developed markets such as Japan. In the mid-2000's, Unicharm drove widespread adoption of diapers in Indonesia when it launched a range of affordable diapers. It has maintained over 40% market share in each of its product segments and is expected to continue leading the industry in introducing new products. The management is also taking initiatives to increase its exposure to more profitable products and distribution channels. In 2020, Kimberly Clark acquired Softex Indonesia, the second largest diaper and feminine care brand in Indonesia with about half the market share of Uni-Charm, paying 2.8 times its sales. Its Japanese parent is valued at 3.6 times sales and Kimberly Clark at 2.9 times. Uni-Charm Indonesia's valuation of 0.6 times sales appears compelling to us.

"The Company recorded an increase in market share in the Company's three main categories: Baby Diapers to 47%, Sanitary napkins to 45% and Adult Diapers to 41%. In 2021, we will keep on being innovative in producing products for the satisfaction and convenience of consumers... We will continue to add and strengthen existing distribution points and also increase production capacity while continuing to improve the efficiency of the production process."

Yuji Ishi, President Director, Uni-Charm Indonesia (2021 Annual Report).

unicharm
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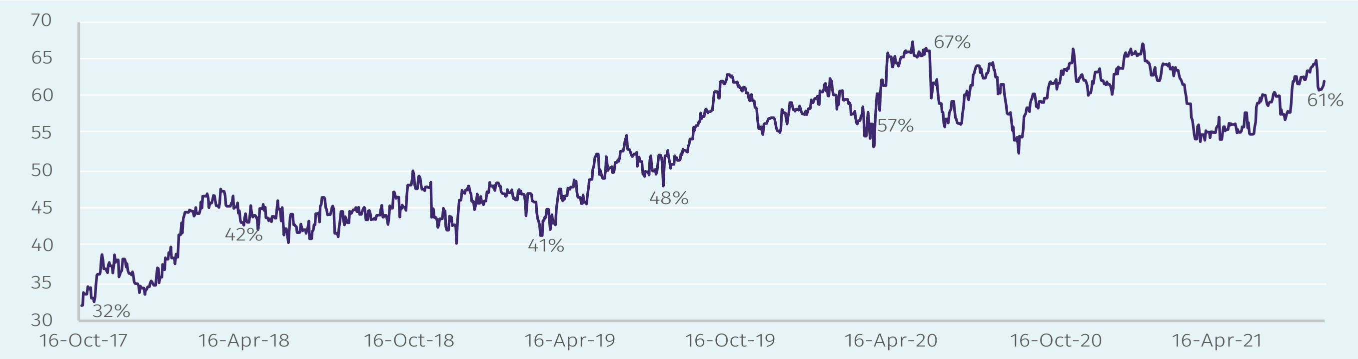
PT Uni-Charm Indonesia Tbk

Exceptional management teams

Scottish Oriental's portfolio companies are led by owners and managers who have established track records of treating all stakeholders fairly in both good and bad times. They are ambitious to grow their business but also risk-aware in their pursuit of growth. Among Asian smaller companies, we typically find such characteristics in family owned businesses. Typically, they take a multi-decade view of their business, which allows them to act counter-cyclically and create value for all shareholders.

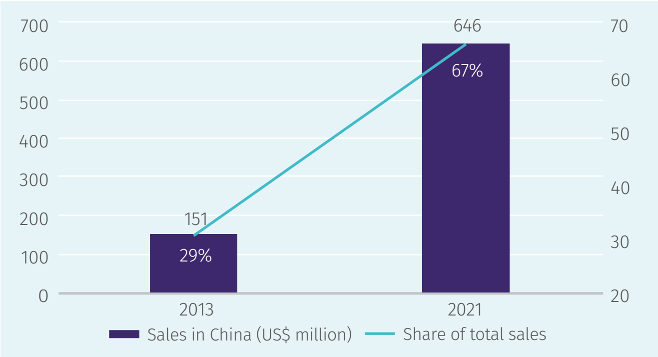
The Godrej family in India is the majority owner of **Godrej Industries**, the group's holding company which owns a 24% stake in Godrej Consumer Products, 47% in Godrej Properties and 62% in Godrej Agrovet. Since the group was founded in 1897, the family has successfully acted as the steward of its businesses across four generations. Whilst the family is responsible for group governance, each business is managed by talented professional managers. This combination of family ownership and professional management has helped Godrej build leading businesses in market segments ranging from hair colours to residential real estate and animal feed. The family also has a strong reputation for treating all its stakeholders fairly. In 2020, it set up a housing finance company. It was injected into Godrej Industries for a nominal sum. Godrej Industries previously incubated Godrej Properties and Godrej Agrovet, which now have market capitalisations of US$ 6.2 billion and US$ 1.7 billion respectively. It has the potential to achieve similar results in the housing finance business as well. We believe that the holding company is attractively valued at a 60% discount to its stake in its listed subsidiaries. The family appears to have the same view, having increased its own ownership in Godrej Industries by 3% over the last year.

Godrej Industries' Discount to Net Asset Value since listing of Godrej Agrovet



Vitasoy International was founded by the Lo family in Hong Kong before World War II, with the aim of providing nutritious soymilk to consumers at affordable prices. The management has expanded its product portfolio across a range of beverages. The family continues to play an active role in governance led by the Chairman, Winston Lo. They have recruited high quality professional managers with experience at leading multinationals with the objective of introducing global best-practice at Vitasoy. Roberto Guidetti was appointed the group's CEO in 2013. He has previously led Procter & Gamble's snacks businesses in Greater China and Coca-Cola's operations in Mainland China. Since his appointment, Vitasoy's sales in China have grown over four times in eight years, contributing 67% of the group's sales, compared to 29% in 2013. The opportunity in China remains large, with a market size of US$18 billion for ready to drink tea and US$2 billion for soymilk. The management is investing in launching healthier product variants and expanding the company's distribution network. Based on their track record and experience, we are confident that Vitasoy's management will succeed in building leading brands in China.

Vitasoy's Growth in China



We often find that generational change in Asian family owned businesses can act as the catalyst for improvements. The new generation of owners have typically studied overseas or worked at global multinationals. Based on their experience, they introduce various governance and operational improvements to their own businesses.

Portfolio Managers' Report cont'd

At **Century Pacific Food**, Christopher Po, the group founder's son, took over the business as its CEO in 2013. He had spent 15 years working in various roles including as a consultant and as Head of Strategy for a leading Filipino conglomerate. Since his arrival, he de-merged the consumer business from the parent entity. He hired experienced professional managers from PepsiCo, Unilever and Procter & Gamble to manage the consumer business and listed this company as Century Pacific Food in 2014. Their canned products have benefited from strong demand during the prolonged lockdown in the Philippines. Christopher Po used this opportunity to strengthen the company's brand image among consumers and encourage channel partners to support the development of emerging products. In our view, Century Pacific remains attractively valued at 19 times forward earnings, given its growth potential.

"We strengthened and grew the business together - launching new brands, beginning to acquire new businesses, and setting up the required business system... Our mission today is strengthening what we have, institutionalizing our processes, and making sure that our businesses not only endure beyond our lifetimes, but thrive over several decades to come."

Christopher T. Po, Executive Chairman, Century Pacific Food (2021 Annual Report).

CENTURY PACIFIC FOOD, INC.

High returns on capital employed (ROCE)

Under-penetrated Asian markets, can offer large growth opportunities. But we often find that management teams are tempted to engage in empire building or that low entry barriers in some industries tend to attract new competitors who drive down industry returns. We look for businesses in which the management has an established track record of allocating capital sensibly and with competitive advantages to sustain high returns on capital.

Zhejiang Weixing New Building Materials is a leader in the large and fragmented plastic pipe industry in China. Its peers typically earn a majority of their revenues by selling pipes to real estate developers. This business model delivers large volumes but has thin margins and long working capital cycles. Since it was founded in 1999, Weixing's management has taken a different approach. They invested in building a strong retail brand and selling directly to end-consumers. Their product portfolio largely comprises high-end pipes which are priced at a premium to other pipe varieties. Weixing's strong brand in the retail distribution channel and its associated pricing power allows the company to earn twice the operating profit margins of its Chinese peers, with relatively lower working capital. Its median return on capital employed over the last 15 years is 40%. The company plans to continue growing steadily in its existing business, while using its strong distribution and established brand to launch new products.

Colgate-Palmolive India has earned a median return on capital employed (ROCE) of 91% over the last 15 years. With the product development support of its parent and large investments in brand building, Colgate has consistently maintained around 50% market share in the toothpaste category in India, almost three times as much as its next largest competitor. This has afforded it strong pricing power. It earns gross margins of 69%, which have improved substantially over the years. It also receives favorable terms of trade from its distributors and maintains negative working capital. The company's earnings per share have grown by almost 20 times in 20 years. This growth has been completely funded using its internal accruals, while consistently paying dividends to shareholders. Colgate has a large opportunity ahead, as more Indian consumers use oral care products more frequently, the company launches premium oral care variants and enters new categories such as personal care.

Potential for strong earnings growth

We avoid businesses which are run by families who are content with their income stream in the form of remuneration and dividends. We instead prefer to invest with owners and managers who are ambitious to build big businesses while being risk aware in their approach. These leaders seek sustainable, rather than reckless growth. Sustainable growth encourages an organisational culture which avoids complacency and creates new opportunities for its employees.

Metropolis Healthcare is a leading diagnostic laboratory chain in India, led by the second-generation entrepreneur Ameera Shah. Tests per patient in India are much lower than in other emerging markets. The industry is dominated by standalone laboratories without quality accreditations or trained employees. Organised national chains only comprise 16% of the industry.

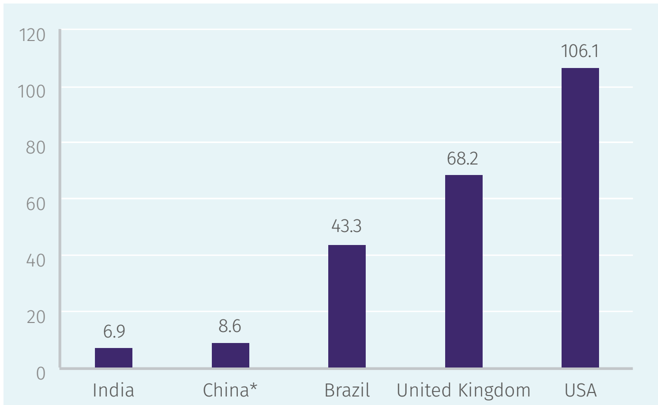
The preference amongst patients for such chains has been rising, accelerated further by COVID-19. Metropolis has built a leading reputation in the industry over the past three decades. The company has grown its revenues at 16% compound annual growth rate (CAGR) over the last five years, almost twice the rate of its peers. Metropolis is expanding its network of patient service centres in smaller cities and increasing its focus on esoteric tests which deliver higher profitability. They also have a track record of leading industry consolidation through acquisitions. Despite being among the industry leaders, Metropolis accounts for only around 1.5% of industry revenues. The company has the potential to be a much larger and more profitable business over the long term.

"When it comes to our customers, we have always believed in servicing with sheer dedication. And to improve customer experience, we revamped our app, website, digital presence optimisation, and marketing efforts. As a result, we saw 15x increase in website traffic, a 10x increase in call volume, and faster growth and revenue from home visits."

Ameera Shah, Managing Director, Metropolis Healthcare (FY 2021 Annual Report).

METROPOLIS
The Pathology Specialist

Per capita spend on diagnostic services (US$)



* Data for China's diagnostic industry is not easily available. These are estimates of Kotak Institutional Equities.

Portfolio Managers' Report cont'd

Parade Technologies is an integrated circuit designer. Its products facilitate high-speed data transmission across electronic devices. Since the company was founded in 2005, it has built leading market shares in its key products such as high-speed interface integrated circuits. The management also has forged strong relationships with large customers such as Apple, with which Parade has maintained a monopoly position in certain products. Rising data transmission speed across devices requires new products, which drive higher prices and better profitability for Parade. The company has grown its revenues and its net profits by almost 10 times in 10 years. Data transmission speeds are likely to continue rising. Parade is also developing new products with applications in servers and automobiles. These can become large addressable markets for the company in the years ahead.

An integrated approach to sustainability

We look for companies which have strong awareness of environmental, social and governance (ESG) issues integrated into their culture. They respect the environment and treat all stakeholders including their employees, tax authorities, business partners and local communities equitably. In our experience, most small Asian companies are keen to improve their ESG practices but may not have exposure to global best-practice. We proactively vote on all shareholder resolutions and engage on a range of issues from board composition to the safety of workers and the environmental impact of their operations. We also seek to introduce domain experts to the management teams. We have been encouraged to see that the management teams of Scottish Oriental's holdings have been receptive to our engagement.

The global cement industry has a poor reputation for sustainability. In stark contrast, **HeidelbergCement India** has integrated ESG issues into its growth aspirations. It enforces a zero-harm policy at its plants by linking the remuneration of its plant managers to their performance on safety parameters. It has achieved a net water positive position and consistently reduced its carbon footprint. The company's management is willing to invest in technology and alternative sources of energy to mitigate any risk of regulatory intervention in the future. Many of its peers have minimised investments in such areas in order to maximise short-term profits, which put their business at greater risk over the medium term. In our view, HeidelbergCement's approach positions it well to emerge as an industry leader in the coming years.

> *"It is my belief that an outstanding organization is known not only because of its size and market position but also by its stance on the larger narrative. We leave no stone unturned when it comes to our commitment to the community and the environment."*
>
> ***Jamshed Cooper, Managing Director, HeidelbergCement India (FY 2021 Annual Report).***
>
> HEIDELBERGCEMENT
> INDIA

The management of **Century Pacific Food** has developed a sustainability strategy focused on *"Protein, Planet and People"*. The company has launched affordable milk products fortified with immunity boosters, as well as a new range of plant-based meat alternative products. It is among the first to achieve plastic neutrality in the Philippines. It is consistently increasing the share of its production powered by renewable energy sources. In order to increase the focus on employee development, the management has introduced safety, employee engagement and training measures into its performance evaluation criteria. Customers are increasingly prioritising healthier products with a low environmental footprint. Century Pacific's initiatives should ensure that it remains at the forefront of serving its customers effectively.

> *"We remain steadfast in our commitment to raising the bar on the sustainability front. Most recently, we launched the country's first 100% recyclable toothpaste tube."*
>
> ***Ram Raghavan, Managing Director, Colgate-Palmolive (India) Limited (FY 2021 Annual Report).***
>
> Colgate

3. Recent Portfolio Activity

New Holdings

During the year we added 17 new companies to the portfolio.

Beijing Capital International Airport is the owner and operator of Beijing's northern airport. It has historically been among the busiest airports globally in terms of passenger throughput. The establishment of a new airport in Beijing and the disruption led by the COVID-19 pandemic reduced passenger volumes. Whilst cost reduction initiatives and its strong balance sheet have allowed the company to remain resilient through the COVID-19 related disruption, domestic travel has been improving steadily in China. The resumption of international travel in the coming years should lead to a significant improvement in its passenger throughput and profitability.

China Overseas Grand Ocean is a property developer in China, focused on tier-three and tier-four cities. The company has a presence in 37 cities and its sales have grown at 24% CAGR over the last five years. Its management has also been disciplined in bidding for land sites, which has led to an improvement in its return on equity over this period. Its management plans to enter new cities which are currently dominated by small and lower quality developers. This should lead to consistent growth in the years ahead.

Credit Bureau Asia is the monopoly credit bureau service provider in Singapore and Cambodia. The company has partnered with global leaders to be the first mover in its key markets. It also has local partnerships with banks in each market, which creates a significant barrier to entry for new entrants. As financial penetration increases, the addressable market for Credit Bureau Asia should grow steadily. The company is also likely to enter new markets.

CTOS Digital is the leading credit bureau service provider in Malaysia, with over 70% market share. Its new management has led several changes to its business over the last five years. CTOS has launched several new products for its clients including banks, small enterprises and individual consumers. It has also strengthened its sales force, technology systems and processes. This should lead to strong growth in the years ahead. It also has the potential to expand its presence in other markets such as Thailand, where it has a stake in the leading credit bureau.

Eicher Motors is the leading premium motor cycle manufacturer in India. Its Royal Enfield brand has over 90% market share in the premium category (over 250 cc). Its management is focused on increasing distribution, building new revenue streams and strengthening the product portfolio. This should allow the company to grow consistently. The company's commercial vehicle joint-venture with Volvo suffered due to a severe cyclical downturn in the commercial vehicle market. Its performance should improve following a revival in consumer demand.

IIFL Wealth Management is the leading wealth management platform in India. The wealth management industry in India is under-penetrated and is likely to grow substantially in the coming years. The industry is dominated by local wealth managers due to restrictions relating to the transfer of funds outside the country. Despite being the market leader, IIFL Wealth Management's market share is only around 10%. It has consistently gained market share due to its strong brand and by acquiring smaller platforms. It is likely to lead the consolidation in the industry over the long term.

Portfolio Managers' Report cont'd

KEI Industries is one of the leading cable and wire manufacturers in India. Cables and wires are fast growing and fragmented markets in India. Informal operators who sell lower quality products comprise a large share of the industry and have been struggling. Well run companies like KEI have been gaining market share from such companies consistently. Over the last decade, KEI has successfully built a strong branded consumer cables business. This segment has higher profitability, lower working capital needs and significantly higher returns on capital employed than its unbranded power cables segment.

Mahanagar Gas is the licensed city gas distributor in Mumbai and its surrounding regions. Natural gas penetration is increasing in India led by cost, environmental and regulatory tailwinds. Due to its monopoly position and the lower taxes on gas compared to alternative fuels, the company has strong pricing power in its key markets. This allows it to fully pass on any input price increases, but partly retain the benefits of input price reductions. This has led to a consistent increase in its profitability.

Mobile World Investment is the largest retailer in Vietnam with over 4,000 stores selling electronics, home appliances and groceries. The company's electronics and white goods retail businesses are dominant in their respective segments and generate significant cash flows which are likely to be used in building the leading brand in the fragmented grocery retail market. The company has also entered the pharmacy segment which could be another area of growth.

Mr. DIY is the largest home improvement and general merchandise retailer in Malaysia, with a focus on value for money offerings. Due to its strong brand, high customer footfall and low rental expenses, Mr. DIY typically achieves a complete payback on development costs for new stores within two years. Its management believes that over the long term, its store network could be double its current size in the country. They have also been piloting new formats, such as Mr. Dollar and Mr. Toy. Following its initial public offer, its balance sheet is net cash. The strong balance sheet and consistent free cash flow generation will fund the expansion of its store network.

Parade Technologies is an integrated circuit designer in Taiwan. Parade's product portfolio is positioned in segments which facilitate high-speed data transmission. It has leading global market shares in its key products such as high-speed controllers and display port connectors. It should continue to benefit from a consistent upgrade in data transmission speeds across electronic devices. It is also entering new product segments in fast growing addressable markets like servers.

Arwana Citramulia is a leading Indonesian tile manufacturer. The Indonesian tile industry suffered from a decline in demand and over-capacity in 2015. Since then, the company has reduced its operating expenses significantly. It has also shifted its product mix in favour of higher-priced tiles. Arwana is now entering the high-end porcelain tile segment. It has potential to gain market share from imports which comprise a majority of this segment. This should improve its profitability and accelerate its growth.

Uni-Charm Indonesia has a dominant position in categories including baby diapers, feminine hygiene products and adult diapers in Indonesia, led by the premium brand positioning and technology of its parent, Unicharm Japan. The penetration of each of these segments is low. As per-capita incomes rise, demand for high quality diaper and feminine hygiene products is rising. The management has also taken initiatives such as strengthening its distribution in more profitable channels and introducing new premium products. These initiatives have led to higher market shares and profitability.

Solara Active Pharma is an Active Pharmaceutical Ingredients (API) manufacturer in India. Solara operates largely in developed markets which have higher barriers to entry due to more stringent quality requirements. This leads to higher profitability for the company compared to most of its peers. The API industry in India is expected to grow rapidly as domestic pharmaceutical companies substitute their imports of APIs with domestic supplies, while global customers also find alternative suppliers to reduce their dependence on Chinese API manufacturers.

Thermax is a leading engineering and capital goods company in India. Due to the depressed industrial cycle in India, customer demand for Thermax's boilers was weak over the last decade. The company used its strong free cash flows to expand into global markets seeking higher growth. This was unsuccessful and led to a decline in its returns on capital employed. A new CEO appointed in 2020 is making changes to capital allocation by reducing exposure to poorly performing global markets. His focus is on expanding Thermax's clean energy business for which customer demand is strong. The company should also benefit from an improvement in industrial demand in India.

TISCO Financial is among the leading financial services groups in Thailand. TISCO is focused on improving its return on assets, instead of aggressively growing its loan portfolio. Its return on assets is among the highest in the industry. The COVID-19 disruption has also had a limited impact on its loan portfolio, with only a small share of its customers opting for the government's loan moratorium facility. As automotive demand in the country gradually normalises, the company is likely to grow its loan book steadily.

Zinus is a leading global manufacturer of mattresses, selling through online channels. Bulky mattresses traditionally had high transportation costs. Zinus introduced the "Mattress In A Box" concept which allows them to sell at significantly lower prices than their competitors. The company is expanding its product portfolio and entering new markets. The company has grown its sales at a rate of more than 30% over the last 5 years and maintained high returns on equity. Its growth is likely to remain strong in the coming years as it implements its expansion strategy.

Significant additions to existing positions

We added to Scottish Oriental's holdings in a number of companies as share price weakness resulted in more attractive valuations. These companies included **Vitasoy International**, **Ace Hardware Indonesia**, **Mitra Adiperkasa** and **Philippine Seven**. We also added to the holdings in **Uni-President China**, **Sinbon Electronics**, **JNBY Design** and **United Breweries** as our conviction in their long term growth outlook increased.

Sales

We sold 15 holdings during the year.

51job was sold as we were disappointed by a lack of engagement with the management and poor communication related to its long term growth plans, including a takeover offer received by the company. Our industry analysis also indicated the emergence of strong new competitors, which could reduce the long term growth potential of the company.

Nexteer Automotive was sold after its share price rose significantly following strong automotive demand in its key markets. Our engagement with the company suggested intense competition in emerging areas such as advanced driver assisted systems. This could affect the company's growth and profitability.

ACC and **Ambuja Cements** were initially purchased when their valuations had declined to extremely attractive levels during the COVID-19 disruption. As economic activity normalised and cement demand rose, their share prices rebounded and valuations rose significantly. The long term growth potential of these businesses is relatively lower, and as a consequence, the holdings were sold.

Great Eastern Shipping was sold following limited progress in our engagement with the company's management related to the de-merger or sale of its offshore oil services business. The long term prospects of this business are challenged and it is likely to continue diluting the returns from the group's shipping operations.

Zensar Technologies was sold due to challenges in some of its key customer segments. The company's management has been unable to effectively transition its business away from these clients.

APM Automotive was sold due to lower conviction in the long term prospects of Malaysia's automotive component industry, as well as in the capital allocation strategy of its management team.

Universal Robina was sold due to increasing risks to its profitability following a sharp increase in raw material costs. We believe that the company may not be able to raise prices adequately to cover these cost increases, due to intense competition across various categories in which it operates. This could lead to a decline in the company's profitability.

Hatton National Bank was sold due to the challenging outlook for the Sri Lankan banking industry. Several macro-economic challenges have led to a weaker growth outlook and a rise in the industry's non-performing loans.

REE and **Towngas China** were disposed of due to lower conviction in the management's capital allocation strategy.

BASF India, **Tata Consumer Products**, **Voltas** and **Leeno Industrial** were sold as their valuations became expensive following strong performance and share price appreciation.

Significant reductions from existing positions

We reduced Scottish Oriental's holdings in a number of companies following strong share price appreciation which saw their valuations rise. These companies included **Zhejiang Weixing New Building Materials**, **Emami**, **Blue Star**, **Mahindra Lifespace**, **Metropolis Healthcare**, **Mphasis**, **SKF India**, **Mr. DIY** and **Century Pacific Food**.

We also reduced Scottish Oriental's holding in **Nissin Foods**, as our engagement with the company indicated that substantial inflation in its raw material costs could lead to a decline in its profitability.

Purchased and subsequently sold

Three holdings were purchased and subsequently sold during the year. We subscribed to two initial public offerings (IPOs), **Gland Pharma** and **Ming Yuan Cloud** but sold the holdings after significant share price appreciation led to their valuations becoming expensive. We purchased **Quess** following the appointment of a new CEO. The company's capital allocation had been poor and its staffing business had also been severely affected by the COVID-19 disruption. The new CEO has been implementing changes to improve the company's capital allocation. The strong economic recovery in India led to a sharp rise in its share price and expensive valuations, due to which we sold Scottish Oriental's holding.

Portfolio Managers' Report cont'd

4. Ten Largest Investments

As at 31st August 2021

Name	Country	Sector	% of Shareholders' Funds
Godrej Industries	**India**	**Materials**	**4.1**

It is a holding company which owns stakes in Godrej Consumer Products, Godrej Properties and Godrej Agrovet. Its subsidiaries and associates operate leading businesses in segments such as hair colors, household insecticides, real estate and crop protection products. The holding company trades at over 60% discount to the value of its stakes in its listed subsidiaries and associates.

Century Pacific Food	**Philippines**	**Consumer Staples**	**3.8**

Century Pacific owns leading brands for canned fish, tuna and meat in the Philippines. It has entered new, fast growing categories such as dairy and alternative meat products in recent years.

Mitra Adiperkasa	**Indonesia**	**Consumer Discretionary**	**3.6**

It operates franchises for leading global brands including Zara, Starbucks, Domino's and Sephora in Indonesia. It serves as a proxy for consumer spending in Indonesia, due to its leading market positions.

Colgate-Palmolive India	**India**	**Consumer Staples**	**3.3**

Colgate is the market leader in the oral care segment in India, with about 50% market share in the toothpaste category. It also has potential to build a large presence in segments such as personal care.

Mahindra CIE Automotive	**India**	**Consumer Discretionary**	**3.1**

It is a leading automotive component manufacturer in India and Europe. The company has been gaining market share and introducing new products in its key markets.

Selamat Sempurna	**Indonesia**	**Consumer Discretionary**	**3.1**

It is the leading manufacturer of filters and radiators in Indonesia. Through its joint-venture with Donaldson (United States of America), it also exports products to global markets. Selamat Sempurna has the potential to consolidate the fragmented domestic industry and enter new segments such as air and water filters which have a large addressable market.

Uni-President China	**China**	**Consumer Staples**	**3.0**

The company operates leading instant noodle and beverage brands in China. Its management is focused on launching premium products which earn higher margins and for which consumer demand is growing fast.

Mphasis	**India**	**Technology**	**2.8**

Mphasis is an information technology services provider which assists global clients in their digital transformation and cloud computing efforts. Their clients' spending on these areas is growing significantly and Mphasis has built a leading position in these segments.

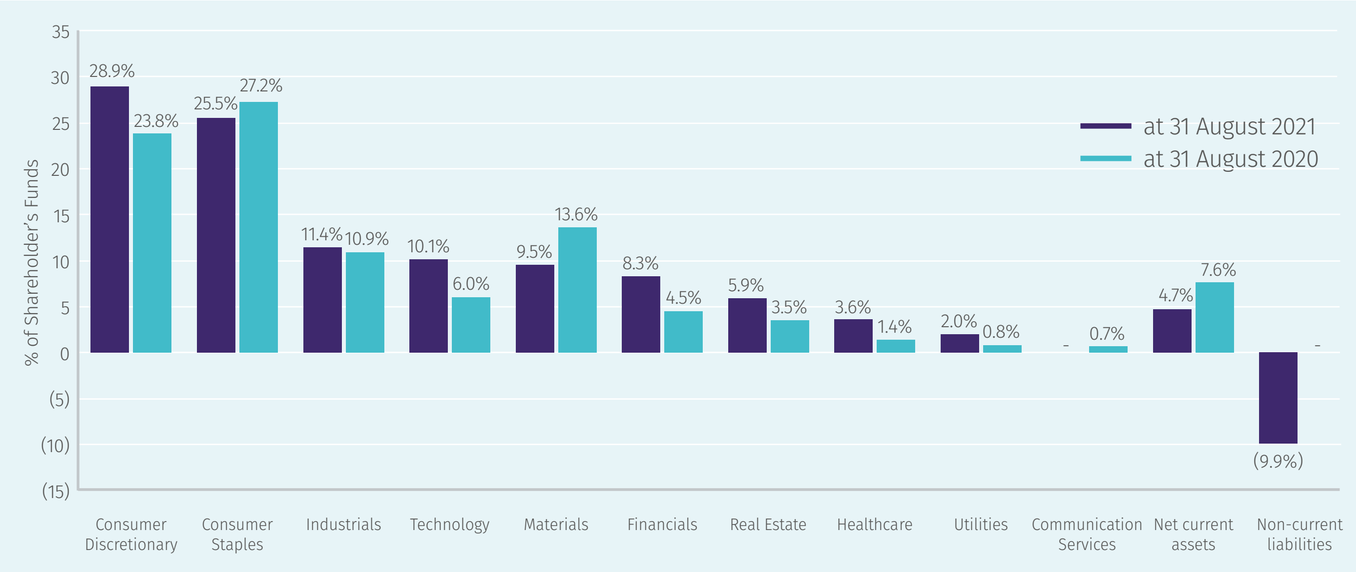
Ace Hardware Indonesia	**Indonesia**	**Consumer Discretionary**	**2.6**

Ace Hardware is a leading hardware retailer in Indonesia. The industry is highly fragmented. Ace has the potential to gain significant market share from unorganised sector retailers which sell lower quality products.

Hero Supermarket	**Indonesia**	**Consumer Staples**	**2.6**

The company operates several retail formats in Indonesia, through its Hero Supermarket brand and its franchises for IKEA and Guardian. It recently decided to shut down its loss making hypermarket format and has increased its focus on the profitable and fast growing IKEA franchise.

5. Sector Allocation as at 31 August 2021



6. Portfolio Positioning and Outlook

Country Allocation at 31 August 2021 (based on geographical area of activity)

Country/Region	Scottish Oriental 2021 %	Scottish Oriental 2020 %	MSCI* 2021 %	MSCI Small Cap† 2021 %
China	**8.9**	7.6	39.1	11.0
Hong Kong	**4.9**	7.8	7.5	6.5
Taiwan	**7.2**	3.9	16.9	24.0
Greater China	**21.0**	19.3	63.5	41.5
Indonesia	**18.6**	12.6	1.4	1.7
Malaysia	**2.0**	–	1.6	3.5
Philippines	**9.9**	12.5	0.7	1.0
Singapore	**3.0**	1.2	2.5	5.9
Thailand	**1.5**	–	2.0	4.0
Vietnam	**2.4**	2.5	–	–
South East Asia	**37.4**	28.8	8.2	16.1
Bangladesh	**1.4**	1.7	–	–
India	**41.7**	39.4	13.4	21.8
Pakistan	**1.3**	1.1	–	0.4
Sri Lanka	**–**	0.6	–	–
Indian Subcontinent	**44.4**	42.8	13.4	22.2
South Korea	**2.4**	1.5	14.9	20.2
Net Current Assets	**4.7**	7.6	–	–
Non-Current Liabilities	**(9.9)**	–	–	–
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

Portfolio Managers' Report cont'd

Almost 70% of Scottish Oriental's portfolio is invested in India, Indonesia and the Philippines. The country and sector positioning of the portfolio are a residual outcome of our bottom-up stock selection process. We have consistently found more quality businesses in these markets which meet our investment criteria, compared to more developed Asian countries. A few key reasons for this are detailed below.

We receive much greater access to key decision makers in these markets which allows us to assess our alignment. In China and South Korea, we can often speak only to investor relations personnel or Board Secretaries who are unable to offer insight into long term strategic issues and it therefore takes us longer to become comfortable with our assessment of company management. We also find more privately owned businesses in our preferred markets, compared to markets such as China which has a large number of state owned enterprises with national service obligations. Finally, market leaders across industries in India, Indonesia and the Philippines are still small companies owing to low market penetration. In more developed markets like China, the market leaders are already large businesses. For example, Blue Star and Concepcion Industrial, the leading air-conditioner manufacturers in India and the Philippines respectively, have market capitalisations of US$1.1 billion and US$200 million, compared to US$70 billion for Midea, the industry leader in China. We view companies like Blue Star and Concepcion Industrial as potentially large businesses, currently hiding in small market capitalisations.

We are excited about the outlook for Scottish Oriental's portfolio.

- The higher concentration among the top 10 and top 20 holdings reflects our increased conviction in the Company's largest holdings.
- The return on equity of the Company's investments has improved over recent years, with 2020's lower figure reflecting the impact COVID-19 had on some holdings.
- On the reduced earnings base that resulted from the impact of COVID-19, the earnings per share growth of Scottish Oriental's portfolio is expected to improve sharply in the coming years, reflecting a strong recovery.
- Scottish Oriental's holdings are attractively valued with the higher return on equity and expected growth in earnings per share only reflected through a modest premium on the price to earnings ratio of the portfolio compared to recent history.

	2016	2018	2020	2021
Weight of top 10 holdings %	26.1%	29.5%	32.0%	**32.5%**
Weight of top 20 holdings %	44.3%	51.3%	52.9%	**56.1%**
Median current year return on equity	14.0%	16.0%	10.6%	**18.4%**
Median 2-year forecast annualised earnings per share growth	9.8%	14.0%	8.3%	**21.5%**
Median forward price to earnings ratio	14.6x	15.1x	17.4x	**17.8x**

Vinay Agarwal
Sreevardhan Agarwal
FSSA Investment Managers

20 October 2021

List of Investments at 31 August 2021

	% of Shareholders' Funds
Bangladesh (1.4%)	
Financials (1.4%)	
Delta Brac	1.4
China (8.9%)	
Consumer Discretionary (3.0%)	
Hisense Home Appliances	1.1
JNBY Design	1.9
Consumer Staples (3.0%)	
Uni-President China	3.0
Industrials (1.2%)	
Beijing Capital International Airport	1.2
Materials (1.0%)	
Zhejiang Weixing New Building Materials	1.0
Real Estate (0.7%)	
China Overseas Grand Ocean	0.7
Hong Kong (4.9%)	
Consumer Discretionary (1.9%)	
Fairwood Holdings	1.9
Consumer Staples (3.0%)	
Nissin Foods	1.0
Vitasoy International	2.0
India (41.7%)	
Consumer Discretionary (4.0%)	
Bosch	0.9
Mahindra CIE Automotive	3.1

	% of Shareholders' Funds
Consumer Staples (6.7%)	
Colgate-Palmolive India	3.3
Emami	1.1
United Breweries	2.3
Financials (2.2%)	
IIFL Wealth Management	2.2
Healthcare (3.6%)	
Metropolis Healthcare	1.7
Solara Active Pharma	1.9
Industrials (6.7%)	
Blue Star	2.4
Eicher Motors	0.1
Kei Industries	1.8
SKF India	1.7
Thermax	0.7
Materials (8.5%)	
Castrol India	1.3
Godrej Industries	4.1
HeidelbergCement India	1.6
Kansai Nerolac Paints	1.5
Real Estate (5.2%)	
Mahindra Lifespace	2.5
Oberoi Realty	2.7
Technology (2.8%)	
Mphasis	2.8
Utilities (2.0%)	
Mahanagar Gas	2.0

	% of Shareholders' Funds
Indonesia (18.6%)	
Consumer Discretionary (13.1%)	
Ace Hardware Indonesia	2.6
Arwana Citramulia	0.7
Astra Otoparts	1.0
Mitra Adiperkasa	3.6
Sarimelati Kencana	2.1
Selamat Sempurna	3.1
Consumer Staples (4.6%)	
Hero Supermarket	2.6
Uni-Charm Indonesia	2.0
Financials (0.9%)	
Bank OCBC Nisp	0.9
Malaysia (2.0%)	
Consumer Discretionary (0.8%)	
Mr. DIY	0.8
Technology (1.2%)	
CTOS Digital	1.2

List of Investments at 31 August 2021 cont'd

	% of Shareholders' Funds
Pakistan (1.3%)	
Consumer Discretionary (1.3%)	
Indus Motor Company	1.3
Philippines (9.9%)	
Consumer Discretionary (1.7%)	
Max's Group	1.7
Consumer Staples (6.3%)	
Century Pacific Food	3.8
Philippine Seven	2.5
Industrials (1.9%)	
Concepcion Industrial	1.9
Singapore (3.0%)	
Consumer Staples (1.9%)	
Haw Par	1.9
Financials (1.1%)	
Credit Bureau Asia	1.1

	% of Shareholders' Funds
South Korea (2.4%)	
Consumer Discretionary (1.2%)	
Zinus	1.2
Financials (1.2%)	
NHN KCP	1.2
Taiwan (7.2%)	
Consumer Discretionary (1.7%)	
Poya International	1.7
Industrials (1.6%)	
Voltronic Power	1.6
Technology (3.9%)	
Parade Technologies	2.6
Sinbon Electronics	1.3

	% of Shareholders' Funds
Thailand (1.5%)	
Financials (1.5%)	
TISCO Financial	1.5
Vietnam (2.4%)	
Consumer Discretionary (0.2%)	
Mobile World Investment	0.2
Technology (2.2%)	
FPT	2.2

Ten Year Record

Capital

Year ended 31 August	Market Capitalisation £m	Shareholders' Funds £m	NAV p	Share Price p	Discount to NAV %
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
2019	301.73	346.06	1,158.42	1,010.00	12.8
2020	249.73	289.45	992.14	856.00	13.7
2021	**297.80**	**345.46**	**1,264.54**	**1,090.00**	**13.8**

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*
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
2019	7,648	3,734	12.50	11.50	1.01	1.01	88	100
2020	6,308	2,439	8.19	11.50	1.03	1.03	92	100
2021	**6,872**	**2,548**	**9.02**	**11.50**	**1.02**	**1.02**	**105**	**110**

* A glossary of terms and definitions is provided on pages 64 and 65.

Performance (taking year ended 31 August 2011 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
2011	100	100	100	100	100	100
2012	108	101	97	106	126	122
2013	130	122	105	126	138	135
2014	145	142	116	135	91	135
2015	132	120	103	127	147	135
2016	169	151	133	137	90	135
2017	193	178	165	151	64	135
2018	187	170	164	152	87	135
2019	187	168	160	147	118	135
2020	160	143	173	124	77	135
2021	**204**	**182**	**194**	**152**	**84**	**135**

Directors

James Ferguson (Chairman)

James joined the Board in 2004. He is Chairman of Value and Income 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.

James is also the Chairman of the Remuneration Committee and a member of the Management Engagement Committee.

Andrew Baird

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

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

Michelle Paisley

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

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

Anne West

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

Jeremy Whitley

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

Jeremy is also the Chairman of the Audit Committee and a member of the Remuneration Committee and Management Engagement Committee.

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 and emerging risks and challenges the Company has faced during the year under review. It should be read in conjunction with the Chairman's Statement on page 3 and the Portfolio Managers' Report on pages 5 to 8, 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 22.

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

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

Business and Status

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

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

Investment Objective

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

Investment Policy

At the Annual General Meeting held on 8 December 2020, shareholders voted to adopt the new Investment Policy set out below. The key changes to the Investment Policy are detailed on page 27.

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

A portfolio review by the Investment Manager is given on pages 5 to 18 and the investments held at the year end are listed on pages 19 and 20.

Business Model and Strategy for Achieving Objectives

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

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

Purpose and values

Purpose

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

Values

Independence: to act independently in the interests of shareholders.

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

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

Culture

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

Investment Manager

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

A summary of the terms of the Investment Management Agreement is contained in note 2 of the Accounts on page 54.

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

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

Responsible Investing

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

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

Gearing

Details of the Company's £30 million fixed rate loan notes can be found in note 10 on page 58.

Principal Risks and Uncertainties

The Board has carried out a careful assessment of the principal and emerging risks facing the Company, these risks, together with a summary of the mitigating action the Board takes to manage these risks, are set out below.

COVID-19 Pandemic

Risk	Mitigation
The Board acknowledges that there are a number of related emerging risks resulting from the pandemic that may impact the Company. These include investment risks surrounding the companies in the portfolio such as reduced demand, reduced turnover and supply chain breakdowns.	The Board continues to work with the Investment Manager, Juniper Partners and its other advisers to manage these risks as far as possible in these uncertain times.

Principal Risks

Risk	Mitigation
Investment objective and strategy An inappropriate or unattractive objective and strategy may have an adverse effect on Shareholder returns or cause a reduction in demand for the Company's shares, both of which could lead to a widening discount. **No change to this risk**	The Board conducts annual strategy reviews and considers investment performance, shareholder views and developments in the marketplace as well as emerging risks which could impact the Company. The Board reviews changes to the shareholder register at quarterly Board meetings and engages the Administrator to continually monitor the discount at which the Company's shares trade, reporting regularly to the Board and buying back shares when appropriate.
Investment performance Poor investment performance may have an adverse effect on Shareholder returns. In extreme circumstances, poor investment performance could lead to the Company breaching loan covenants. **No change to this risk**	The Board reviews investment performance at each quarterly Board meeting. The Investment Manager reports on the Company's performance, transaction activity, individual holdings, portfolio characteristics and outlook. Investment performance and the portfolio composition has been monitored specifically in light of the COVID-19 pandemic. The Investment Manager is formally appraised at least annually by the Management Engagement Committee. The Board reviews compliance with the Company's loan covenants on a quarterly basis.
Financial and Economic The Company's investments are impacted by financial and economic factors including market prices, interest rates, foreign exchange rates, liquidity and credit which could cause losses to the investment portfolio. **No change to this risk**	The Board regularly reviews and agrees policies for managing market price risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. These are explained in detail in note 15 to the financial statements on pages 59 to 63.

Strategic Report cont'd

Principal Risks

Risk	Mitigation
Share price discount/premium to net asset value A significant share price discount or premium to the Company's net asset value per share, or related volatility, could lead to high levels of uncertainty or speculation and the potential to reduce investor confidence. **No change to this risk**	The Board has established share issuance and share buy-back processes to assist in the moderation of share price premium and discount to net asset value. Shareholders are kept informed of developments as far as practicable and are encouraged to attend briefings, such as the Company's Annual General Meeting, to understand the implementation of the investment policy to achieve the Company's objectives.
Operational The Company is reliant on third party service providers including FSSA Investment Managers as Investment Manager, Juniper Partners as Company Secretary and Administrator, J P Morgan as Depositary and Custodian and Computershare as Registrar. Failure of the internal control systems of these third parties could result in inaccurate information being reported or risk to the Company's assets. **No change to this risk**	Operationally, COVID-19 continues to affect each of the Company's key service providers and each has put in place the appropriate arrangements for their staff to work from home. To date these services have continued without disruption and the operational arrangements have proven adequate. The Board will continue to monitor these arrangements. The Audit Committee formally reviews each service provider at least annually, considering their reports on internal controls. Further details of the Company's internal control and risk management system is provided on page 32.
Regulatory The Company operates in a regulatory environment. Failure to comply with s1158 of the Corporation Tax Act 2010 could result in the Company losing investment trust status and being subject to tax on capital gains. Failure to comply with other regulations could result in financial penalties or the suspension of the Company's listing on the London Stock Exchange. **No change to this risk**	Compliance with relevant regulations is monitored on an ongoing basis by the Company Secretary and Investment Manager who report regularly to the Board. The Board monitors changes in the regulatory environment and receives regulatory updates from the Company Secretary, Lawyers and Auditor as relevant. The Board has been updated on any regulatory changes proposed in respect of the response to the COVID-19 pandemic as required.

Duty to Promote the Success of the Company

The Directors have a duty to promote the success of the Company for the benefit of its shareholders as a whole. The Directors are required to include a report explaining how they have discharged their duties under Section 172(1) of the Companies Act 2006 and how they have considered the views of the Company's key stakeholders in regard to any key decisions taken. The report includes specific matters the Board has considered during the COVID-19 pandemic. The Company being an investment trust, the key stakeholders comprise its shareholders, the Investment Manager, its third-party service providers (including the Company Secretary and Administrator, the Registrar, the Depositary and the Custodian) and debt provider.

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

The Company's primary business relationships are with its Investment Manager and AIFM, First Sentier Investors (UK) Funds Limited and First Sentier Investors (UK) Funds Limited, and its Company Secretary and Administrator, Juniper Partners. First Sentier are specialists in Asia Pacific and Global Emerging Markets equity strategies with a team of dedicated investment professionals based in Hong Kong, Singapore and Edinburgh.

They are bottom-up investors, using fundamental research and analysis to construct high-conviction portfolios. First Sentier conduct more than a thousand direct company meetings a year, seeking to identify high quality companies that they can invest in for the long term. As responsible, long-term shareholders, First Sentier engage extensively on environmental, labour and governance issues and are signatories to the UN Principles for Responsible Investment. They also support social impact initiatives across the Asia region through the strategic philanthropic work of Manan Trust.

Juniper Partners provides Company Secretarial and Administration services to the Company. Juniper Partners also seeks to maintain constructive relationships with the Company's other third-party suppliers, for example the Registrar, the Depositary and the Custodian, on behalf of the Board typically through regular communication and provision of information.

On behalf of the Board, the Investment Manager and Juniper Partners maintain a positive working relationship with the purchaser of the Company's loan notes, and provide regular updates on business activity and compliance with its loan covenants.

Specific examples of stakeholder consideration during the year

The Board is always mindful of its responsibilities to all stakeholders of the Company and this forms part of every Board decision.

COVID-19

Since the COVID-19 crisis emerged in early 2020, there has been increased interaction with the Investment Manager, Juniper Partners and other agents to the Company to ensure that the Company has sufficient resilience in its portfolio and in its operational structure to meet the challenging circumstances.

Investment Policy

Following a number of discussions with the Investment Manager the Board agreed that the Investment Manager should have more flexibility to invest in Asian smaller companies that have greater market capitalisations, as well as expanding the investment remit to include Australasia and Japan. This change in Investment Policy was approved by Shareholders at the AGM on 8 December 2020.

Gearing

The Investment Manager believes the outlook for Asian equities over a 20 year time frame to be very strong. Due to this and the availability of long-term debt at relatively low rates of interest the Board approved the issue of £30 million of loan notes in March 2021. Please see note 10 to the financial statements on page 58 for more detail.

Discount

The Board continued to monitor the discount levels at which the Company's shares traded to its net asset value, and in the year bought back 1,852,871 shares to be held in Treasury.

Dividend

One of the consequences of COVID-19 is that some investee companies sought to preserve their cash by cutting, postponing or cancelling their dividends. This had an impact on the Company's income and the net revenue available for distribution as dividends. However, after discussing the Company's revenue forecasts and the general investment outlook with the Investment Manager, the Board decided to maintain the dividend at 11.5p per share for the financial year to 31 August 2021.

Social, Community and Human Rights Issues

The Board undertakes an annual review of environmental, social and governance factors in the context of the Company's investment portfolio, considering the Investment Manager's approach to the responsible investment of shareholders' funds, please refer to page 24 for further details.

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 3.

On behalf of the Board

Juniper Partners Limited
Company Secretary

20 October 2021

Directors' Report

The Directors have pleasure in presenting the Annual Report for the year to 31 August 2021.

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 14 January 2022. 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 2020 (per Statement of Financial Position)	7,144
Dividend paid for year ended 31 August 2020	(3,284)
Net revenue earned in the year ended 31 August 2021	2,548
Revenue reserve as at 31 August 2021 (per Statement of Financial Position)	6,408
Dividend proposed for year ended 31 August 2021	(3,142)
Revenue reserve as at 31 August 2021 (after payment of proposed dividend)	3,266

Share Capital and Share Buy Backs

The Company's capital structure consisted of 31,413,663 ordinary shares of 25p each at 31 August 2021.

The Company's buy back authority was last renewed at the General Meeting on 8 December 2020 in respect of 4,335,104 ordinary shares of 25p each.

During the year the Company bought back 1,852,871 ordinary shares to be held in Treasury. The Company held 4,092,504 ordinary shares in Treasury at 31 August 2021.

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

Substantial Shareholders

At 31 August 2021 the Company was aware of the following significant shareholdings representing (directly or indirectly) 3 per cent or more of the voting rights attaching to the issued share capital of the Company:

	Number of shares held	Percentage held
Clients of City of London Investment Management	5,219,347	18.7%
Clients of BMO Global Asset Management	2,618,871	9.0%
Clients of Brewin Dolphin Securities	2,335,568	8.0%
Clients of Alliance Trust Savings	2,315,394	7.9%
Clients of Hargreaves Lansdown	1,907,929	6.5%
Clients of Investec Wealth & Investment	1,511,277	5.2%
Clients of Rathbones	1,140,755	3.9%

On 6 September 2021 City of London Investment Management notified the Company that their clients now hold 19.0% of the shares in issue.

On 6 September 2021 Wells Fargo notified the Company that their clients hold 5.3% of the shares in issue.

Going Concern

In assessing the Company's ability to continue as a going concern the Directors have considered the Company's investment objective detailed on page 1, risk management policies detailed on pages 25 and 26, the nature of its portfolio and expenditure projections and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and for at least 12 months from the date of this Report. In addition, the Board has had regard to the Company's investment performance (see page 1), the price at which the Company's shares trade relative to their NAV (see page 1) and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with Shareholders).

The Directors performed an assessment of the Company's ability to meet its liabilities as they fall due. In performing this assessment, the Directors took into consideration the uncertain economic outlook in the wake of the COVID-19 pandemic including:

- cash and cash equivalents balances and the portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue, operating and finance cost forecasts for the forthcoming year;
- continued adherence to the loan covenants;
- the ability of third-party service providers to continue to provide services; and
- three potential downside scenarios including stress testing the Company's portfolio for a 30% fall in the value of the investment portfolio; a 50% fall in dividend income; and a similar level of share buybacks to the current year. The cumulative impact of these three downside scenarioes would leave the Company with a negative net cash position. However share buybacks would not be undertaken without the due consideration of cash resources, additionally there is no formal discount control policy in place.

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

Viability Statement

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

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

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

The Directors have also carried out a robust assessment of the principal and emerging risks that are facing the Company over the period of the review, including those that would threaten its business model, future performance, solvency or liquidity, as noted in the Strategic Report on pages 25 and 26 and discussed in note 15 to the Accounts.

The Directors have also taken account of the liquidity of the portfolio, which consists of listed equities, and the level of ongoing charges when considering the viability of the Company over the next five years and its ability to meet liabilities as they fall due.

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

In making this assessment, the Board has considered in particular the potential short and longer term impact of COVID-19, in the form of a period of significant stock market volatility, a significant reduction in the liquidity of the portfolio or changes in investor sentiment, and how these factors might affect the Company's prospects and viability in the future. The Board has also evaluated the ability of third party suppliers to continue to deliver services to the Company during COVID-19.

Financial Instruments

Information on the Company's financial instruments can be found in the Notes on the Accounts on pages 54 to 63.

Directors' Report cont'd

Principal Risks and Risk Management

Information on the principal and emerging risks to shareholders and management of these risks can be found in the Strategic Report on pages 25 and 26 and in note 15 to the Accounts on pages 59 to 63.

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.

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

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

Criminal Finances Act 2017

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

Disclosure of Information to the Auditor

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

Annual General Meeting

The notice convening the Annual General Meeting to be held on 7 December 2021 (the "AGM") is given on pages 66 and 67. The resolutions to be proposed include a resolution to approve the Directors' Remuneration Report which is set out on pages 34 to 37.

Resolutions 10 and 11 to be proposed at the Annual General Meeting as ordinary and special resolutions respectively will, if approved, authorise the Directors to allot a limited number of new ordinary shares and empower them to allot some or all of the same for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The authority being sought under Resolution 10 is in respect of £676,318 in nominal value of relevant securities, representing approximately 10 per cent of the issued ordinary share capital at 19 October 2021. The power to disapply pre-emption rights being sought under Resolution 11 is also in respect of £676,318 of equity securities representing approximately 10 per cent of the ordinary shares of the Company (excluding Treasury Shares) in issue on 19 October 2021. The authority under Resolutions 10 and 11, if granted, will expire at the earlier of the next Annual General Meeting or 15 months from the passing of the resolutions. The Directors, who have no present intention of exercising their authority to allot any of the same, will allot relevant securities under this authority only to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

Resolution 12 to be proposed at the Annual General Meeting as a special resolution gives authority to the Company to purchase its own shares, subject to the provisions of the Companies Act 2006, as permitted by the Company's Articles of Association. This resolution specifies the maximum such number of shares which may be acquired (being 4,055,202 ordinary shares, representing 14.99 per cent of the Company's issued share capital at 19 October 2021) 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 the Company's net asset value. The proposed authority, if granted, will expire at the earlier of the next Annual General Meeting or 15 months following the passing of Resolution 12. There are no options outstanding over the Company's share capital.

Notice Period for General Meetings

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

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

Recommendation

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

Relations with Shareholders

The Board places great importance on communication with shareholders. In addition to the regular annual and half year reports, monthly factsheets, investment updates and general information are available on the Company's website **www.scottishoriental.com**. The Investment Manager has a policy of meeting major shareholders and reports to the Board following such meetings. The Chairman and members of the Board are available to meet with shareholders as appropriate. Any shareholder wishing to communicate with a member of the Board may do so by writing to him or her at the Company Secretary's office as detailed on page 71 of this report. Proxy voting figures for each resolution are available to shareholders after the AGM. Separate items of business are proposed as separate resolutions. The Annual Report is sent to shareholders at least 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

Juniper Partners Limited
Company Secretary

20 October 2021

Report of the Audit Committee

The Audit Committee is chaired by Jeremy Whitley and also comprises Andrew Baird and Michelle Paisley.

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

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and to review significant financial reporting judgements contained in them;
- to consider the appointment of the external auditor, the audit fee, and any questions of the external auditor's resignation or dismissal;
- to review the half-year and annual financial statements before submission to the Board;
- to monitor and review the effectiveness of the Company's statements on corporate governance and internal control systems (including financial, operational and compliance controls and risk management) prior to endorsement by the Board; and
- to review and monitor the external auditor's independence and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. The Audit Committee also reviews the objectivity of the auditor and the terms under which they are appointed to perform non-audit services. Johnston Carmichael LLP ("Johnston Carmichael") provided no non-audit services for the year ended 31 August 2021.

At the request of the Board, the Audit Committee considered whether the 2021 Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Audit Committee has reviewed the Annual Report and Accounts and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion the Audit Committee has assumed that the reader of the Annual Report and Accounts has a reasonable level of knowledge of the investment industry.

Auditor

As part of its review of the scope and results of the audit, the Audit Committee considered and approved Johnston Carmichael's plan for the audit of the financial statements for the year ended 31 August 2021. At the conclusion of the audit, Johnston Carmichael did not highlight any issues to the Audit Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. Johnston Carmichael issued an unqualified audit opinion which is included on pages 42 to 47.

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

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

Internal Controls

The Directors are ultimately responsible for the internal controls of the Company which aim to ensure that proper accounting records are maintained, the assets are safeguarded and the financial information used within the business and for publication is reliable. The Directors are required to review the effectiveness of the Company's system of internal control. The UK Corporate Governance Code states that the review should cover all material controls, including financial, operational and compliance controls and risk management systems. Operational and reporting systems are in place to identify, evaluate and monitor the operational risks potentially faced by the Company and to ensure that effective internal controls have been maintained throughout the period under review and up to the date of approval of this Annual Report. As the Company has no employees and delegates its operations to key service providers the Audit Committee does not consider it necessary to have an internal audit function. The Audit Committee receives and examines reports on internal controls from all key service providers. The Board confirms that there is a process for identifying, evaluating and managing the significant risks faced by the Company. A full review of all internal controls is undertaken annually and the Board confirms that it has reviewed the effectiveness of the system of internal control.

These controls include:

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

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

Significant Accounting Matters

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, including the allocation of special dividends as revenue or capital returns. 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 52 and the prices of all investments are agreed to an independent source by the Administrator. The assets held within the investment portfolio are also agreed regularly to the custodian's records by the Administrator. Any performance fee payable is calculated by the Company Secretary and reviewed by another team member at Juniper Partners Limited. The recognition of investment income is undertaken in accordance with Accounting Policy (b) on page 52 and all investment dividends are reconciled to the projected dividend schedule each quarter by the Company Secretary, who will investigate any unexpected differences.

Jeremy Whitley
Director

20 October 2021

Directors’ Remuneration Report

Statement by the Chairman

This report has been prepared in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting. The remuneration policy, which was approved by shareholders at the Company’s Annual General Meeting in December 2020 (resolution received 99.26 per cent of votes for, 0.74 per cent of votes against, and 0.1 per cent of votes were withheld), will again be put to shareholders at the Annual General Meeting in December 2023.

Remuneration Committee

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

Policy on Directors’ Remuneration

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

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

Directors’ Service Contracts

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

Annual Report on Remuneration

The Board carried out a review of the level of Directors’ fees during the year. It was resolved to increase the level of the Chairman’s fee from £32,500 to £34,000 per annum, the Audit Committee Chairman’s fee from £26,000 to £27,000 per annum and Directors’ fees from £23,000 to £24,000 per annum, effective from 1 July 2021. In setting these rates, the Board considers the factors set out in the Policy on Directors’ Remuneration above. The Board has not received any views from the Company’s shareholders in respect of the levels of Directors’ remuneration.

The law requires the Company’s auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor’s opinion is included in their report on pages 42 to 47.

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 2021 ordinary 25p shares	31 August 2020 ordinary 25p shares
James Ferguson	134,860	134,860
Andrew Baird	2,000	2,000
Michelle Paisley	–	–
Anne West	22,000	22,000
Jeremy Whitley	76,000	76,000

There were no changes to the above holdings between 31 August 2021 and 20 October 2021. 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 2021 (£)	Fees 2020 (£)
James Ferguson (Chairman)	32,750	31,667
Andrew Baird	23,167	22,583
Alexandra Mackesy*	–	13,471
Michelle Paisley†	23,167	9,198
Anne West	23,167	22,583
Jeremy Whitley (Audit Committee Chairman)	26,500	25,333
	128,751	**124,835**

* Retired as a Director on 2 April 2020.
† Appointed on 6 April 2020.

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' Remuneration Report cont'd

Statement of Voting at Annual General Meeting

Voting on the resolutions to approve the Directors' Remuneration Report at the Company's AGM on 8 December 2020 was as follows:

Resolution	Votes For	Votes Against	Votes Withheld
Approve Directors' Remuneration Report	13,451,230	99,198	16,252

Relative Importance of Directors' Fees

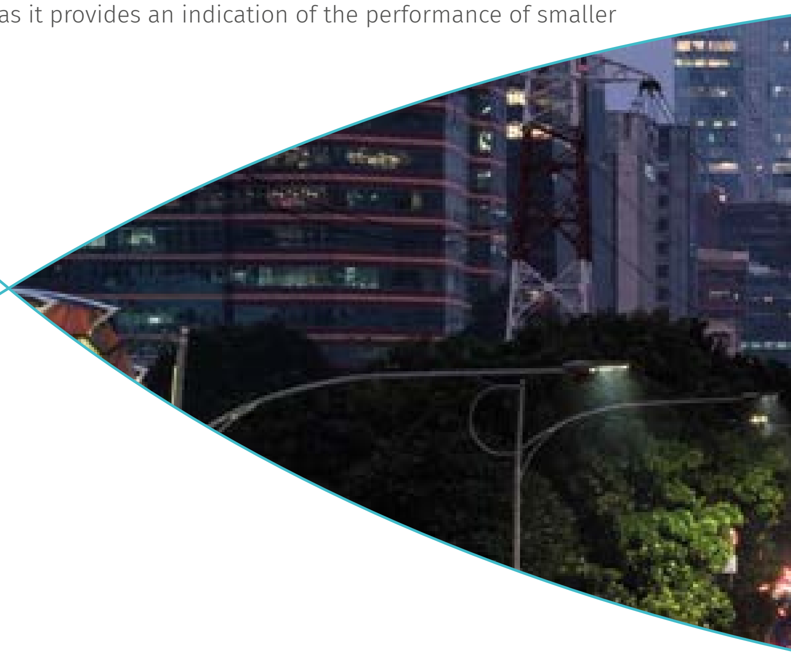
	2021 £'000	2020 £'000
Directors' fees	129	125
Buyback of Ordinary Shares	18,575	5,787
Dividend paid	3,284	3,435
Expenses	3,302	3,168

	2021 %	2020 %
Directors' fees as a percentage of Buybacks Ordinary Shares	0.7	2.2
Directors' fees as a percentage of Dividend paid	3.9	3.6
Directors' fees as a percentage of expenses	3.9	3.9

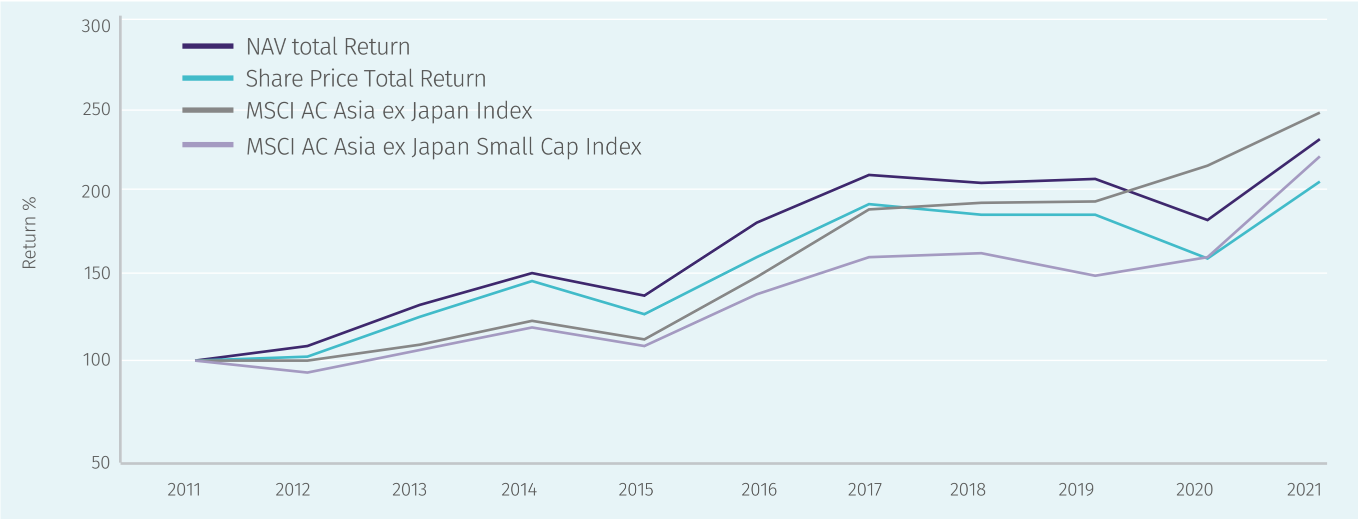
Further details of the Company's expenses can be found in note 3 on page 54.

Company Performance

The graph on the following page 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 comparator indices



The Directors' Remuneration report on pages 34 to 47 was approved by the Board of Directors on 20 October 2021 and signed on its behalf by

James Ferguson
Chairman

20 October 2021

Corporate Governance

Directors' Statement on Corporate Governance

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

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

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 Sentier Investors (UK) Investment Management 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 or she has, or might have, an interest that conflicts, or may conflict, with the interests of the Company. Each Director submits a list of potential conflicts prior to each meeting. The other Directors consider these and recommend whether or not each potential conflict should be authorised. No situation arose during the year whereby an interest of a Director conflicted with the interests of the Company.

Meetings

The Board meets at least four times per year and has a formal schedule of matters specifically reserved to it for decision including investment policy and agreement of the terms of appointment of the Investment Manager. The number of meetings of the Board, Audit Committee, Remuneration Committee, Nominations Committee and Management Engagement Committee held during the year and the attendance of the individual directors at those meetings is shown in the table below. Board papers are distributed prior to all meetings in a form and of a quality appropriate to enable the Board to discharge its duties.

Directors can in addition raise any matters at meetings and there is a procedure in place for Directors to take independent professional advice, if necessary, at the Company's expense. The Company purchases and maintains Directors' and Officers' liability insurance. The Directors confirm that the Company Secretary is responsible for ensuring that the Board's procedures are followed and for compliance with applicable rules and regulations including the UK Corporate Governance Code. Appointment or removal of the Company Secretary is a matter for the Board as a whole. All Directors have access at any time to the advice and services of the Company Secretary.

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

* Attended meetings by invitation.

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 22, 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 Anne West 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, Andrew Baird. The Board concluded that the Chairman and each Director contributed effectively and demonstrated commitment to his or her role. The Board also concluded that the performance of the Board as a whole and its committees was effective. The training and development needs of Directors are discussed prior to and during the annual appraisal.

Board Diversity

The Board recognises the importance of diversity including gender, ethnicity and background, and is committed to ensuring that a wide range of knowledge, experience, skills and cognitive diversity are represented on the Board.

The Board does not consider it appropriate to establish diversity targets or quotas but considers diversity, in its broadest sense, as an important factor in its succession planning and recruitment process, and is committed to appointing and retaining the most appropriate and well qualified individuals.

Corporate Governance cont'd

Terms of Appointment and Re-election of Directors

The Articles of Association provide that each Director is subject to election at the first AGM after his or her appointment and must retire by rotation every three years. The Board has adopted annual re-election of Directors. Each Directors' 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 22 of this Annual Report to enable shareholders to take an informed decision on their re-election. From these details, it will be seen that the Board has a breadth of investment, commercial and professional experience with an international and, more specifically, Asian perspective. The Board confirms that each of these Directors makes a significant contribution to Board deliberations. The Board therefore believes that it is in the interests of shareholders that all Directors be re-elected.

James Ferguson and Anne West have served on the Board for more than nine years. The Board do not regard long service as a disadvantage and believe that experience is an advantage for an investment trust. The Board continues to consider succession and, as set out in the Annual Report last year, the Chairman does intend to retire within the next year.

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.

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 Board believes that length of service does not necessarily compromise the independence or contribution of directors of an investment trust company. Indeed, in its opinion, continuity and experience often add significantly to the strength of the board. The Directors are mindful of the need for a carefully considered succession plan and will continue to focus on this area.

The Nominations Committee meets at least annually.

Management Engagement Committee

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

On behalf of the Board

Juniper Partners Limited
Company Secretary

20 October 2021

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 and emerging risks and uncertainties that the Company faces.

By order of the Board

James Ferguson
Chairman

20 October 2021

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 2021, which comprise the Income Statement, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity, and the related notes, including significant accounting policies.

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

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

Conclusions relating to going concern

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

- evaluating management's method of assessing going concern, including consideration of market conditions and uncertainties such as COVID-19;
- reviewing and assessing the forecast cashflows and associated sensitivity testing used by the Directors in support of their going concern assessment;
- obtaining and reviewing management's assessment of the Company's ongoing maintenance of investment trust status; and
- reviewing management's assessment of the business continuity plans of the Company's main service providers.

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

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

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

Our approach to the audit

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

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

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

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter and our conclusions
Valuation and ownership of investments (as per page 33 (Report of the Audit Committee), page 52 (Accounting Policies) and page 57 (Notes)). The key driver of the Company's net assets and total return is the valuation of the investment portfolio. The valuation of the portfolio at 31 August 2021 was £363.5m (2020: £267.3m) and comprised entirely of listed equity investments. This is the largest component of the Company's Statement of Financial Position, accounting for 105.2% (2020: 92.4%) of net assets. There is a risk that investments held at fair value may not be actively traded and the quoted prices may not be reflective of fair value (valuation). Additionally, there is a risk that the investments recorded as held by the Company may not represent property of the Company (ownership).	• We performed a walkthrough of the valuation process to document the design of the process and implementation of key controls. • We compared market prices and exchange rates applied to all listed equity investments held at 31 August 2021 to an independent third-party source and recalculated the investment valuations. • We obtained average trading volumes from an independent third-party source for all investments held at year end and assessed their liquidity. • We agreed the ownership of all listed equity investments held at 31 August 2021 to the independently received custodian report. No material issues were noted.

Key audit matter	How our audit addressed the key audit matter and our conclusions
Revenue recognition, including allocation of special dividends as revenue or capital returns (as per page 33 (Report of the Audit Committee), page 52 (Accounting Policies) and page 54 (Notes)). The income from investments for the year to 31 August 2021 was £6.87m (2020: £6.27m) consisting of dividends received from listed investments. The Company's accounting policy is to recognise dividend income on an ex-dividend basis. There is a risk that income recognised may not be complete and that accrued income may not be recoverable. Additionally, judgement is required in determining the allocation of special dividends as revenue or capital returns in the Income Statement.	• We performed a walkthrough of the revenue recognition process (including the process for allocating special dividends as revenue or capital returns) to document the design of the process and implementation of key controls. • We confirmed that income is recognised in accordance with the AIC SORP. • We formed an expectation of dividends due, based on holdings throughout the year and investee companies' announcements and compared this against dividends recognised, paying particular attention to dividends announced either side of year end. • We agreed a sample of investment income recognised to bank statements. • We assessed the withholding tax on foreign income to ensure it has been calculated correctly and that debtors recognised for recoverable withholding tax were appropriate. • We reviewed all dividend announcements throughout the year and confirmed that three special dividends were receivable. We assessed the Company's allocation of special dividends as revenue or capital returns with reference to the underlying commercial circumstances. No material issues were identified.

Our application of materiality

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

Materiality measure	Value
Overall materiality – we have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. It is also the standard industry benchmark for materiality for investment trusts. This is our materiality for the financial statements as a whole.	£3.45m
Performance materiality – performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the Company's overall control environment and risk of material misstatement and based on our judgement of these factors, have set this at 75% of our overall materiality.	£2.59m
Specific materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold for the revenue column of the Income Statement, set as 5% of the net revenue return on ordinary activities before tax.	£0.16m
Audit Committee reporting threshold – we agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£0.17m

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and these reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Corporate governance statement

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

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

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 29;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 29;
- the Directors' statement on fair, balanced and understandable set out on page 41;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 25 and 26;
- the section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on pages 32 and 33; and
- the section describing the work of the Audit Committee set out on pages 32 and 33.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 41, 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.

Report of the Indep. Auditor cont'd

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.

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

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

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

We assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide the basis for our opinion. We planned and conducted our audit so as to obtain reasonable assurance of detecting any material misstatements in the financial statements resulting from irregularities or fraud.

All engagement team members were briefed on relevant laws and regulations and potential fraud risks at the planning stage of the audit. However, the primary responsibility for the prevention and detection of fraud rest with those charged with governance of the Company.

We evaluated management's incentives for fraudulent activity and determined the key risk of fraud to be management override of controls in order to manipulate the financial statements. We determined that the principal risks in this regard were in relation to the allocation of special dividends as revenue or capital and inappropriate journal entries to increase revenue or to increase the net asset value.

We considered the principal risks of non-compliance with laws and regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. The most significant risk in relation to non-compliance with laws and regulations was deemed to be compliance with section 1158 of the Corporation Tax Act 2010. We also considered compliance with the Companies Act 2006 and the Listing Rules.

Audit procedures performed in response to these risks included:

- evaluation of the controls implemented by the Company and its key service providers designed to prevent and detect irregularities;
- discussions with the Audit Committee, the Investment Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- assessing the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur around the key risks of valuation and ownership of investments, and revenue recognition. Further discussion of our approach is set out in the section on key audit matters above;
- detailed review of all dividend announcements throughout the year to confirm the appropriate allocation of special dividends as revenue or capital returns;
- recalculation of the investment management fee and performance fee;
- reperformance of the calculations to confirm the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010;
- using appropriate checklists and our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules;
- agreeing financial statement disclosures to supporting documentation; and
- review of accounting journals during the year and up to the date of our audit fieldwork.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Other matters which we are required to address

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

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

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

Use of our report

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

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

20 October 2021

Income Statement

For the year ended 31 August 2021

	Note	2021 Revenue £000	2021 Capital £000	2021 Total* £000	2020 Revenue £000	2020 Capital £000	2020 Total* £000
Gains/(losses) on investments	7	–	82,214	82,214	–	(45,575)	(45,575)
Income from investments	1	6,872	–	6,872	6,273	–	6,273
Other income	1	–	–	–	35	–	35
Investment management fee	2	(2,422)	–	(2,422)	(2,301)	–	(2,301)
Currency gains/(losses)		–	132	132	–	(4,002)	(4,002)
Other administrative expenses	3	(880)	–	(880)	(867)	–	(867)
Net return on ordinary activities before finance costs and taxation		**3,570**	**82,346**	**85,916**	**3,140**	**(49,577)**	**(46,437)**
Finance costs		(373)	–	(373)	–	–	–
Net return on ordinary activities before taxation		**3,197**	**82,346**	**85,543**	**3,140**	**(49,577)**	**(46,437)**
Tax on ordinary activities	4	(649)	(6,997)	(7,646)	(701)	(256)	(957)
Net return attributable to equity shareholders		**2,548**	**75,349**	**77,897**	**2,439**	**(49,833)**	**(47,394)**
Net return per ordinary share	6	9.02p	266.82p	275.84p	8.19p	(167.34)p	(159.15)p

* 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 2021 (2020: 11.50p per share) which, if approved, will be payable on 14 January 2022 to shareholders recorded on the Company's shareholder register on 3 December 2021.

The accounting policies on pages 52 and 53 and the notes on pages 54 to 63 form part of these Accounts.

All revenue and capital items derive from continuing operations.

Statement of Financial Position

as at 31 August 2021

	Note	2021		2020	
		£000	£000	£000	£000
Investments held at fair value through profit or loss	7				
Bangladesh			4,869		4,952
China			31,115		21,950
Hong Kong			16,750		22,349
India			143,984		113,874
Indonesia			64,320		36,558
Malaysia			7,094		127
Pakistan			4,523		3,317
Philippines			33,975		36,190
Singapore			10,303		3,369
South Korea			8,343		4,422
Sri Lanka			–		1,615
Taiwan			24,738		11,367
Thailand			5,273		–
Vietnam			8,213		7,236
			363,500		**267,326**
Current Assets					
Debtors	8	1,163		1,044	
Cash and deposits		17,546		22,459	
		18,709		**23,503**	
Current Liabilities (due within one year)					
Creditors	9	(2,386)		(1,381)	
		(2,386)		**(1,381)**	
Net Current Assets			**16,323**		**22,122**
Non-current Liabilities	10				
Deferred tax liabilities on Indian capital gains			(4,525)		–
Loan notes			(29,812)		–
			(34,337)		–
Total Assets less Liabilities			**345,486**		**289,448**
Capital and Reserves					
Ordinary share capital			7,853		7,853
Share premium account			34,259		34,259
Capital redemption reserve			58		58
Capital reserve			296,908		240,134
Revenue reserve			6,408		7,144
Total Equity Shareholders' Funds			**345,486**		**289,448**
Net asset value per share	12		**1,264.54p**		**992.14p**

These Accounts were approved and authorised for issue by the Board on 20 October 2021 and signed on its behalf by

James Ferguson
Director

The accounting policies on pages 52 and 53 and the notes on pages 54 to 63 form part of these Accounts.

Cash Flow Statement

for the year ended 31 August 2021

	Note	2021	2020
		£000	£000
Net cash outflow from operations before dividends, interest, purchases and sales	13	**(3,587)**	**(3,239)**
Dividends received from investments		6,246	6,332
Interest received from deposits		–	35
Purchases of investments		(134,490)	(169,109)
Sales of investments		121,979	161,576
Cash from operations		**(9,852)**	**(4,405)**
Taxation		(3,046)	(957)
Net cash outflow from operating activities		**(12,898)**	**(5,362)**
Financing activities			
Expenses paid in relation to loan notes		(192)	–
Equity dividend paid		(3,284)	(3,435)
Buyback of ordinary shares		(18,671)	(5,691)
Issue of loan notes		30,000	–
Net cash inflow/(outflow) from financing activities		**7,853**	**(9,126)**
Decrease in cash and cash equivalents		(5,045)	(14,488)
Cash and cash equivalents at the start of the year		22,459	40,949
Effect of currency gains/(losses)		132	(4,002)
Cash and cash equivalents at the end of the year*		**17,546**	**22,459**

*Cash and cash equivalent represents cash at bank.

The accounting policies on pages 52 and 53 and the notes on pages 54 to 63 form part of these Accounts.

Statement of Changes in Equity

for the year ended 31 August 2021

	Ordinary Share Capital	Share Premium Account	Capital Redemption Reserve	Capital Reserve	Revenue Reserve	Total
	£000	£000	£000	£000	£000	£000
Balance at 31 August 2020	7,853	34,259	58	240,134	7,144	289,448
Total comprehensive income:						
Return for the year	–	–	–	75,349	2,548	77,897
Transactions with owners recognised directly in equity:						
Buyback of Ordinary shares	–	–	–	(18,575)	–	(18,575)
Dividend paid in year*	–	–	–	–	(3,284)	(3,284)
Balance at 31 August 2021	**7,853**	**34,259**	**58**	**296,908**	**6,408**	**345,486**

* See note 5.

for the year ended 31 August 2020

	Ordinary Share Capital	Share Premium Account	Capital Redemption Reserve	Capital Reserve	Revenue Reserve	Total
	£000	£000	£000	£000	£000	£000
Balance at 31 August 2019	7,853	34,259	58	295,754	8,140	346,064
Total comprehensive income:						
Return for the year	–	–	–	(49,833)	2,439	(47,394)
Transactions with owners recognised directly in equity:						
Buyback of Ordinary shares	–	–	–	(5,787)	–	(5,787)
Dividend paid in year*	–	–	–	–	(3,435)	(3,435)
Balance at 31 August 2020	**7,853**	**34,259**	**58**	**240,134**	**7,144**	**289,448**

* See note 5.

The accounting policies on pages 52 and 53 and the notes on pages 54 to 63 form part of these Accounts.

Accounting Policies

Basis of accounting

(a) The Scottish Oriental Smaller Companies Trust plc is a public company limited by shares, incorporated and domiciled in Scotland, and carries on business as an investment trust. Details of the Company's registered office can be found in the 'Company Information' section on page 71.

These Accounts have been prepared under the historical cost convention (modified to include the revaluation of fixed asset investments which are recorded at fair value) and in accordance with the Companies Act 2006, UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102, and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in April 2021 (the "SORP"). The Directors considered the impact of the COVID-19 pandemic and the impact this may have on the Company, in particular noting that, in addition to its net current assets, the Company holds a portfolio of largely liquid assets that, if required, can be sold to maintain adequate cash balances to meet expected cash flows. The Directors are satisfied that the contingency plans and working arrangements of the key service providers are sustainable. Therefore, the going concern basis has been adopted in preparing the Company's Financial Statements.

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

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

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

Income

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

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

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

Expenses

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

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

Financial Instruments

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

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

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

(j) Equities include ordinary shares and warrants.

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

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

Loan notes

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

Foreign currency

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

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

Dividends

(p) 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.

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

Deferred tax on Indian capital gains

The Directors use their judgement in selecting the appropriate rate of capital gains tax to apply to unrealised gains on Indian investments. The Directors have chosen to apply a rate of 10% on unrealised gains on Indian investments. Please refer to note 4 (a) on page 55 for further details.

Reserves

Share premium account

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

Capital redemption reserve

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

Capital reserve

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

	2021	2020
	£000	£000
Investment management fee	**2,422**	**2,301**

Management

First Sentier Investors (UK) Investment Management Limited has been Investment Manager since 20 March 1995. In order to comply with the Alternative Investment Fund Managers Directive, with effect from 2 July 2014 the Company appointed First Sentier Investors (UK) Funds Limited as its Alternative Investment Fund Manager.

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 (2020: £nil) is due to be paid for the year ended 31 August 2021.

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

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.

3. Other Administrative Expenses

	2021	2020
	£000	£000
Auditor's remuneration for audit services	28	32
Directors' fees	129	125
Company secretarial and administration fees	195	155
Bank, custodial and other expenses	528	555
	880	**867**

Expenses are shown net of recoverable VAT where relevant.

4. Taxation

(a) Analysis of charge in the year

Overseas tax:

	2021			2020		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Irrecoverable tax on overseas dividends	649	–	649	701	–	701
Indian capital gains tax charge on sales	–	2,472	2,472	–	256	256
Deferred tax liability on Indian capital gains	–	4,525	4,525	–	–	–
	649	**6,997**	**7,646**	**701**	**256**	**957**

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

On 1 April 2018, the Indian Government withdrew an exemption from capital gains tax on investments held for 12 months or longer. Indian capital gains tax is now charged on sales of investments at 15% where the investment has been held for less than 12 months, this is reduced to 10% if the investment has been held for longer than 12 months. The deferred tax liability has been calculated using the 10% Indian capital gains tax rate, as the Investment Manager has a long term investment focus and it is likely that Indian investments will be held for longer than 12 months. The Company has recognised a deferred tax liability of £4,525,000 (2020: £nil) on capital gains which may arise if Indian investments are sold. No deferred tax liability was recognised in 2020 as the amount was immaterial. If the assumption that all Indian investments will be held for a period in excess of 12 months was removed, the deferred tax liability would have been £5,055,000 (2020: £nil).

On 1 April 2020, the Indian Government withdrew an exemption from withholding tax on dividend income. Dividends are received net of 20% withholding tax and a cess charge of 4%. A further surcharge of either 2% or 5% is applied if the receipt exceeds a certain threshold. Of this total charge, 10% of the withholding tax is irrecoverable with the remainder being shown in the Statement of Financial Position as an asset due for reclaim. At 31 August 2021 £342,000 was recoverable (2020: nil).

(b) Factors affect 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:

	2021			2020		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Return for the year before taxation	3,197	82,346	85,543	3,140	(49,577)	(46,437)
Total return for the year before taxation multiplied by the standard rate of corporation tax of 19.00% (2020: 19.00%)	608	15,646	16,254	597	(9,420)	(8,823)
Effect of:						
Non-taxable (gains)/losses on investments	–	(15,621)	(15,621)	–	8,659	8,659
Non-taxable (gains)/losses on foreign currency	–	(25)	(25)	–	761	761
Non-taxable income	(1,306)	–	(1,306)	(1,192)	–	(1,192)
Irrecoverable tax on overseas dividends	649	6,997	7,646	701	256	957
Unutilised management expenses	698	–	698	595	–	595
Total tax charge for the year	**649**	**6,997**	**7,646**	**701**	**256**	**957**

Notes on the Accounts cont'd

4. Taxation cont'd

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 £7,514,000 (2020: £6,953,000) at 31 August 2021 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.

5. Dividends

	2021 £000	2020 £000
Dividends paid in the period:		
Dividend of 11.50p per share paid 15 January 2021 (2020 – 11.50p)	**3,284**	**3,435**

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.

	2021 £000	2020 £000
Income available for distribution	2,548	2,439
Proposed dividend for the year ended 31 August 2021 – 11.50p, payable 14 January 2022 (2020 – 11.50p)	(3,142)	(3,326)
Amount transferred from retained income	**(594)**	**(887)**

6. Return per Ordinary Share

	2021			2020		
	Revenue p	Capital p	Total p	Revenue p	Capital p	Total p
Net return per share	**9.02**	**266.82**	**275.84**	8.19	(167.34)	(159.15)

	2021	2020
Revenue return	£2,548,000	£2,439,000
Capital return	£75,349,000	£(49,833,000)
Weighted average ordinary shares in issue	28,240,058	29,779,419

There are no dilutive or potentially diluitive instruments in issue.

7. Equity Investments

	2021	2020
	£000	£000
Opening book cost	291,839	298,469
Unrealised (losses)/gains	(24,513)	14,267
Opening valuation	267,326	312,736
Purchases at cost	135,169	154,344
Sales – proceeds	(121,209)	(154,179)
Gains/(losses) on investments	82,214	(45,575)
Closing valuation	**363,500**	**267,326**
Closing book cost	333,987	291,839
Closing unrealised gains/(losses)	**29,513**	**(24,513)**

The Company received £121,209,000 (2020: £154,179,000) from investments sold in the year.

The average book cost of these investments when they were purchased was £93,021,000 (2020: £160,974,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

All investments are listed on recognised stock exchanges.

Transaction Costs

During the year the Company incurred transaction costs of £307,000 (2020: £334,000) on the purchase of investments and £336,000 (2020: £449,000) on the sale of investments.

8. Debtors

	2021	2020
	£000	£000
Sales awaiting settlement	–	770
Accrued income	808	257
Prepayments	13	17
Recoverable tax on Indian dividends	342	–
	1,163	**1,044**

9. Creditors (amounts falling due within one year)

	2021	2020
	£000	£000
Purchases awaiting settlement	1,197	614
Management fee payable	632	560
Other creditors	189	207
Accrued interest	368	–
	2,386	**1,381**

Notes on the Accounts cont'd

10. Creditors (amounts falling due after one year)

	2021 £000	2020 £000
Deferred tax liability on Indian capital gains	4,525	–
Loan notes	29,812	–
	34,337	**–**

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

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

11. Share Capital

The allotted and fully paid capital is £7,853,416 (2020: £7,853,416) represented by 31,413,663 ordinary shares of 25p each (2020: 31,413,663). During the year the Company bought back 1,852,871 ordinary shares (2020: 699,754). The Company held 4,092,504 ordinary shares in Treasury at the year end (2020: 2,239,633), being 13.0 per cent of share capital (2020: 7.1 per cent of share capital), with a nominal value of £1,023,126 (2020: £559,908). 268,447 ordinary shares have been 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 23.

12. Net Asset Value per Ordinary Share

Net assets per share are based on total net assets of £345,486,000 (2020: £289,448,000) divided by 27,321,159 (2020: 29,174,030) ordinary shares of 25p each in issue (excludes shares held in Treasury).

13. Cash Flow Statement

	2021 £000	2020 £000
Reconciliation of net return before finance costs and taxation to net cash outflow from operations before dividends, interest, purchases and sales		
Net return on activities before finance costs and taxation	85,916	(46,437)
Net (gains)/losses on investments	(82,214)	45,575
Currency (gains)/losses	(132)	4,002
Dividend income	(6,872)	(6,273)
Interest income	–	(35)
Increase/(decrease) in creditors	53	(54)
Increase in debtors	(338)	(17)
Net cash outflow from operations before dividends, interest, purchases and sales	**(3,587)**	**(3,239)**

14. Analysis of changes in net debt

	At 31 August 2020	Currency gains	Cash flows	At 31 August 2021
	£000	£000	£000	£000
Cash and cash equivalents	22,459	132	(5,045)	17,546
Loan notes	–	–	(29,808)	(29,808)
	22,459	**132**	**(34,853)**	**(12,262)**

15. Risk Management, Financial Assets and Liabilities

The Company invests mainly in smaller Asian quoted companies. Other financial instruments comprise cash balances and short-term debtors and creditors. The Investment Manager follows the investment process outlined on pages 7 to 12 and in addition the Board conducts quarterly reviews with the Investment Manager. The Investment Manager's Risk and Compliance department monitors the Investment Manager's compliance with the Company's investment and borrowing powers to ensure that risks are controlled and minimised. Additionally, its Compliance and Risk Committee reviews risk management processes monthly.

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

Market Risk

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

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

Interest Rate Risk

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

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

Interest Rate Risk Profile

	2021	2020
	£000	£000
Cash	17,546	22,459
Loan notes	(30,000)	–
	(12,454)	**22,459**

Interest Rate Sensitivity

Considering effects on cash and loan balances, an increase of 50 basis points in interest rates would have decreased net assets and total return for the period by £62,000 (2020: increase of £112,000). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the cash and loan balances at date of the Statement of Financial Position and are not representative of the year as a whole.

Notes on the Accounts cont'd

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

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 2021. The Statement of Financial Position therefore can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company reserves the right to undertake foreign exchange hedging of its portfolio. The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign Currency Risk Exposure by Currency of Denomination

	31 August 2021			31 August 2020		
	Overseas investments	Net monetary assets	Total currency exposure	Overseas investments	Net monetary assets	Total currency exposure
	£000	£000	£000	£000	£000	£000
Indian rupee	143,984	(4,492)	139,492	113,874	615	114,489
Indonesian rupiah	64,320	–	64,320	36,558	39	36,597
Hong Kong dollar	47,865	143	48,008	42,252	56	42,308
Philippine peso	33,975	5	33,980	36,190	–	36,190
Taiwanese dollar	24,738	427	25,165	11,367	–	11,367
Singapore dollar	10,303	(739)	9,564	3,369	54	3,423
Vietnamese dong	8,213	530	8,743	7,236	298	7,534
Korean won	8,343	–	8,343	4,422	–	4,422
Malaysian ringgit	7,094	18	7,112	127	24	151
Thai baht	5,273	–	5,273	–	–	–
Bangladeshi taka	4,869	–	4,869	4,952	–	4,952
Pakistan rupee	4,523	–	4,523	3,317	–	3,317
US dollar	–	1,034	1,034	2,047	16,670	18,717
Sri Lankan rupee	–	–	–	1,615	–	1,615
Total foregin currency	**363,500**	**(3,074)**	**360,426**	**267,326**	**17,756**	**285,082**
Sterling	–	(14,940)	(14,940)	–	4,366	4,366
Total currency	**363,500**	**(18,014)**	**345,486**	**267,326**	**22,122**	**289,448**

Currency Risk Sensitivity

At 31 August 2021, 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 2020.

	2021	2020
	£000	£000
Indian rupee	6,975	5,724
Indonesian rupiah	3,216	1,830
Hong Kong dollar	2,400	2,115
Philippine peso	1,699	1,810
Taiwanese dollar	1,258	568
Singapore dollar	478	171
Vietnamese dong	437	377
Korean won	417	221
Malaysian ringgit	356	8
Thai baht	264	–
Bangladeshi taka	243	248
Pakistan rupee	226	166
US dollar	52	936
Sri Lankan rupee	–	81
Total	**18,021**	**14,255**

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 2021 would have increased/(decreased) by £36,350,000 (2020: increased/(decreased) by £26,733,000) and equity reserves would have increased/(decreased) by the same amount.

Notes on the Accounts cont'd

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

Liquidity Risk

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

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

	2021			2020		
	3 months or less	3 to 12 months	More than 12 months	3 months or less	3 to 12 months	More than 12 months
	£000	£000	£000	£000	£000	£000
Amounts due to brokers	1,197	–	–	614	–	–
Other creditors and accruals	1,189	–	–	767	–	–
Loan notes	–	–	29,812	–	–	–
Deferred tax liability on Indian capital gains	–	–	4,525	–	–	–
	2,386	**–**	**34,337**	**1,381**	**–**	**–**

Credit Risk

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

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

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

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

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 August 2021 was as follows:

	2021		2020	
	Statement of Financial Position	Maximum exposure	Statement of Financial Position	Maximum exposure
	£000	£000	£000	£000
Current Assets				
Receivables	1,150	1,150	1,027	1,027
Cash at bank	17,546	17,546	22,459	22,459
	18,696	**18,696**	**23,486**	**23,486**

Fair Value Hierarchy

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

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

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

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

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

All of the Company's investments were categorised as Level 1 for the year to 31 August 2021 (2020: All investments Level 1).

16. Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on pages 34 to 37. An amount of £22,500 was outstanding to the Directors at the year end (2020: £21,000). 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.

The management fees for the year are detailed in note 2 and amounts payable to the Investment Manager at year end are detailed in note 9. The Investment Management team's holdings in the Company are set out on page 4.

Alternative Investment Fund Managers Directive (unaudited)

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

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

Glossary of Terms and 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.

		2021	2020
		£000	£000
NAV per share a	a	1,264.5p	992.1p
Share price	b	1,090.0p	856.0p
Discount	c = (b-a)/a	**13.8%**	**13.7%**

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).

Net Cash

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

Ongoing Charges

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

	2021	2020
	£000	£000
Investment management fee	2,422	2,301
Administrative expenses	880	867
Ongoing charges	3,302	3,168
Average net assets	322,259	306,945
Ongoing charges ratio	**1.02%**	**1.03%**

There was no performance fee payable for the year to 31 August 2021 (2020: nil).

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.

NAV Total Return

	2021 £000	2020 £000
Opening NAV per share	992.1p	1,158.4p
Increase/(decrease) in NAV per share	272.4p	(166.3)p
Closing NAV per share	1,264.54p	992.1p
% increase/(decrease) in NAV	27.5%	(14.4)%
Impact of dividends reinvested*	0.9%	1.2%
NAV total return	**28.4%**	**(13.2)%**

* Assumes that the dividend of 11.5p (2020: 11.5p) paid by the Company was reinvested at the ex-dividend date.

Share Price Total Return

	2021 £000	2020 £000
Opening share price	856.0p	1,010.0p
Increase/(decrease) in share price	234.0p	(154.0)p
Closing share price	1,090.0p	856.0p
% increase/(decrease) in share price	27.3%	(15.2)%
Impact of dividends reinvested*	1.5%	1.0%
Share price total return	**28.8%**	**(14.2)%**

* Assumes that the dividend of 11.5p (2020: 11.5p) paid by the Company was reinvested at the ex-dividend date.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Scottish Oriental Smaller Companies Trust plc will be held at the offices of Juniper Partners, 28 Walker Street, Edinburgh EH3 7HR on 7 December 2021 at 12.15 pm.

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

1. To receive the reports of the Directors and Auditor and to adopt the Report and Accounts for the financial year ended 31 August 2021.

2. To approve the dividend of 11.5 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 Michelle Paisley, who retires from annually as a Director.

5. To re-elect Anne West, who retires from office annually, as a Director.

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

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

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

9. To approve the Directors' Remuneration Report within the Report and Accounts for the financial year ended 31 August 2021.

10. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £676,318, (being approximately 10 per cent of the nominal value of the issued share capital as at 19 October 2021) such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

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

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

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

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £676,318 (being approximately 10 per cent of the nominal value of the issued share capital of the Company (excluding treasury shares) as at 19 October 2021).

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

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 4,055,202 or if less the number of ordinary shares representing 14.99 per cent of the Company's issued share capital (excluding treasury shares) at the date of the passing of this resolution;

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

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

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

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

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

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

Dated: 20 October 2021

By Order of the Board

Juniper Partners Limited
Company Secretary

Registered Office:
28 Walker Street
Edinburgh EH3 7HR

Notice of Annual General Meeting cont'd

Notes

(1) To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at close of business on 3 December 2021 ("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 3 December 2021. Attendance by non shareholders will be at the discretion of the Company.

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

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

(5) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

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

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

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

(10) As at close of business on 19 October 2021, the Company's issued share capital comprised 31,413,663 ordinary shares of 25p each of which 4,360,951 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 19 October 2021 is 27,052,712.

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

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

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

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

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

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

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

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

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

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

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

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

Information for Investors

Financial Diary

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 £12,300 from the sale of any shares and other capital assets. Any gain beyond that amount may be liable to capital gains tax.

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

Where to find Scottish Oriental's Share Price

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

The Internet

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

Data Protection

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

Regulatory Status

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

Further Information

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

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

Company Information

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28 Walker Street
Edinburgh EH3 7HR

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SC156108

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EH3 7PE

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The Association of
Investment Companies

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

The Scottish Oriental
Smaller Companies Trust plc