Annual Report 2022

The Scottish Oriental
Smaller Companies Trust plc

Comparative Indices

Since 1 September 2021 the Directors have used the Morgan Stanley Capital International AC Asia ex Japan Small Cap Index as its primary comparator. This Index is made up of companies with a free float-adjusted market capitalisation of between US$6m and US$3,580m. The range does not exactly match that of the Company, which has no lower limit and which invests mainly in companies with a market capitalisation of under US$5,000m at the time of first investment. Nevertheless, it gives a useful indication of the performance of smaller listed companies in Asia over recent years.

For comparison purposes, we are also displaying the Morgan Stanley Capital International AC Asia ex Japan Index to measure the Company's performance, which covers the relevant markets with the exception of Bangladesh, Sri Lanka and Vietnam. This Index, 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.

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

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* Inside Front Cover

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 2022

Net Asset Value[A]	10.0%	MSCI AC Asia ex Japan Small Cap Index (£)	(0.9)%
Share Price[A]	10.3%	MSCI AC Asia ex Japan Index (£)	(7.1)%
Total dividends increased by 22% to 14.0p per share		FTSE All-Share Index (£)	1.0%

Summary Data at 31 August 2022

Shares in issue	24,816,979	Shareholders' Funds	£343.2m
Net Asset Value per share	1,382.9p	Market Capitalisation	£295.3m
Share Price	1,190.0p	Share Price Discount to Net Asset Value[A]	14.0%
Ongoing Charges Ratio[AB]	0.96%	Active Share (MSCI AC Asia ex Japan Small Cap Index)[C]	98.0%
Net Cash[A]	2.1%	Active Share (MSCI AC Asia ex Japan Index)[C]	99.7%

[A] Alternative Performance Measure.

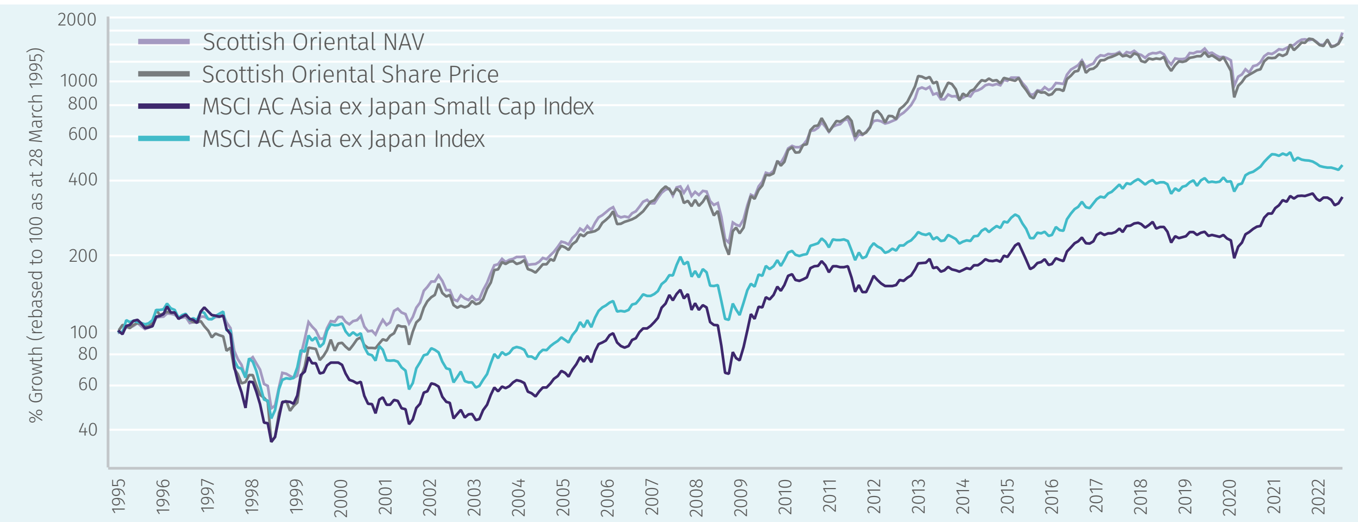
[B] No performance fee was payable during the year (2021: nil), please refer to note 2 on page 54 for more details.

[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 Alternative Performance Measures is provided on pages 64 and 65.

Total Return Performance

Since 28 March 1995*



* The date which the Company was launched

Chairman's Statement

I am pleased to present my first annual report as Chairman and am delighted to report that the Company has continued to build on last year's strong performance. The Net Asset Value ("NAV") per share rose by 10.0% in total return terms over the 12 months to 31 August 2022. This compares favourably to the MSCI AC Asia ex Japan Small Cap Index, MSCI AC Asia ex Japan Index, and the FTSE All-Share Index which returned -0.9%, -7.1% and +1.0% respectively during the same period. Following our review of the investment performance of the Company, the Board is pleased to see that the investment manager – FSSA Investment Managers – continues to return positive performance to shareholders.

During the period under review, the Company's share price total return increased by 10.3%.

Shareholders will note that the portfolio is not formally benchmarked against any of the aforementioned indices; comparative data from these indices is solely provided to bring context to the performance of the portfolio. This is further highlighted by the portfolio's active share against both the MSCI AC Asia ex Japan Small Cap Index (98.0%) and the MSCI AC Asia ex Japan Index (99.7%). If the portfolio fully mirrored the stocks held by an index, then the active share would be zero, conversely, if the portfolio did not hold any stocks in the index; the active share would be 100%.

A performance fee was not paid to the Investment Manager in the year under review.

The Portfolio Managers' Report on pages 5 to 15 addresses the performance of the Company as well as recent portfolio activity and current positioning. It also analyses the top five contributors to performance all of which are Indonesian or Indian companies, as well as the bottom five detractors. Also included in the report is a review of the history of Scottish Oriental since its inception in March 1995. This review details the Company's original investment policy and how the Portfolio Managers' focus on risk management has led to long-term returns in excess of comparator indices, despite short-term periods of underperformance.

During the year, the Company bought back 2,504,180 ordinary shares. The share price discount has remained steady at around 14.0%. The Board continues to have no formal discount control mechanism in place. However, it is prepared to buy back shares opportunistically and to issue new shares at a small premium to NAV where market demand exists.

As announced in November 2021 the Board introduced a performance-related conditional tender offer. The offer will be made for up to 25% of the Company's outstanding share capital if, over the five-year period starting 1 September 2021 (and at five yearly intervals thereafter), the Company's NAV on a total return basis fails to exceed the total return of the MSCI AC Asia ex Japan Small Cap Index (net of fees) over the same period on a cumulative basis. During the year to 31 August 2022, the Company outperformed the MSCI AC Asia ex Japan Small Cap Index by 10.9%.

In last year's annual report, it was noted that the final dividend was not fully covered by earnings. However as many of our investee portfolio companies have emerged from the Covid-19 pandemic and return to "business as usual", cashflows have started to improve. This has led to an increase in income per share from 9.02p last year to 16.66p in the year to 31 August 2022. On account of this high level of income generation, the Board is proposing to increase the final dividend by 1.5p per share to 13.0p and to pay a special dividend of 1.0p per share, bringing total dividends for the year to 14.0p per share. This represents a 22% year on year increase in dividends paid to shareholders.

On 20 July 2022, James Ferguson stepped down as the Company's Chairman and retired from the Board. James was appointed as the Company's Chairman in April 2004 and during his tenure he oversaw an increase in the Company's market capitalisation from £42 million to over £290 million. He brought a wealth of experience to the Board and his contribution will be missed.

This year's Annual General Meeting ('AGM') will be held on Monday, 5 December 2022 at the offices of First Sentier Investors, Finsbury Circus House, 15 Finsbury Circus, London. I look forward to seeing those of you who can attend the meeting in person.

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

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

Jeremy Whitley
Chair

27 October 2022

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.

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 586,397 (2021: 639,577) shares in the Company.

Portfolio Managers' Report

In this report, we address the following topics:

1. Company Performance

Scottish Oriental continued its positive performance over the last 12 months. Its net asset value rose by 10% for the year ended 31 August 2022, compared to a decline of 0.9% for the MSCI AC Asia ex-Japan Small Cap Index and a decline of 7.1% for the MSCI AC Asia Ex Japan Index. The largest contributors to performance were the holdings in India and Indonesia. The biggest detractors from performance were the portfolio's holdings in South Korea and the Philippines.

Top Five Contributors

Company	Country	Sector	Absolute Return (Sterling)%	Contribution Performance %
Mitra Adiperkasa	Indonesia	Consumer Discretionary	55.1	2.5
Mahindra Lifespace	India	Real Estate	48.0	2.3
Blue Star	India	Industrials	55.8	1.4
Kei Industries	India	Industrials	110.4	1.2
Oberoi Realty	India	Real Estate	25.9	1.2

Portfolio Managers' Report cont'd

Mitra Adiperkasa benefited from higher customer footfall across its retail and restaurant operations in Indonesia. During the Covid-19 led disruption, the company's management took several initiatives to shut down unprofitable stores and reduce operating expenses. As growth in same store sales resumed, these measures led to a substantial improvement in the company's profitability. The introduction of new brands such as Subway and Foot Locker should sustain the company's growth momentum.

"When our stores reopened with semi regular operating hours, we witnessed a tremendous surge of shoppers eager to experience the full breadth of MAP's vast reservoir of retail entertainment... The Company also took full advantage of improved consumer sentiment to launch new brands including Subway, FitFlop and Etude in many established malls across Jakarta."

H.B.L. Mantiri, President Director (2021 Annual Report).

MAP
Mitra Adiperkasa

Mahindra Lifespace rose after it reported a substantial increase in revenues and profit. The company's management, led by a new Chief Executive Officer (CEO) appointed in 2020 has focused on faster land acquisition and increasing the number of project launches. The company has also been benefiting from the trend among Indian residential property buyers of moving rapidly away from local developers to larger companies such as Mahindra Lifespace. This is expected to continue to drive an acceleration in demand for its residential projects.

Blue Star reported strong growth as the company continues to gain market share in the under-penetrated Indian air-conditioning industry. Its engineering, procurement and construction (EPC) projects business is also benefiting from increasing demand due to higher infrastructure and industrial investments. As the expectation is for the Indian air-conditioning industry to grow rapidly in the coming years, the company is making significant investments in its manufacturing, distribution and service capabilities to gain more market share.

Kei Industries rose after it also reported strong growth in revenues across its cables and wires operations. The company has benefited from an acceleration of the growth in the sales of branded consumer cables, which has higher profitability and lower working capital needs compared to its unbranded power cables segment. As its valuations have become expensive after its strong performance, we have reduced the Trust's holding.

Oberoi Realty also benefited from strong demand for residential property and the increasing preference among consumers for projects developed by reputed developers with strong balance sheets. The company's commercial and retail operations gained from higher mobility levels. New land acquisitions made in recent periods put Oberoi in a strong position to sustain its growth.

"The real estate sector has witnessed a healthy increase in demand over the last two years, and we clearly see the end-user consumption led momentum continuing. The market share of reputed brands with strong executional capabilities like ours increased due to a clear preference from the home-buyers."

Vikas Oberoi, Chairman and Managing Director (FY 2022 Annual Report).

OBEROI
REALTY

Top Five Detractors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance %
Solara Active Pharma	India	Healthcare	(69.0)	(2.0)
Ace Hardware Indonesia	Indonesia	Consumer Discretionary	(39.7)	(1.0)
NHN KCP	South Korea	Financials	(54.9)	(0.9)
JNBY Design	China	Consumer Discretionary	(35.4)	(0.7)
Vitasoy International	Hong Kong	Consumer Staples	(28.2)	(0.7)

Solara Active Pharma suffered from oversupply in a key product, due to which its sales declined sharply and the company also wrote down the value of its inventory. The management also cancelled its plan to merge with Aurore (announced last year), as Aurore did not meet its performance expectations. Demand for its key product is normalising gradually and the company is building new customer relationships. Their medium-term prospects remain strong as it launches new active pharmaceutical ingredient (API) products.

Ace Hardware Indonesia declined after it reported slow improvement in same store sales growth. The company was impacted by rising competition from e-commerce platforms and new large format stores such as IKEA. Ace has launched initiatives such as WhatsApp based shopping to mitigate this risk. It is also experimenting with smaller format "Ace Express" stores to accelerate growth. The management expects a gradual improvement in demand over the coming periods.

NHN KCP declined as the company's profitability was impacted by weak growth in its business with overseas clients, which earn high levels of profitability, while it continued to make investments to support its growth in the coming periods. The company's management has paused hiring to control costs. As the company's new contracts with large overseas clients are finalised, profitability is expected to improve.

JNBY Design was affected by movement restrictions across Chinese cities. Over this period, the company's investments in digital channels helped to mitigate the decline in its offline retail operations. JNBY successfully dealt with the initial disruption of Covid-19 in 2020, which was followed by a strong rebound in profitability as movement restrictions reduced. We added to the Trust's holding given the company's attractive valuation and its track record of successfully dealing with such disruptions.

Vitasoy International reported poor revenues and profitability as it was affected by lower sales of its beverage products due to movement restrictions in China as well as a temporary disruption to its fast growing business in the country. The company has increased investment in marketing and its revenues in China recovered significantly during the second half of the year. The company has also hired several experienced professionals, including a new CEO for its China operations, to support the growth of its business in the country.

"Since 1940, the year of Vitasoy's founding, we have been providing consumers with delicious and nutritional plant based food and beverages. Although FY2021/2022 was particularly challenging for us, we are confident in our core strengths and ability to gradually bring our business back to a path of sustainable and profitable growth."

Mr. Winston Yau-lai Lo, Executive Chairman (FY 2022 Annual Report).

Portfolio Managers' Report cont'd

2. Scottish Oriental's Corporate History

Investment Philosophy and Outcomes

Scottish Oriental was launched in 1995, raising £23.7 million with a mandate to invest in smaller Asian companies. Over the following 27 years, the Company has navigated dramatic changes in its operating environment. The large markets of the time, such as Malaysia, Singapore and Hong Kong, have been eclipsed by the emergence of China and India. The market-capitalisation limits of the mandate have evolved to reflect the impact of inflation on the original size limit, from US$ 500 million in 1995 to US$ 5 billion today. Scottish Oriental has been managed by four different lead portfolio managers over this period. Through all these changes, the Trust has been anchored by the investment philosophy set out in the first Annual Report. Its key tenets, shown below, still hold true today.

THE SCOTTISH ORIENTAL SMALLER COMPANIES TRUST PLC

Manager's Review

INVESTMENT PHILOSOPHY

- We aim to maximise the rate of return with due regard to risk. Risk is contained by focusing on soundly managed and financially strong companies, and by ensuring that the portfolio is well diversified geographically and sectorally at all times.
- Whilst, cultural, political, economic and sectoral influences play an important part in the decision-making process, the availability of reasonably-priced companies with solid long-term growth prospects is the major determinant of investment policy.
- Our country weightings bear no relationship to regional stock market indices. Regardless of index significance, we do not consider ourselves obliged to hold investments in any individual market.
- Although considerable attention is paid to "value", we are primarily "growth" investors. As most regional companies are family controlled, value on its own (ie. unless associated with assets per share, sales, cash flow and/or earnings growth) is generally ignored by the market.
- Existing holdings are scrutinised constantly to ensure that our corporate performance expectations are likely to be met, and that market conditions are not excessive. Where otherwise, disposals are made.
- Strong emphasis is placed on frequent visits to countries of the region and on meeting the management of those companies in which we are invested, or might invest.

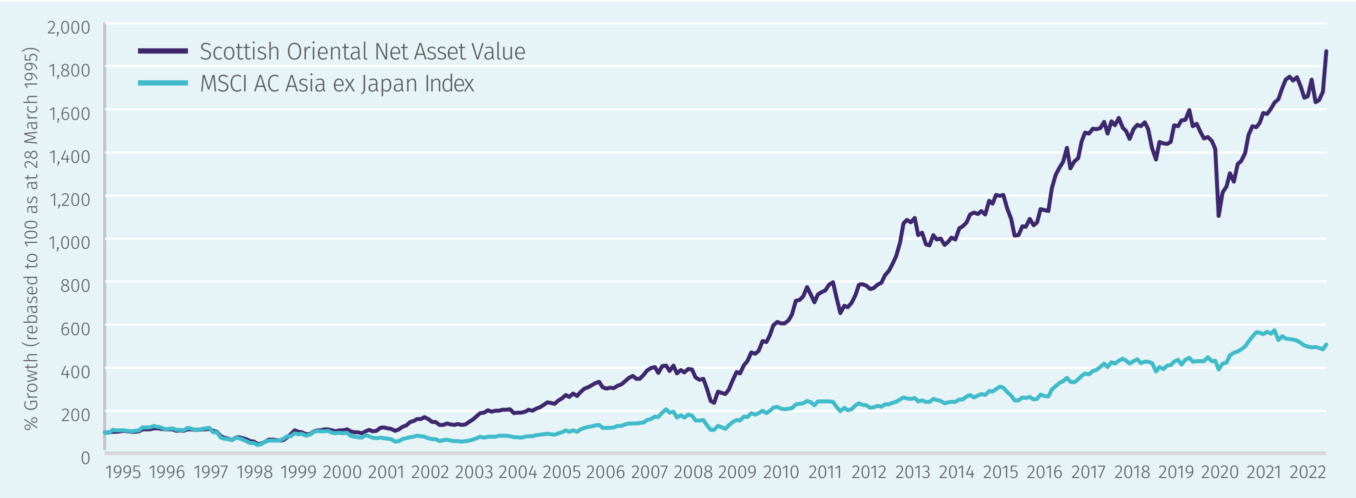
Source – Scottish Oriental Annual Report, 1996.

This investment philosophy has held the Trust in good stead. An investment of £1,000 made at the inception of Scottish Oriental would have returned a net asset value of £18,706 today, compared with £5,076 if the same sum had been invested in the MSCI AC Asia ex Japan Index[1].

[1] The MSCI AC Asia ex Japan Index is used as a comparison as the MSCI AC Asia ex Japan Small-Cap Index was not available at the time of Scottish Oriental's inception.

Growth in initial investment

Growth in an initial investment of £1,000 at launch	As at 31 August 2022
Scottish Oriental Net Asset Value	£18,706
MSCI AC Asia ex Japan Index[1]	£5,076



A central aspect of our investment philosophy is the focus on risk management. Scottish Oriental's long-term returns are predicated upon preserving capital during downturns, not on chasing upside during periods of euphoria. As the calendar year returns on the following page show, the Trust did not keep pace with the market's returns during the dot-com bubble in 1999, the years before the global financial crisis or the recent period before Covid-19. In each of these periods, we found market participants becoming fascinated with the shiny objects of the time – whether this was the technology companies in the late 1990s, highly leveraged real estate and infrastructure developers in 2007 or loss-making businesses touting an eventual "*path to profitability*" in recent years. The Portfolio Manager's Review at the global financial crisis in 2007 highlighted this challenge.

> *"In its pursuit of capital preservation as well as growth, the Trust's Board and its Investment Manager have always accepted that it is sometimes necessary to forego short term gains. In the past such an approach has led to long term outperformance of the benchmark and, more important, exceptional capital returns."*

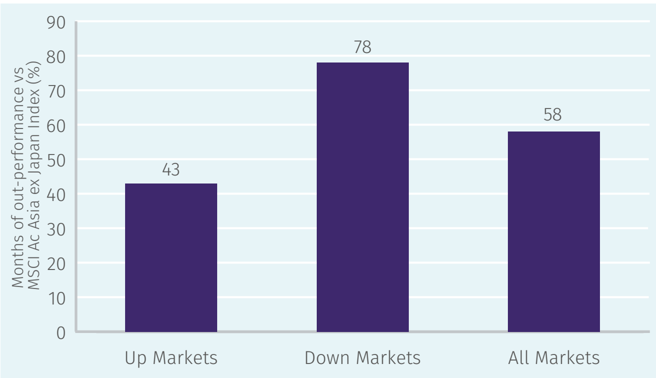
The portfolio's conservative positioning helped to preserve capital in the inevitable subsequent downturns as well as the periods of recovery following them. Since inception, the Trust's performance exceeded that of the benchmark index in 78% of down market periods compared to 43% of up market periods. We have observed a similar result during the last five years as well. In the most recent financial year, Scottish Oriental's net asset value increased by 10% compared with a decline of 0.9% for the MSCI AC Asia ex Japan Small Cap Index and a decline of 7.1% for the MSCI Asia ex Japan Index. These outcomes reflect the consistency in the Trust's investment philosophy and process over the years.

[1] The MSCI AC Asia ex Japan Index is used as a comparison as the MSCI AC Asia ex Japan Small-Cap Index was not available at the time of Scottish Oriental's inception.

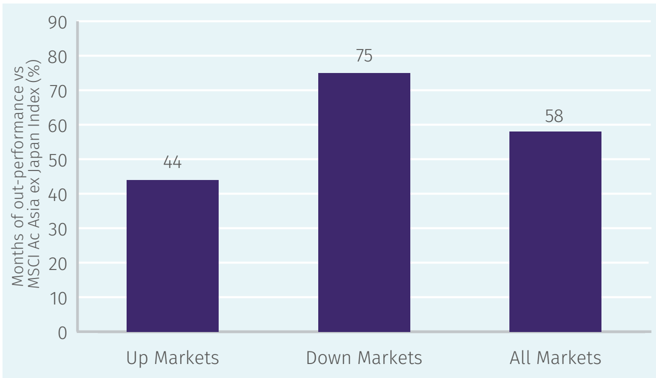
Portfolio Managers' Report cont'd

Calendar Year Returns

Periods of Outperformance Since Inception



Periods of Outperformance over the last 5 years



Changes in Portfolio Managers and Positioning

While Scottish Oriental's investment philosophy has remained unchanged, the opportunity set for investing in small companies in Asia is dramatically different today. In 1996, the largest markets in which the Trust was invested included Hong Kong (31%), Thailand (18%) and Singapore (18%). The largest Asian economies today, China and India, were in aggregate below 4% of the Trust's exposure at the time as these countries were still early in their development. At inception, Scottish Oriental also held over 100 investments. This was due to the short public trading record of many companies at the time and Angus Tulloch, the first portfolio manager, decided to mitigate this risk by diversifying the portfolio across a large number of holdings. Over time, China and India emerged as the driving force of economic activity in Asia and the listed companies serving these economies began to offer the most attractive opportunities.

	Scottish Oriental's universe of smaller companies in Asia	The number of countries open to foreign investors	Per capita incomes in China & India
1996	1,650 companies below $500 million market capitalisation	10	$709 (China) & $419 (India)
2022	23,780 companies below US$5 billion market capitalisation	15 (additions such as Vietnam, Pakistan, Bangladesh, Cambodia and Myanmar)	$12,556 (China) & $2,277 (India)

With changes in the economic environment, the managers began to find more opportunities in large markets such as India, Indonesia and the Philippines. The market leaders here were still small companies due to low market penetration, but had the potential to emerge as the large-caps of the future. In China, the market leaders were already large businesses and many of the companies operating in relatively mature markets like Singapore, Malaysia and Hong Kong had limited growth prospects. The stock selection shifted in favour of India, Indonesia and the Philippines, which currently comprise 72% of Scottish Oriental's portfolio. The portfolio was also consolidated among the highest conviction holdings. The number of holdings has declined from 77 in 2016 to 57 currently. The weight of the top 10 holdings has increased from 26% to 39% and the top 20 holdings has increased from 44% to 63% since 2016. There were 35 holdings which were each below 1% weight in 2016 (the portfolio "tail"), which has declined to 15 holdings currently.

However, as we have often observed in the case of businesses in which we invest, witnessing the results of changes made can take longer than expected. This was true for Scottish Oriental as well. Our key markets were severely impacted by Covid-19. Business operations of the Trust's holdings in India normalised relatively fast. However, businesses in Indonesia and the Philippines, particularly those operating in sectors such as retail and quick service restaurants, which were dependent on customers visiting their stores, were affected by the prolonged movement restrictions in these countries. This impacted Scottish Oriental's performance negatively in 2020 and 2021. However, our engagement with the management teams of these companies indicated that their competitive positions had only strengthened during the period. Their competitors, in most instances smaller companies from the informal sector, lacked the financial and technological resources to withstand the disruption. As business activity normalises in these countries, our holdings are positioned to emerge with a larger share of their categories' profit pools.

In recent years, there have been further changes to the Trust's investment mandate, which are listed below.

- The Trust's market capitalisation limits have gradually changed from US$ 500 million at the time of inception to US$ 5 billion currently. This reflects the substantial increase in the average market capitalisation of listed companies across Asia-ex Japan over the same period. Holdings such as Ambuja Cement, Eicher Motors, Parade Technologies and Zhejiang Weixing New Building Materials, which we purchased after the most recent increase in the market capitalisation limit, have delivered strong returns. It has helped to create a larger and more attractive investment universe for Scottish Oriental.
- Historically, the Trust's mandate permitted investments in Australia, New Zealand and Japan, but each investment required approval from the Board of Directors. The investment process was simplified by including these markets into Scottish Oriental's investment universe without the need for explicit approval from the Board. During the year, we made our first investment in Australia in the copper miner OZ Minerals. We subsequently sold after BHP Group made an offer to acquire the company at a substantial premium to the prevailing price. We are evaluating several opportunities in these markets but have no investments currently.
- A fixed rate gearing facility for £30 million was raised in March 2021. The Trust has raised gearing facilities in the past, however, the previous facilities had relatively short maturity periods of three to five years. In this instance, the facility is repayable in 2041, which allows us to take a long-term view. Given the attractive investment opportunities available across our investment universe, the gearing has been deployed.

Portfolio Managers' Report cont'd

Portfolio outlook

The first Manager's Review in 1995 highlighted that the economic environment in Asia was affected by several concerns. There were fears of rising interest rates, risks that countries with large current account deficits would suffer substantial currency depreciation and worries about the potential fall-out from the collapse of Barings Bank. Bottom-up investors like us also faced challenges of smaller companies in Asia having short listed track records and the regulations protecting minority shareholders being at their early stages of evolution. Despite all of these risks, being a shareholder of Scottish Oriental since inception would have been a rewarding experience.

The current lockdowns in China and the worries about rising inflation, interest rates and weakening currencies create an investing environment that bears resemblance to that in 1995. However, the market leading businesses in which Scottish Oriental invests have faced several crises during this period and have emerged stronger from each of them. The universe of smaller companies in Asia is much larger, their listed track records are longer and the regulations protecting minority shareholders are also well established. Bottom-up stock pickers like us have a more favourable hunting ground than we have had in the past.

This is reflected in the Trust's portfolio, which is more consolidated among its highest conviction holdings than it has been historically. The earnings growth expected for the portfolio is high as companies recover from the Covid-19 disruption, while returns on equity (ROE) have also improved. Despite the higher growth and ROEs, the portfolio's valuations are attractive and cheaper than in past years. With this portfolio of market leading businesses poised to emerge as the large companies of the future, we are excited about the Trust's prospects in the coming years.

As at 31 August	2017	2018	2019	2020	2021	2022
Weight of top 10% holdings	25.1%	29.2%	29.6%	31.6%	31.8%	**39.6%**
Weight of top 20% holdings	44.0%	50.8%	50.4%	52.4%	54.8%	**63.1%**
Weighted average Return on Equity	13.6%	15.0%	16.3%	15.9%	15.3%	**18.8%**
Weighted average 2-year forecast annualised EPS growth	14.2%	7.3%	1.5%	8.6%	34.1%	**21.2%**
Weighted average forward P/E	20.5x	26.8x	15.0x	24.9x	23.0x	**17.4x**

Source: Bloomberg, FSSA estimates

3. Recent Portfolio Activity

New Holdings

During the year we added seven new holdings to the portfolio.

Autobio Diagnostics ('Autobio') is the leading in-vitro diagnostics (IVD) reagent and machine manufacturer in China. The immunological IVD market in China is large and has grown consistently, as the penetration of diagnostic services has risen. Multinational companies dominate the industry, however, domestic manufacturers have gained market share in recent years. Autobio has built a leading position by consistently improving the quality of its products, which are now comparable to leading multinationals in many areas. The company's management is ambitious with a target of gaining market share in its existing categories, while also entering new segments.

Computer Age Management ('CAMS') is India's largest registrar and transfer agent of mutual funds with a dominant market share of 70%. CAMS' outsourced back-office services allow its asset management clients to focus on their core business and reduce costs. The company has significant growth potential, as households increase their investments in financial assets from a low base currently. The management is also building new businesses such as Account Aggregation and an insurance repository that could increase in size in the coming years. This provides the company significant growth potential over the long-term, while its asset light business model leads to returns on capital employed (ROCE) in excess of 100%.

Escorts Kubota ('Kubota') is a leading Indian tractor and construction equipment manufacturer. The company was founded by the Nanda family in India, which continues to lead its operations. In 2021, Kubota acquired a majority stake in the company. Escorts Kubota is expected to benefit from the technological and managerial expertise of the Japanese parent, which should help the company launch new products and improve operational efficiency. Kubota also plans to use the company's low cost Indian manufacturing base to gain market share globally, which adds to the company's growth prospects.

Haitian International ('Haitian') is the leading plastic injection moulding machine (PIMM) manufacturer in China. Based on its scale advantages as the market leader, the company earns attractive levels of profitability and returns on capital employed across business cycles. In recent periods, its growth has been negatively affected by the cyclical downturn in China. Over this period, Haitian has gained market share and is shifting its product portfolio in favour of machines with higher clamping force, which earn higher levels of profitability. The strong growth in electric vehicles should lead to an improvement in the company's growth prospects in the future. It is also expanding into markets outside China, using its strong, net cash balance sheet.

Parade Technologies ('Parade') is an integrated circuit designer. Its products facilitate high-speed data transmission across electronic devices. It has built leading market shares in its key products such as high-speed interface integrated circuits and embedded display port timing controllers. The management has also built strong relationships with large customers such as Apple, with which Parade has maintained a monopoly position in certain products. Data transmission speeds have been increasing consistently across devices. Higher speeds require new products, which drive higher prices and better profitability for Parade. Data transmission speeds are likely to continue rising. Parade is also the first mover in building new products with applications in servers and automobiles. These can become large addressable markets for the company in the years ahead.

Avia Avian ('Avian') is the market leader in Indonesia's decorative paint industry. Avian's extensive distribution network has helped it gain market share from its competitors who are dependent on third-party distributors. The company has also established dominant positions in niche areas such as waterproofing paints as well as wood & metal paints, which have historically not been areas of focus for multinationals. The Indonesian paint industry remains fragmented. We expect Avian to lead the industry's consolidation in the coming years. Its vertical integration allows it to earn high margins and returns on capital employed. It also has a strong net – cash balance sheet that should support its growth.

Sporton International ('Sporton') is the market leader in the electromagnetic testing and certification industry globally. As various electronic applications upgrade to new technology standards, the addressable market for the company's testing and certification business should grow consistently. Following years of investments in research and development, Sporton has built a leading position in the niche electromagnetic testing category. The introduction of fifth generation broadband cellular technology (known as 5G) is leading to improved prospects for its revenue growth. Its high market share also allows Sporton to earn attractive levels of profitability.

Sales

We sold nine holdings during the year.

Thermax, **Mr. DIY Group**, **CTOS Digital**, **Mphasis**, **Metropolis Healthcare** and **SKF India** were sold as their valuations became expensive following strong performance and share price appreciation.

Emami was sold due to increasing risks to its profitability following a sharp increase in raw material costs. Its management intends to focus on improving its growth prospects, due to which it may not be able to raise prices adequately to cover these cost increases. Its valuations had also become relatively expensive after appreciation in its share price.

China Overseas Grand Oceans Group and **Zhejiang Weixing New Building Materials** were sold due to concerns related to a significant slowdown in the Chinese residential property industry. We expect this to impact the growth prospects as well as profitability of both companies.

Purchased and subsequently sold

We purchased a holding in **OZ Minerals**, a leading copper and gold miner in Australia. The company has a strong track record of developing high quality copper assets operating in the first quartile of the global cost curve. Its management has also achieved its growth while maintaining a net cash balance sheet. It has significant growth prospects as it develops a new mine in Australia, which is currently at early stages of exploration. Based on its attractive prospects, BHP Group announced a bid for the company at a substantial premium to the prevailing price. As its valuations became expensive following the bid, we sold our holding in the company.

Portfolio Managers' Report cont'd

4. Ten Largest Investments as at 31 August 2022

Name	Country	Sector	% of Shareholders' Funds
Colgate-Palmolive (India)	India	Consumer Staples	5.3

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.

Mitra Adiperkasa	Indonesia	Consumer Discretionary	4.8

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.

Selamat Sempurna	Indonesia	Consumer Discretionary	4.0

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.

Poya International	Taiwan	Consumer Discretionary	3.9

Poya International is the dominant market leader in the discount store format in Taiwan, by offering a large selection of products at low prices in categories such as cosmetics, accessories and FMCG products. In recent years, the company has also piloted a new retail format focused on hardware products.

Godrej Industries	India	Materials	3.9

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 colours, household insecticides, real estate and crop protection products.

Uni-President China	China	Consumer Staples	3.8

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.

Mahindra CIE Automotive	India	Consumer Discretionary	3.8

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.

Blue Star	India	Industrials	3.6

Blue Star operates one of the leading air-conditioner brands in India, which has been gaining market share consistently. It has also entered into new, fast-growing categories such as air and water purifiers. The company operates air-conditioning engineering, procurement and construction (EPC) projects as well which are expected to grow with industrial and infrastructure development.

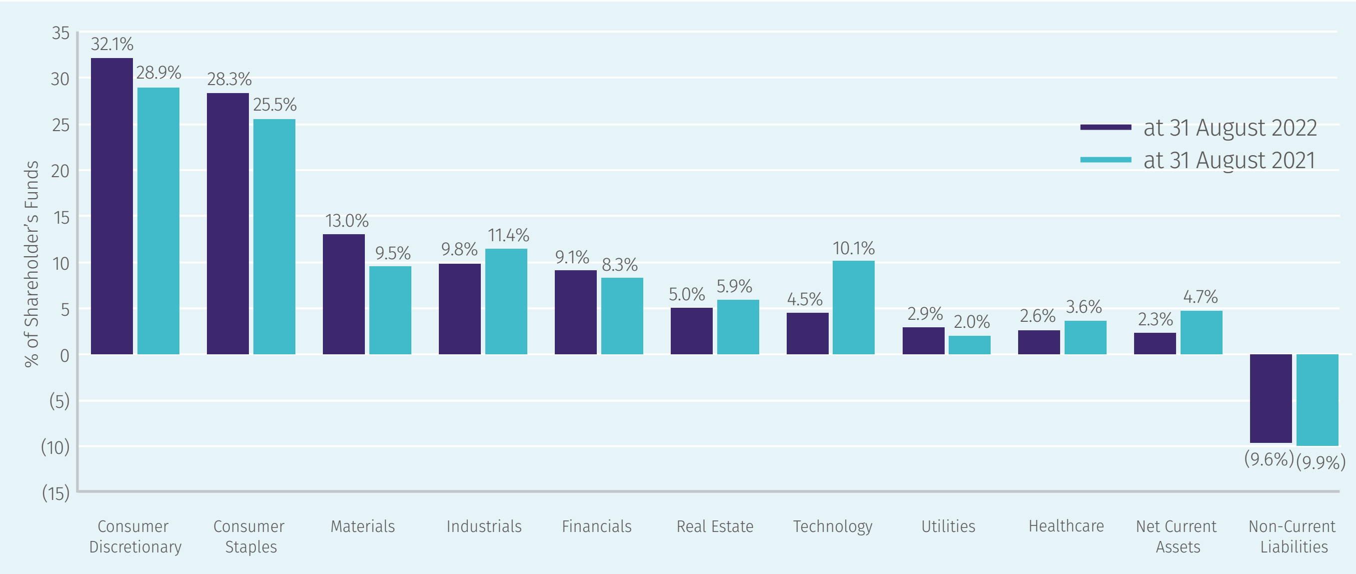
Philippine Seven	Philippines	Consumer Staples	3.5

It is the dominant convenience store operator in the Philippines, with the exclusive right to use the 7-Eleven brand in the country.

Mahindra Lifespace	India	Real Estate	3.0

Mahindra Lifespace is one of India's leading real estate developers, which specialises in residential projects and industrial parks. It is a subsidiary of the reputed conglomerate, Mahindra & Mahindra.

5. Sector Analysis



6. Portfolio Positioning

Country Allocation at 31 August 2022 (based on geographical area of activity)

Country/Region	Scottish Oriental 2022 %	Scottish Oriental 2021 %	MSCI Small Cap* 2022 %	MSCI† 2022 %
China	**13.6**	8.9	10.0	36.2
Hong Kong	**4.6**	4.9	5.8	7.3
Taiwan	**8.0**	7.2	23.1	16.5
Greater China	**26.2**	21.0	38.9	60.0
Indonesia	**21.9**	18.6	3.0	2.2
Malaysia	**–**	2.0	3.2	1.7
Philippines	**9.2**	9.9	1.1	0.9
Singapore	**3.1**	3.0	6.5	3.6
Thailand	**0.9**	1.5	4.4	2.2
Vietnam	**2.0**	2.4	–	–
South East Asia	**37.1**	37.4	18.2	10.6
Bangladesh	**1.2**	1.4	–	–
India	**40.7**	41.7	26.7	16.3
Pakistan	**0.8**	1.3	–	–
Indian Subcontinent	**42.7**	44.4	26.7	16.3
South Korea	**1.3**	2.4	16.2	13.1
Net Current Assets	**2.3**	4.7	–	–
Non-Current Liabilities	**(9.6)**	(9.9)	–	–
Net Assets	**100.0**	100.0	100.0	100.0

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

FSSA Investment Managers

27 October 2022

List of Investments at 31 August 2022

	% of Shareholders' Funds
Bangladesh (1.2%)	
Financials (1.2%)	
Delta Brac	1.2
China (13.6%)	
Consumer Discretionary (4.7%)	
Hisense Home Appliances	2.3
JNBY Design	2.4
Consumer Staples (3.8%)	
Uni-President China	3.8
Healthcare (1.1%)	
Autobio Diagnostics	1.1
Industrials (1.8%)	
Beijing Capital Airport	1.8
Materials (2.2%)	
Haitian International	0.8
Sinoseal Holding	1.4
Hong Kong (4.6%)	
Consumer Discretionary (1.7%)	
Fairwood Holdings	1.7
Consumer Staples (2.9%)	
Nissin Foods	1.3
Vitasoy International	1.6

	% of Shareholders' Funds
India (40.7%)	
Consumer Discretionary (4.4%)	
Bosch	0.6
Mahindra CIE Automotive	3.8
Consumer Staples (9.0%)	
Colgate-Palmolive India	5.3
Radico Khaitan	2.0
United Breweries	1.7
Financials (4.0%)	
Computer Age Management	1.5
IIFL Wealth Management	2.5
Healthcare (1.5%)	
Solara Active Pharma	1.5
Industrials (5.3%)	
Blue Star	3.6
Eicher Motors	0.1
Escorts Kubota	0.7
Kei Industries	0.9
Materials (8.6%)	
Castrol India	2.2
Godrej Industries	3.9
HeidelbergCement India	1.3
Kansai Nerolac Paints	1.2

	% of Shareholders' Funds
Real Estate (5.0%)	
Mahindra Lifespace	3.0
Oberoi Realty	2.0
Utilities (2.9%)	
Mahanagar Gas	2.9
Indonesia (21.9%)	
Consumer Discretionary (13.9%)	
Ace Hardware Indonesia	1.0
Arwana Citramulia	0.9
Astra Otoparts	1.4
Mitra Adiperkasa	4.8
Sarimelati Kencana	1.8
Selamat Sempurna	4.0
Consumer Staples (4.8%)	
Hero Supermarket	2.8
Uni-Charm Indonesia	2.0
Financials (1.0%)	
Bank OCBC Nisp	1.0
Materials (2.2%)	
Avia Avian	2.2

	% of Shareholders' Funds
Pakistan (0.8%)	
Consumer Discretionary (0.8%)	
Indus Motor Company	0.8
Philippines (9.2%)	
Consumer Discretionary (1.5%)	
Max's Group	1.5
Consumer Staples (6.0%)	
Century Pacific Food	2.5
Philippine Seven	3.5
Industrials (1.7%)	
Concepcion Industrial	1.7
Singapore (3.1%)	
Consumer Staples (1.8%)	
Haw Par	1.8
Financials (1.3%)	
Credit Bureau Asia	1.3

	% of Shareholders' Funds
South Korea (1.3%)	
Consumer Discretionary (0.6%)	
Zinus	0.6
Financials (0.7%)	
NHN KCP	0.7
Taiwan (8.0%)	
Consumer Discretionary (3.9%)	
Poya International	3.9
Industrials (1.0%)	
Sporton International	0.8
Voltronic Power	0.2
Technology (3.1%)	
Parade Technologies	0.7
Sinbon Electronics	2.4

	% of Shareholders' Funds
Thailand (0.9%)	
Financials (0.9%)	
Tisco Financial	0.9
Vietnam (2.0%)	
Consumer Discretionary (0.6%)	
Mobile World Investment	0.6
Technology (1.4%)	
FPT	1.4

Environmental, Social and Governance ('ESG') Policy

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

In our experience, most small Asian companies are keen to improve their ESG practices but in several instances, do not have the resources or exposure to global best practice. To help address this, we engage on a range of issues from board composition to the safety of workers and the environmental impact of their operations, and proactively vote on all shareholder resolutions. We also seek to introduce domain experts to 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 key components of our approach towards sustainability are detailed below.

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

(2) Exclusion lists: We believe that there is not a price for everything. This means that there are certain people we would not invest with and some businesses that we would not own, irrespective of the potential financial returns. We do not invest in companies with direct exposure to coal mining or processing where it is a key part of the business. We expect companies that source or use palm oil to adhere to the policies of the Roundtable on Sustainable Palm Oil (RSPO) and No Deforestation, No Peat, No Exploitation (NDPE).

We exclude companies involved in the production of tobacco products, those involved in gambling operations and weapon manufacturers from our investment universe. We also do not invest in companies where there is believed to be systemic bribery or those which persistently do not adhere to local tax legislations.

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

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

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

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

Case Study

Century Pacific Food operates market leading canned food and dairy product brands in the Philippines. Since it listed in 2014, we had observed that its majority shareholders, the Po family, managed the business with high governance standards and were hiring experienced professional managers from PepsiCo, Unilever and Procter & Gamble to run the company's operations. We made Scottish Oriental's initial investment in Century Pacific in 2017. Since then, our conviction in its chairman, Christopher Po's efforts to build a stronger and more sustainable franchise have grown significantly.

In recent years, the company formalised its sustainability strategy focused on "Protein, Planet and People." The new products it has launched as part of this strategy, including affordable milk products fortified with immunity boosters and plant-based meat alternatives, have helped the company gain market share in these categories. Century Pacific is among the first corporates in the Philippines to achieve plastic neutrality. It is also consistently increasing the share of its production powered by renewable energy sources.

In 2021, the company acquired a refrigerated food products business previously owned privately by the Po family. The management reached out to us to take feedback on this related party transaction. Our engagement focused on the strategic merit of the transaction, its impact on our alignment with the majority shareholders and the valuations of the deal. After several discussions, we were convinced that the purchase would provide Century Pacific an entry into the under-penetrated and fast growing refrigerated food category. The acquired company had made several changes in its product portfolio in recent years, which also provided the opportunity to improve its profitability significantly. Its valuation of 1x Price / Book represented an attractive price as well. Following our discussions, we were convinced that the interests of minority shareholders were being protected, while also appreciating the management's approach towards engaging proactively with stakeholders.

Recent conversations of our team with NGO's and experts on modern slavery risks in Asia alerted us to the scale of the issue in the fisheries industry to which Century Pacific is exposed. The reliance on migrant workers and contractual labour, short lead times and low wages often provide scope for the exploitation of workers in the industry. Earlier this year, we wrote a letter to the chairman highlighting these issues, as well as making recommendations related to global best practices such as establishing a grievance mechanism to improve working conditions and delivering training to members of the supply chain to prevent malpractices. We were encouraged by the company's receptive feedback to our letter and willingness to learn more about potential solutions. Subsequently, we have introduced Century Pacific to the relevant domain experts.

Over the last five years, we have observed that Century Pacific's management has consistently shown their intent to uphold high standards of governance as well as make efforts to improve the company's environmental and social footprint. In turn, this has increased our conviction in the management's ability to address the challenges and opportunities the company will face over the long – term.

"We believe that sustainability – whether coming up with healthier products, taking care of our people and communities, or being good stewards of our resources – is essential to our longevity. We believe our commitment to responsible business will change the complexion and character of our business in a good way and will future-proof our enterprise."

Christopher T. Po (Executive Chairman) and Teodoro T. Po (President and CEO), Century Pacific.

CENTURY PACIFIC FOOD, INC.

Ten Year Record

Capital

Year ended 31 August	Market Capitalisation £m	Shareholders' Funds £m	NAV p	Share Price p	Discount to NAV* %
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
2022	**295.32**	**343.20**	**1,382.93**	**1,190.00**	**14.0**

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*
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
2022	**9,239**	**4,352**	**16.66**	**14.00†**	**0.97**	**0.97**	**107**	**110**

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

† Includes a special dividend of 1.00p per share.

Performance (taking year ended 31 August 2012 as 100)

Year ended 31 August	NAV	Share Price	MSCI AC Asia ex Japan Small Cap Index	FTSE All-Share Index	Earnings per share	Total dividends per share
2012	100	100	100	100	100	100
2013	120	122	114	119	101	105
2014	134	141	129	131	67	105
2015	122	120	117	128	108	105
2016	157	150	151	143	66	105
2017	179	177	175	164	47	105
2018	173	169	177	171	64	105
2019	174	167	163	172	87	105
2020	149	142	174	150	57	105
2021	189	181	240	191	63	105
2022	**207**	**197**	**238**	**193**	**116**	**127**

Directors

Jeremy Whitley (Chairman)

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

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

Michelle is the Chair of the Audit Committee, and a member of the Remuneration Committee 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.

Business Review

The purpose of this report is to provide shareholders with details of the Company's strategy, objectives and business model as well as the principal and emerging risks and challenges the Company has faced during the year under review. It should be read in conjunction with the Chairman's Statement on page 3 and the Portfolio Managers' Report on pages 5 to 15, 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 21.

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

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

Business and Status

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

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

Investment Objective

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

Investment Policy

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

A review by the Portfolio Managers' is given on pages 5 to 15 and the investments held at the year end are listed on pages 16 and 17.

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

A summary of the terms of the Investment Management Agreement is contained in note 2 of the Accounts on page 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 believes that environmental, social and governance ('ESG') issues comprise sources of long-term risk and return and can therefore impact long-term investment value. The team also believes that, as stewards of shareholders' funds, it can achieve better long-term investment outcomes through active company engagement and by exercising the equity ownership rights it holds on behalf of shareholders.

The Investment Manager is a signatory to the UK Stewardship Code 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.

Business Review cont'd

Gearing

Details of the Company's £30 million fixed rate loan notes can be found in note 11 on page 58.

Social, Community and Human Rights Issues

The Board undertakes an annual review of environmental, social and governance factors in the context of the Company's investment portfolio. As part of its review, the Board considers the Investment Manager's approach to the responsible investment of shareholders' funds, details of which can be found on page 5 to 15 of this report.

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

Tender Offer

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

In the year to 31 August 2022 the Company's NAV outperformed the MSCI AC Asia ex Japan Small Cap Index by 10.9%.

The Board and Outlook

The Company has four Directors. Two are women and two 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

27 October 2022

Section 172 Statement

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

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

Stakeholders

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

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

Shareholders

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

Investment Manager and AIFM

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

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

The Portfolio Managers' Review on pages 5 to 15 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, under the oversight of the Board. The Board regularly reviews the Company's performance against its investment objective and undertakes an annual strategy review to ensure that the Company is positioned well for the future delivery of its objective. The Board receives presentations from the Investment Manager at every Board meeting to enable it to exercise effective oversight of the Investment Manager. On an annual basis the Management Engagement Committee conducts a formal evaluation of the performance of the Investment Manager.

Service Providers

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

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

Loan Notes

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

Section 172 Statement cont'd

Key decisions

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

Key Decision	Stakeholder(s) affected	Outcome
Investment Performance/Tender Offer Following a period of underperformance, the Board undertook a review of the investment management of the Company and ways in which long-term investment performance could be improved. As part of the review, the Board considered various proposals from the Investment Manager as to how it could improve performance. During this process, the Board consulted with a number of the Company's major shareholders to ascertain their views and to understand any concerns they had on the past and future performance of the Company's investment portfolio. In relation to concerns over the performance of the portfolio, shareholders proposed that the principal comparative index should be more aligned to the Company's investment policy and that a small cap index would be more appropriate rather than the MSCI AC Asia ex Japan Index.	**Investment Manager/ Shareholders**	• MSCI AC Asia ex Japan Small Cap Index adopted as the Company's principal comparator index. • Additional investment management resources dedicated to the portfolio. • Investment performance benchmarked against principal comparative index over 5-year period. • A tender offer will be made to shareholders for up to 25 per cent of the Company's outstanding share capital, if, over the next five years and at five yearly intervals thereafter, the investment performance of the Company does not exceed the principal comparator index. Please refer to page 24 for full terms of the tender offer.
Discount management The Board has continued to monitor the Company's share price discount to net asset value. The management of the Company's share price discount has a twofold effect; the supply of the Company's shares reduce whilst demand remains constant, and the Company's net asset value per share increases as shares have been bought back at a discount.	**Shareholders**	• Through the use of discount management controls, the Board has maintained the discount to net asset value per share at circa. 14.0%. • During the year under review the Company repurchased 2,504,180 shares to be held in Treasury. • The discount ranged from 15.9% to 6.8% in the year to 31 August 2022.
Board Composition The Directors are cognisant that the Board and its committees should have a combination of skills, experience and knowledge and that consideration should be given to the length of service of the board as a whole and membership regularly refreshed. Following notification from James Ferguson that he planned to retire as Chairman, the Board, in consultation with the Nomination Committee considered Mr Ferguson's successor. As part of the review, the Directors were mindful of Board continuity.	**Shareholders**	• Jeremy Whitley was appointed as Chairman on 22 July 2022. • The Board is currently considering whether to appoint a replacement director for James Ferguson.

Key Decision	Stakeholder(s) affected	Outcome
Dividend As investee companies emerge from the Covid-19 pandemic, underlying cashflows are improving. This has had a positive impact on the Company's net revenue available for distribution to shareholders. After discussing the Company's revenue forecasts and investment outlook with the Investment Manager, the Board agreed to recommend an increase to the final dividend per share to 13.0p and to recommend an additional special dividend of 1.0p per share.	**Shareholders**	• Increased rate of annual dividend. • Payment of a special dividend.
Environmental, Social and Governance ('ESG') The Board is committed to responsible investment. During the year under review, the Investment Manager was invited to present an update on its use of ESG considerations in its investment making process. On pages 18 and 19 the Investment Manager has included greater detail on its ESG policy. The Board are supportive of the Investment Manager's approach which focuses on engagement with investee companies and how ESG matters are factored into their business models. In addition, the Investment Manager has discretionary powers to exercise voting rights on all resolutions proposed by investee companies.	**Investment Manager/ Investee Companies/ Shareholders**	• The Investment Manager will continue to engage with investee companies to ensure good governance and compliance with environmental standards.

Principal Risks and Uncertainties

The Board has carried out a robust assessment of the principal and emerging risks faced by the Company. The Company faces emerging risks from geopolitical events and rising inflation. The impact of these on the principal risks is detailed below, together with a summary of the mitigating action taken to manage these risks.

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. 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. **This risk has increased in the past 12 months, specifically due to the conflict in Ukraine and the related impact on global commodities prices**	The Board regularly reviews and agrees policies for managing market price risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. These are explained in detail in note 16 to the financial statements on pages 59 to 63.
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.

Principal Risks

Risk	Mitigation
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. **Decrease in this risk due to the reduced impact of the Covid-19 pandemic**	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 34.
Regulatory The Company operates in a regulatory environment. Failure to comply with s1158 of the Corporation Tax Act 2010 could result in the Company losing investment trust status and being subject to tax on capital gains. Failure to comply with other regulations could result in financial penalties or the suspension of the Company's listing on the London Stock Exchange. **No change to this risk**	Compliance with relevant regulations is monitored on an ongoing basis by the Company Secretary and Investment Manager who report regularly to the Board. The Board monitors changes in the regulatory environment and receives regulatory updates from the Company Secretary, Lawyers and Auditor as relevant.

Directors' Report

The Directors have pleasure in presenting the Annual Report for the year to 31 August 2022.

Results and Dividend

The table below shows the revenue position and dividend payable by the Company, subject to shareholders' approval of the dividends of 14.0p per share (made up of a final dividend of 13.0p per share and a special dividend of 1.0p per share) proposed to be paid on 13 January 2023. 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 2021 (per Statement of Financial Position)	6,408
Dividend paid for year ended 31 August 2021	(3,053)
Net revenue earned in the year ended 31 August 2022	4,352
Revenue reserve as at 31 August 2022 (per Statement of Financial Position)	7,707
Dividend proposed for year ended 31 August 2022	(3,458)
Revenue reserve as at 31 August 2022 (after payment of proposed dividend)	4,249

Share Capital and Share Buy Backs

The Company's capital structure consisted of 31,413,663 ordinary shares of 25p each at 31 August 2022.

The Company's buy back authority was last renewed at the General Meeting on 7 December 2021 in respect of 5,410,544 ordinary shares of 25p each.

During the year the Company bought back 2,504,180 ordinary shares to be held in Treasury. The Company held 6,596,684 ordinary shares in Treasury at 31 August 2022.

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 2022 the Company was aware of the following significant shareholdings representing (directly or indirectly) 3 per cent or more of the voting rights attaching to the issued share capital of the Company:

	Number of shares held	Percentage held
Clients of City of London Investment Management	4,735,769	19.1%
Clients of Ameriprise Financial	2,423,263	9.8%
Clients of Alliance Trust Savings	2,315,394	9.3%
Clients of Hargreaves Lansdown	1,907,929	7.7%
Clients of Investec Wealth & Investment	1,511,277	6.1%
Clients of Allspring Global Investments	1,493,987	6.0%
Clients of Brewin Dolphin Securities	1,314,208	5.3%
Clients of Rathbones	1,140,755	4.6%

On 3 October 2022 City of London Investment Management notified the Company that their clients now hold 4,704,971 shares.

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 22, risk management policies detailed on pages 28 and 29, the nature of its portfolio and expenditure projections and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and for at least 12 months from the date of this Report. In addition, the Board has had regard to the Company's investment performance (see page 2), the price at which the Company's shares trade relative to their NAV (see page 2) and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with Shareholders).

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

- cash and cash equivalents balances and the portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue, operating and finance cost forecasts for the forthcoming year;
- continued adherence to the loan covenants;
- the ability of third-party service providers to continue to provide services; and
- three potential downside scenarios including stress testing the Company's portfolio for a 30% fall in the value of the investment portfolio; a 50% fall in dividend income; and a similar level of share buybacks to the current year. The cumulative impact of these three downside 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, and 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 on pages 28 and 29 and discussed in note 16 to the Accounts.

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

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

Financial Instruments

Information on the Company's financial instruments can be found in the Notes on the Accounts on pages 59 to 63.

Principal Risks and Risk Management

Information on the principal and emerging risks to shareholders and management of these risks can be found on pages 28 and 29 and in note 16 to the Accounts on pages 59 to 63.

Directors' Report cont'd

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 5 December 2022 (the "AGM") is given on pages 66 to 69. The resolutions to be proposed include a resolution to approve the Directors' Remuneration Report which is set out on pages 36 to 38.

Resolutions 9 and 10 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 9 is in respect of £617,488 in nominal value of relevant securities, representing approximately 10 per cent of the issued ordinary share capital at 26 October 2022. The power to disapply pre-emption rights being sought under Resolution 10 is also in respect of £617,488 of equity securities representing approximately 10 per cent of the ordinary shares of the Company (excluding Treasury Shares) in issue on 26 October 2022. The authority under Resolutions 9 and 10, 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 11 to be proposed at the Annual General Meeting as a special resolution gives authority to the Company to purchase its own shares, subject to the provisions of the Companies Act 2006, as permitted by the Company's Articles of Association. This resolution specifies the maximum such number of shares which may be acquired (being 3,702,458 ordinary shares, representing 14.99 per cent of the Company's issued share capital at 26 October 2022) and the maximum (105 per cent of the 5 day average middle market price) and minimum (the nominal value) prices at which shares may be bought. The authority, which may be used to buy back shares either for cancellation or to be held in Treasury, will be used to purchase shares only if, in the opinion of the Directors, a purchase would be in the best interests of the shareholders as a whole. The Directors will exercise the authority granted pursuant to this resolution only through the market for cash at prices below the prevailing net asset value of the ordinary shares (as last calculated) in circumstances where such purchases will enhance the Company's net asset value. The proposed authority, if granted, will expire at the earlier of the next Annual General Meeting or 15 months following the passing of Resolution 11. There are no options outstanding over the Company's share capital.

Notice Period for General Meetings

Resolution 12 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 12 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

27 October 2022

Report of the Audit Committee

The Audit Committee is chaired by Michelle Paisley and also comprises Andrew Baird and Anne West. Mrs West joined the Audit Committee on 19 October 2022, the first meeting of the Audit Committee since she became an independent non-executive director.

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 2022.

At the request of the Board, the Audit Committee considered whether the 2022 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 2022. 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 second 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. 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

Significant accounting matter	Actions taken
Valuation of investments	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.
Existence/ownership of investments	The assets held within the investment portfolio are agreed regularly to the custodian's records by the Administrator.
Performance fees calculation	Any performance fee payable is calculated by the Company Secretary and reviewed by another team member at Juniper Partners.
Revenue recognition	The recognition of investment income is undertaken in accordance with Accounting Policy (b) on page 52.

Michelle Paisley
Director

27 October 2022

Directors’ Remuneration Report

Statement by the Chairman

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

Remuneration Committee

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

Policy on Directors’ Remuneration

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

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

Directors’ Service Contracts

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

Annual Report on Remuneration

The Board carried out a review of the level of Directors’ fees during the year. It was resolved to increase the level of the Chairman’s fee from £34,000 to £36,000 per annum, the Audit Committee Chairman’s fee from £27,000 to £28,500 per annum and Directors’ fees from £24,000 to £25,500 per annum, effective from 1 July 2022. 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 2022 ordinary 25p shares	31 August 2021 ordinary 25p shares
Jeremy Whitley	79,000	76,000
Andrew Baird	2,000	2,000
Michelle Paisley	–	–
Anne West	22,000	22,000

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

Directors' Emoluments for the Year (audited)

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

	Fees 2022 £	Fees 2021 £	% change
Jeremy Whitley (Chairman)*	28,105	26,500	6.1
James Ferguson†	30,306	32,750	(7.5)
Andrew Baird	24,250	23,167	4.7
Michelle Paisley (Audit Committee Chair)††	24,600	23,167	6.2
Anne West	24,250	23,167	4.7
	131,511	**128,751**	**2.1**

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

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

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

Fee Rates	Year to 31 August 2020 £	Year to 31 August 2021 £	Year to 31 August 2022 £
Chair	31,667	32,750	34,333
	+6.4%	+3.4%	+4.8%
Audit Committee Chair	25,333	26,167	27,250
	+6.4%	+3.3%	+4.1%
Other directors	22,583	23,167	24,250
	+6.3%	+2.6%	+4.7%

Statement of Voting at Annual General Meeting

Voting on the resolutions to approve the Directors' Remuneration Report at the Company's AGM on 7 December 2021 was as follows:

Resolution	Votes For	Votes Against	Votes Withheld
Approve Directors' Remuneration Report	13,533,398	30,757	989

Directors' Remuneration Report cont'd

Relative Importance of Directors' Fees

	2022 £000	2021 £000
Directors' fees	132	129
Buyback of Ordinary Shares	28,211	18,575
Dividend paid	3,053	3,284
Expenses	3,151	3,302

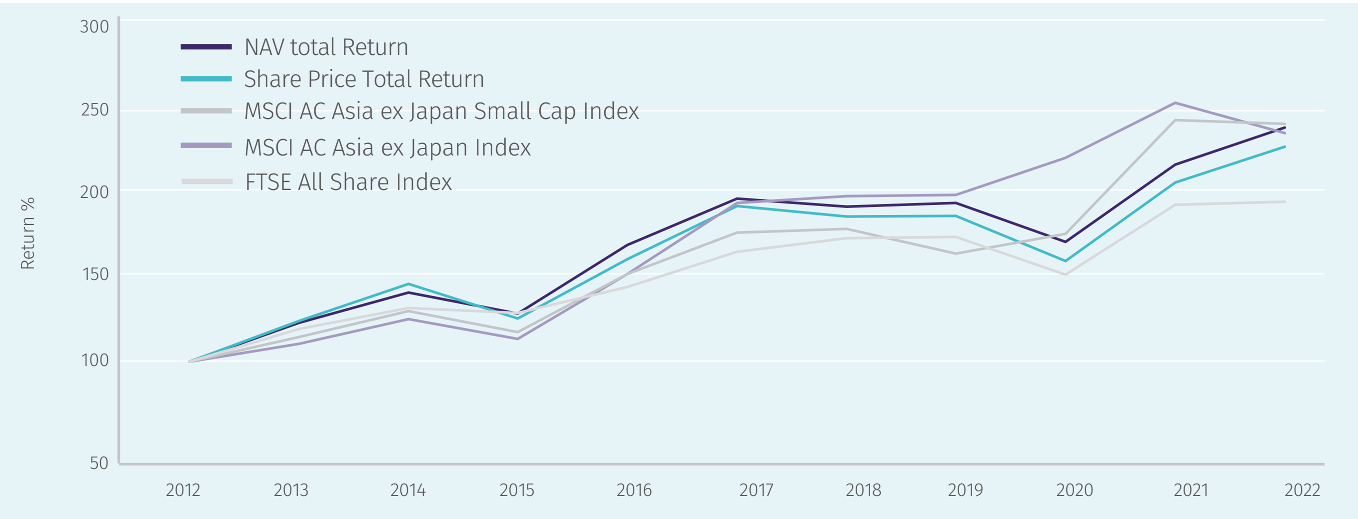
	2022 %	2021 %
Directors' fees as a percentage of buyback of ordinary shares	0.5	0.7
Directors' fees as a percentage of dividend paid	4.3	3.9
Directors' fees as a percentage of expenses	4.2	3.9

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

Company Performance

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

Total Return – Scottish Oriental versus comparator indices



The Directors' Remuneration report on pages 36 to 38 was approved by the Board of Directors on 27 October 2022 and signed on its behalf by

Jeremy Whitley
Chairman

27 October 2022

Corporate Governance

Directors’ Statement on Corporate Governance

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

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

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

Conflicts of Interest

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

Meetings

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

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

* Attended meetings by invitation.

Corporate Governance cont'd

Independence of Directors

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

Performance Appraisals

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

Board Diversity

The 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.

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 updated re-election is subject to shareholder approval, based upon the recommendations of the full Board. Biographical details of all Directors are set out on page 21 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.

Anne West has served on the Board for more than nine years. The Board does not regard long service as a disadvantage and believes that experience is an advantage for an investment trust.

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

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

Nominations Committee

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

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

The Board believes that length of service does not necessarily compromise the independence or contribution of directors of an investment trust company. Indeed, in its opinion, continuity and experience often add significantly to the strength of the board. The Directors are mindful of the need for a carefully considered succession plan and will continue to focus on this area. In the year under review the Nominations Committee met and considered James Fergusons' replacement as the Company's Chairman. It was agreed that Jeremy Whitley should be appointed as Chairman, Jeremy has a wealth of experience in the investment trust industry and provides a continuity of leadership.

The Nominations Committee meets at least annually.

Management Engagement Committee

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

On behalf of the Board

Juniper Partners Limited
Company Secretary

27 October 2022

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

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

By order of the Board

Jeremy Whitley
Chairman

27 October 2022

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 2022, 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 2022 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

Our approach to the audit

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

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

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

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter and our conclusions
Valuation and ownership of investments (as per page 35 (Report of the Audit Committee), page 52 (Accounting Policies) and note 8. The valuation of the portfolio at 31 August 2022 was £368.4m (2021: £363.5m) and comprised entirely of listed equity investments. As this is the largest component of the Company's Statement of Financial Position, accounting for 107.4% (2021: 105.2%) of net assets, and a key driver of the Company's total return, this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud or error. There is a risk that investments held at fair value may not be actively traded and the quoted prices may not be reflective of their fair value (valuation). Additionally, there is a risk that the investments recorded as held by the Company may not represent property of the Company (ownership).	We performed at the Administrator, a walkthrough of the valuation process to gain an understanding of 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 2022 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 2022 to the independently received custodian report. From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the investments.
Revenue recognition, including allocation of special dividends as revenue or capital returns (as per page 35 (Report of the Audit Committee), page 52 (Accounting Policies) and note 1. The income from investments for the year to 31 August 2022 was £9.24m (2021: £6.87m) consisting of dividends received from listed investments. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company. There is a risk that revenue is incomplete or inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error. Additionally, judgement is required in determining the allocation of special dividends as revenue or capital returns in the Income Statement.	We performed at the Administrator, a walkthrough of the revenue recognition process, including the process for allocating special dividends as revenue or capital returns, to gain an understanding of the design of the process and implementation of key controls. We confirmed that income is recognised in accordance with the AIC SORP by assessing the accounting policies. We recalculated 100% of dividends due to the Company, from equity holdings, based on investment holdings throughout the year and announcements made by investee companies. We agreed a sample of investment income recognised to bank statements. We reviewed all dividend announcements throughout the year and confirmed that five 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. From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.

Our application of materiality

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

Materiality measure	Value
Materiality for the Financial Statements as a Whole – we have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. It is also the standard industry benchmark for materiality for investment trusts and we determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.	£3.43m (2021: £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 and our experience gained from auditing the company for two years, we have set this at 75% of our overall materiality.	£2.57m (2021: £2.59m)
Specific materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the Company, we applied a separate testing threshold for the revenue column of the Income Statement set at the higher of 5% of the revenue net return on ordinary activities before taxation and our Audit Committee Reporting Threshold. We have also set a separate specific materiality in respect of related party transactions and Directors' remuneration. We used our judgement in setting these thresholds and considered our experience and industry benchmarks for specific materiality.	£0.26m (2021: £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 (2021: £0.17m)

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

Conclusions relating to going concern

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

- Evaluating management's method of assessing going concern, including consideration of market conditions and uncertainties such as Covid-19;
- Assessing and challenging the forecast cashflows and associated sensitivity modelling including assessment of the loan notes and covenants, used by the Directors in support of their going concern assessment;
- Obtaining and recalculating management's assessment of the Company's ongoing maintenance of investment trust status;
- Evaluating management's assessment of the business continuity plans of the Company's main service providers; and
- Assessing the adequacy of the Company's going concern disclosures included in the Annual Report.

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

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 31;
- 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 31;
- the Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 31;
- 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 28 and 29;
- the section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on pages 34 and 35; and
- the section describing the work of the Audit Committee set out on pages 34 and 35.

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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- Companies Act 2006;
- FCA listing and DTR rules;
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the "AIC Code");
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014, and updated in July 2022 with consequential amendments;
- Financial Reporting Standard 102; and
- The Company's qualification as an investment trust under section 1158 of the Corporation Tax Act 2010.

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

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

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

- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules;
- Testing of accounting journals and other adjustments for appropriateness;
- Assessing judgements and estimates made by management for bias; and
- Agreement of the financial statement disclosures to supporting documentation.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 8 December 2020 to audit the financial statements for the year ended 31 August 2021 and subsequent financial periods. The period of our total uninterrupted engagement is two years, covering the years ended 31 August 2021 to 31 August 2022.

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

27 October 2022

Income Statement

For the year ended 31 August 2022

		2022			2021		
	Note	**Revenue**	**Capital**	**Total***	**Revenue**	**Capital**	**Total***
		£000	£000	£000	£000	£000	£000
Gains on investments	8	–	26,452	26,452	–	82,214	82,214
Income from investments	1	9,238	–	9,238	6,872	–	6,872
Other income	1	1	–	1	–	–	–
Investment management fee	2	(2,453)	–	(2,453)	(2,422)	–	(2,422)
Currency (losses)/gains		–	(21)	(21)	–	132	132
Other administrative expenses	3	(698)	–	(698)	(880)	–	(880)
Net return on ordinary activities before finance costs and taxation		**6,088**	**26,431**	**32,519**	**3,570**	**82,346**	**85,916**
Finance costs	4	(835)	–	(835)	(373)	–	(373)
Net return on ordinary activities before taxation		**5,253**	**26,431**	**31,684**	**3,197**	**82,346**	**85,543**
Tax on ordinary activities	5	(901)	(1,803)	(2,704)	(649)	(6,997)	(7,646)
Net return attributable to equity shareholders		**4,352**	**24,628**	**28,980**	**2,548**	**75,349**	**77,897**
Net return per ordinary share	7	16.66p	94.26p	110.92p	9.02p	266.82p	275.84p

* 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 dividends of 14.0p per share (made up of a final dividend of 13.0p per share and a special dividend of 1.0p per share) for the year ended 31 August 2022 (2021: 11.50p per share) which, if approved, will be payable on 13 January 2023 to shareholders recorded on the Company's shareholder register on 2 December 2022.

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 2022

	Note	2022		2021	
		£000	£000	£000	£000
Investments held at fair value through profit or loss	8				
Bangladesh			4,325		4,869
China			44,112		31,115
Hong Kong			18,521		16,750
India			139,526		143,984
Indonesia			75,324		64,320
Malaysia			–		7,094
Pakistan			2,695		4,523
Philippines			31,529		33,975
Singapore			10,575		10,303
South Korea			4,494		8,343
Taiwan			27,408		24,738
Thailand			3,178		5,273
Vietnam			6,755		8,213
			368,442		**363,500**
Current assets					
Debtors	9	1,421		1,163	
Cash and deposits		7,490		17,546	
		8,911		**18,709**	
Current liabilities (due within one year)					
Creditors	10	(1,145)		(2,386)	
		(1,145)		**(2,386)**	
Net current assets			**7,766**		**16,323**
Non-current liabilities	11				
Deferred tax liabilities on Indian capital gains			(3,184)		(4,525)
Loan notes			(29,822)		(29,812)
			(33,006)		**(34,337)**
Total assets less liabilities			**343,202**		**345,486**
Capital and reserves					
Ordinary share capital			7,853		7,853
Share premium account			34,259		34,259
Capital redemption reserve			58		58
Capital reserves			293,325		296,908
Revenue reserve			7,707		6,408
Total equity shareholders' funds			**343,202**		**345,486**
Net asset value per share	13		**1,382.93p**		**1,264.54p**

These Accounts were approved and authorised for issue by the Board on 27 October 2022 and signed on its behalf by

Jeremy Whitley
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 2022

	Note	2022 £000	2021 £000
Net cash outflow from operations before dividends, interest, purchases and sales of investments	14	**(3,189)**	**(3,587)**
Dividends received from investments		9,018	6,246
Interest received from deposits		1	–
Cash inflow from operations		**5,830**	**2,659**
Taxation		(905)	(574)
Net cash inflow from operating activities		**4,925**	**2,085**
Investing activities			
Purchases of investments		(96,948)	(134,490)
Sales of investments		117,221	121,979
Capital gains tax paid on the sale of investments		(3,144)	(2,472)
Net cash inflow/(outflow) from investing activities		**17,129**	**(14,983)**
Financing activities			
Expenses paid in relation to loan notes		–	(192)
Interest paid		(825)	–
Equity dividend paid		(3,053)	(3,284)
Buyback of ordinary shares		(28,211)	(18,671)
Issue of loan notes		–	30,000
Net cash (outflow)/inflow from financing activities		**(32,089)**	**7,853**
Decrease in cash and cash equivalents		(10,035)	(5,045)
Cash and cash equivalents at the start of the year		17,546	22,459
Effect of currency (losses)/gains		(21)	132
Cash and cash equivalents at the end of the year*		**7,490**	**17,546**

*Cash and cash equivalents represents cash at bank.

Total tax paid for the year ended 31 August 2022 was £4,049,000 (2021: £3,046,000).

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 2022

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

* See note 6.

for the year ended 31 August 2021

	Ordinary Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserve £000	Revenue Reserve £000	Total £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:						
Dividend paid in year*	–	–	–	–	(3,284)	(3,284)
Buyback of ordinary shares	–	–	–	(18,575)	–	(18,575)
Balance at 31 August 2021	**7,853**	**34,259**	**58**	**296,908**	**6,408**	**345,486**

* See note 6.

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 July 2022 (the "SORP"). These Accounts are prepared on a going concern basis.

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

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

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

Income

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

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

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

Expenses

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

(f) The investment management fee has been charged in full to the revenue column of the Income Statement. The performance 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) Final and special dividends are recognised in the period in which they are approved by the Company's shareholders.

Taxation

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

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

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

Significant judgements and estimates

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

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

Deferred tax on Indian capital gains

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

Revenue reserve

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

Notes on the Accounts

1. Income

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

2. Investment Management Fee

	2022	2021
	£000	£000
Investment management fee	**2,453**	**2,422**

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 (2021: £nil) is due to be paid for the year ended 31 August 2022.

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

	2022	2021
	£000	£000
Auditor's remuneration for audit services	30	28
Directors' fees	132	129
Company secretarial and administration fees	202	195
Bank, custodial and other expenses	334	528
	698	**880**

Expenses are shown net of recoverable VAT where relevant.

4. Finance Costs

	2022	2021
	£000	£000
On loan notes	825	369
Amortisation of set up costs	10	4
	835	**373**

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

5. Taxation

(a) Analysis of charge in the year

Overseas tax:

	2022			2021		
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
	£000	£000	£000	£000	£000	£000
Irrecoverable tax on overseas dividends	901	–	901	649	–	649
Indian capital gains tax charge on sales	–	3,144	3,144	–	2,472	2,472
Movement in deferred tax liability on Indian capital gains	–	(1,341)	(1,341)	–	4,525	4,525
	901	**1,803**	**2,704**	**649**	**6,997**	**7,646**

Capital gains tax

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

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

At 31 August 2021 the Company had a deferred tax liability of £4,525,000, due to the realisation of Indian investments this has been reduced by £1,341,000. The deferred tax liability at 31 August 2022 is £3,184,000. If the assumption that all Indian investments will be held for a period in excess of 12 months was removed, the deferred tax liability would have been £3,695,000 (2021: £5,055,000).

Withholding tax

On 1 April 2020, the Indian Government withdrew an exemption from withholding tax on dividend income. Dividends are received net of 20% withholding tax. Of this total charge, 10% of the withholding tax is irrecoverable with the remainder being shown in the Statement of Financial Position as an asset due for reclaim. At 31 August 2022 £336,000 was recoverable (2021: £342,000).

Notes on the Accounts cont'd

5. Taxation cont'd

(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:

	2022			2021		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Return for the year before taxation	5,253	26,431	31,684	3,197	82,346	85,543
Total return for the year before taxation multiplied by the standard rate of corporation tax of 19.00% (2021: 19.00%)	998	5,022	6,020	608	15,646	16,254
Effect of:						
Non-taxable gains on investments	–	(5,026)	(5,026)	–	(15,621)	(15,621)
Non-taxable losses/(gains) on foreign currency	–	4	4	–	(25)	(25)
Non-taxable income	(1,755)	–	(1,755)	(1,306)	–	(1,306)
Overseas tax	901	1,803	2,704	649	6,997	7,646
Unutilised management expenses	757	–	757	698	–	698
Total tax charge for the year	**901**	**1,803**	**2,704**	**649**	**6,997**	**7,646**

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 £12,140,000 (2021: £7,514,000) at 31 August 2022 in respect of unrelieved tax losses carried forward. This asset has not been recognised in the Accounts as it is unlikely under current legislation that it will be capable of being offset against future taxable profits.

6. Dividends

	2022	2021
	£000	£000
Final dividend paid 14 January 2022: 11.50p (2021: 11.50p)	**3,053**	**3,284**

The below proposed dividends in respect of the financial year ended 31 August 2022 are the basis upon which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The proposed dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these Accounts.

	2022	2021
	£000	£000
Income available for distribution	4,352	2,548
Proposed dividends for the year ended 31 August 2022		
Final dividend of 13.0p (2021: 11.5p)	(3,211)	(3,142)
Special dividend of 1.0p (2021: nil)	(247)	–
Amount transferred to/(from) retained income	**894**	**(594)**

7. Return per Ordinary Share

	2022			2021		
	Revenue	Capital	Total	Revenue	Capital	Total
Net return per share (pence)	**16.66**	**94.26**	**110.92**	9.02	266.82	275.84

	2022	2021
Revenue return	£4,352,000	£2,548,000
Capital return	£24,628,000	£75,349,000
Weighted average ordinary shares in issue	26,126,363	28,240,058

There are no dilutive or potentially dilutive instruments in issue.

8. Equity Investments

	2022	2021
	£000	£000
Opening book cost	333,987	291,839
Unrealised gains/(losses)	29,513	(24,513)
Opening valuation	363,500	267,326
Purchase at cost	95,751	135,169
Sales – proceeds	(117,261)	(121,209)
Gains on investments	26,452	82,214
Closing valuation	**368,442**	**363,500**
Closing book cost	361,456	333,987
Closing unrealised gains	**6,986**	**29,513**

The Company received £117,261,000 (2021: £121,209,000) from investments sold in the year.

The average book cost of these investments when they were purchased was £68,282,000 (2021: £93,021,000). 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 £323,000 (2021: £307,000) on the purchase of investments and £374,000 (2021: £336,000) on the sale of investments.

9. Debtors

	2022	2021
	£000	£000
Sales awaiting settlement	41	–
Accrued income	1,030	808
Prepayments	14	13
Recoverable tax on Indian dividends	336	342
	1,421	**1,163**

Notes on the Accounts cont'd

10. Creditors (amounts falling due within one year)

	2022	2021
	£000	£000
Purchases awaiting settlement	–	1,197
Management fee payable	640	632
Other creditors	137	189
Accrued interest	368	368
	1,145	**2,386**

11. Creditors (amounts falling due after one year)

	2022	2021
	£000	£000
Deferred tax liability on Indian capital gains	3,184	4,525
Loan notes	29,822	29,812
	33,006	**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 privately place notes were issued in one tranche with a fixed coupon of 2.75% to be repaid by 24 March 2041. The coupon will be payable semi-annually. The funding date was 24 March 2021. Issue costs of £192,000 will be amortised over the life of the loan notes on an effective interest rate basis.

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

12. Share Capital

The allotted and fully paid share capital is £7,853,416 (2021: £7,853,416) represented by 31,413,663 ordinary shares of 25p each (2021: 31,413,663). During the year the Company bought back 2,504,180 ordinary shares (2021: 1,852,871). The Company held 6,596,684 ordinary shares in Treasury at the year end (2021: 4,092,504), being 21.0 per cent of share capital (2021: 13.0 per cent of share capital), with a nominal value of £1,649,171 (2021: £1,023,126). As at 26 October 2022 117,460 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 22.

13. Net Asset Value per Ordinary Share

The net asset value per share is based on total net assets of £343,202,000 (£345,486,000) divided by 24,816,979 (2021: 27,321,159) ordinary shares of 25p each in issue (excludes shares held in Treasury).

14. Cash Flow Statement

	2022	2021
	£000	£000
Reconciliation of net return before finance costs and taxation to net cash outflow from operations before dividends, interest, purchases and sales		
Net return on activities before finance costs and taxation	32,519	85,916
Net gains on investments	(26,452)	(82,214)
Currency losses/(gains)	21	(132)
Dividend income	(9,238)	(6,872)
Interest income	(1)	–
(Decrease)/increase in creditors	(44)	53
Decrease/(increase) in debtors	6	(338)
Net cash outflow from operations before dividends, interest, purchases and sales	**(3,189)**	**(3,587)**

15. Analysis of changes in net debt

	At 31 August 2021	Non-cash movements	Cash flows	At 31 August 2022
	£000	£000	£000	£000
Cash and cash equivalents	17,546	(21)	(10,035)	7,490
Loan notes	(29,812)	(10)	–	(29,822)
	(12,266)	**(31)**	**(10,035)**	**(22,332)**

16. Risk Management, Financial Assets and Liabilities

The Company invests mainly in smaller Asian quoted companies. Other financial instruments comprise cash balances and short-term debtors and creditors. The Investment Manager follows the investment process outlined on pages 5 to 15 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.

Notes on the Accounts cont'd

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

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

Interest Rate Risk Profile

	2022	2021
	£000	£000
Cash	7,490	17,456
Loan notes	(30,000)	(30,000)
	(22,510)	**(12,544)**

Interest Rate Sensitivity

Considering effects on cash balances, an increase of 50 basis points in interest rates would have increased net assets and total return for the period by £37,000 (2021: £88,000). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at date of the Statement of Financial Position and are not representative of the year as a whole. The impact on the Company's loan notes have been excluded, as these are fixed for the life of the loan.

Foreign Currency Risk

The majority of the Company's assets, liabilities and income were denominated in currencies other than sterling (the currency in which the Company reports its results) as at 31 August 2022. 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 2022			31 August 2021		
	Overseas investments	Net monetary assets	Total currency exposure	Overseas investments	Net monetary assets	Total currency exposure
	£000	£000	£000	£000	£000	£000
Indian rupee	139,526	773	140,299	143,984	(4,492)	139,492
Indonesian rupiah	75,324	36	75,360	64,320	–	64,320
Hong Kong dollar	62,633	52	62,685	47,865	143	48,008
Philippine peso	31,529	–	31,529	33,975	5	33,980
Taiwanese dollar	27,408	632	28,040	24,738	427	25,165
Singapore dollar	10,575	162	10,737	10,303	(739)	9,564
Vietnamese dong	6,755	53	6,808	8,213	530	8,743
Korean won	4,494	–	4,494	8,343	–	8,343
Bangladeshi taka	4,325	–	4,325	4,869	–	4,869
Thai baht	3,178	–	3,178	5,273	–	5,273
Pakistan rupee	2,695	–	2,695	4,523	–	4,523
US dollar	–	34	34	–	1,034	1,034
Malaysian ringgit	–	–	–	7,094	18	7,112
Total foregin currency	**368,442**	**1,742**	**370,184**	**363,500**	**(3,074)**	**360,426**
Sterling	–	(26,982)	(26,982)	–	(14,940)	(14,940)
Total currency	**368,442**	**(25,240)**	**343,202**	**363,500**	**(18,014)**	**345,486**

Currency Risk Sensitivity

At 31 August 2022, 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 2021.

	2022 £000	2021 £000
Indian rupee	7,015	6,975
Indonesian rupiah	3,768	3,216
Hong Kong dollar	3,134	2,400
Philippine peso	1,576	1,699
Taiwanese dollar	1,402	1,258
Singapore dollar	537	478
Vietnamese dong	340	437
Korean won	225	417
Bangladeshi taka	216	243
Thai baht	159	264
Pakistan rupee	135	226
US dollar	2	52
Malaysian ringgit	–	356
Total	**18,509**	**18,021**

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 2022 would have increased/decreased by £36,844,000 (2021: increased/decreased by £36,350,000) and equity reserves would have increased/decreased by the same amount.

Notes on the Accounts cont'd

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

Liquidity Risk

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

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

	2022			2021		
	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	–	–
Other creditors and accruals	1,145	–	–	1,189	–	–
Loan	–	–	29,822	–	–	29,812
Deferred tax liability on Indian capital gains	–	–	3,184	–	–	4,525
	1,145	**–**	**33,006**	**2,386**	**–**	**34,337**

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 2022 was as follows:

	2022		2021	
	Statement of Financial Position	Maximum exposure	Statement of Financial Position	Maximum exposure
	£000	£000	£000	£000
Current Assets				
Receivables	1,407	1,407	1,150	1,150
Cash at bank	7,490	7,490	17,546	17,546
	8,897	**8,897**	**18,696**	**18,696**

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 2022 (2021: All investments Level 1).

17. Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on pages 36 to 38. An amount of £23,500 was outstanding to the Directors at the year end (2021: £22,500). No Director has a contract of service with the Company. During the year no Director had any related party transactions requiring disclosure under section 412 of the Companies Act 2006.

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

Alternative Investment Fund Managers Directive (unaudited)

Under the Alternative Investment Fund Managers Directive the Company is required to publish maximum exposure levels for leverage on a 'Gross' and 'Commitment' basis. The process for calculating exposure under each method is largely the same, except that, where certain conditions are met, the Commitment method allows instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the Company's leverage exposure would then be reduced. The AIFM set maximum leverage levels of 3.0 and 1.7 times the Company's net asset value under the 'Gross' and 'Commitment' methods respectively. At the Company's year end the levels were respectively 1.08 and 1.10 times the Company's net asset value.

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

Glossary of Terms and Alternative Performance Measures

Active Share

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

Actual Gearing

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

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.

		2022	2021
NAV per share	a	1,382.93p	1,264.54p
Share price	b	1,190.0p	1,090.0p
Discount	c=(b-a)/a	**14.0%**	**13.8%**

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.

	2022	2021
	£000	£000
Investment management fee	2,453	2,422
Adminsitrative expenses	698	880
Ongoing charges	3,151	3,302
Average net assets	328,003	322,259
Ongoing charges ratio	**0.96%**	**1.02%**

There was no performance fee payable for the year to 31 August 2022 (2021: 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

	2022	2021
Opening NAV per share	1,264.5p	992.1p
Increase in NAV per share	118.4p	272.4p
Closing NAV per share	1,382.9p	1,264.5p
% increase in NAV	9.4%	27.5%
Impact of dividends reinvested*	0.6%	0.9%
NAV total return	**10.0%**	**28.4%**

* Assumes that the dividend of 11.5p (2021: 11.5p) paid by the Company was reinvested at the ex-dividend date.

Share Price Total Return

	2022	2021
Opening share price	1,090.0p	856.0p
Increase in share price	100.0p	234.0p
Closing share price	1,190.0p	1,090.0p
% increase in share price	9.2%	27.3%
Impact of dividends reinvested*	1.1%	1.5%
Share price total return	**10.3%**	**28.8%**

* Assumes that the dividend of 11.5p (2021: 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 First Sentier Investors, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB on 5 December 2022 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 2022.

2. To approve a final dividend of 13 pence and a special dividend of 1 pence per ordinary share of 25 pence each in the capital of the Company.

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

4. To re-elect Michelle Paisley, who retires from office 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-appoint Johnston Carmichael LLP, Chartered Accountants and Statutory Auditor, as Auditor and to authorise the Directors to fix their remuneration.

8. To approve the Directors' Remuneration Report within the Report and Accounts for the financial year ended 31 August 2022.

9. 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 £617,488, (being approximately 10 per cent of the nominal value of the issued share capital as at 26 October 2022) 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.

10. 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 £617,488 (being approximately 10 per cent of the nominal value of the issued share capital of the Company (excluding treasury shares) as at 26 October 2022).

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

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 3,702,458 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.

12. 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: 27 October 2022

By Order of the Board

Registered Office:
28 Walker Street
Edinburgh EH3 7HR

Juniper Partners Limited
Company Secretary

Notice of Annual General Meeting cont'd

Notes

(1) To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at close of business on 1 December 2022 ("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 1 December 2022. Attendance by non shareholders will be at the discretion of the Company.

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

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

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

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

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

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

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

(9) The letters of appointment of the Directors are available for inspection at the office of First Sentier Investors, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB before, during and after the meeting.

(10) As at close of business on 26 October 2022, the Company's issued share capital comprised 31,413,663 ordinary shares of 25p each of which 6,714,144 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 26 October 2022 is 24,699,519.

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

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

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

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

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

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

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

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

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

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

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

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

Information for Investors

Financial Diary

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

Capital Gains Tax

An individual tax payer is currently entitled to an annual total tax-free gain, presently £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.

Shareholder Enquiries

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

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

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

Company Information

Registered Office
28 Walker Street
Edinburgh EH3 7HR

Company Number
SC156108

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

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

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

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

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

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

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

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