The Scottish Oriental
Smaller Companies Trust plc

2019

The **Scottish Oriental** Smaller Companies Trust plc

Annual
Report and Accounts **2019**

Contents

Comparative Indices

Since 2003 the Directors have used the Morgan Stanley Capital International AC Asia ex Japan Index to measure the Company's performance, which covers the relevant markets with the exception of Bangladesh, Sri Lanka and Vietnam. This Index, being dominated by larger companies, is far from ideal as a performance measurement tool. It has, however, the dual merit of being the most widely recognised regional index and of pre-dating the inception of the Company in March 1995.

For comparative purposes we are also displaying the Morgan Stanley Capital International AC Asia ex Japan Small Cap Index. This Index is currently made up of companies with a free float-adjusted market capitalisation of between US$6m and US$3,092m. 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$3,000m at the time of first investment. Nevertheless, it gives a useful indication of the performance of smaller companies in Asia over recent years.

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

Investment Objective

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

Financial Highlights

Total Return Performance *for the year ended 31 August 2019*

Net Asset Value[AB]	1.1%	MSCI AC Asia ex Japan Index (£)	0.3%
Share Price[A]	0.3%	MSCI AC Asia ex Japan Small Cap Index (£)	(8.1)%
Dividend Maintained at 11.5p per share		FTSE All-Share Index (£)	0.4%

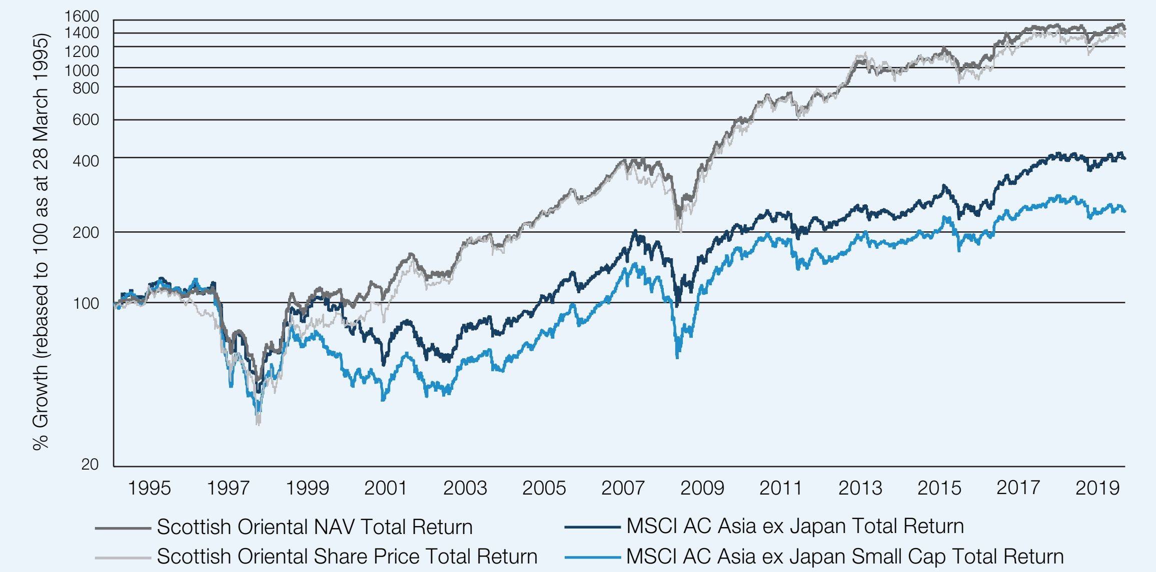
Summary Data *at 31 August 2019*

Shares in issue	29,873,784	Shareholders' Funds	£346.1m
Net Asset Value per share	1,158.42p	Market Capitalisation	£301.7m
Share Price	1,010.00p	Share Price Discount to Net Asset Value[AB]	12.8%
Ongoing Charges[ABC]	1.01%	Active Share[B] (MSCI AC Asia ex Japan Index)	99.7%
Net Cash	10%	Active Share[B] (MSCI AC Asia ex Japan Small Cap Index)	98.7%

[A] Alternative Performance Measure
[B] A glossary of terms and definitions is on pages 62 and 63.
[C] No performance fee was payable during the year (2018: nil).

Total Return Performance

Since 28 March 1995*



* The date of inception of the Company

Chairman's Statement

Scottish Oriental's Net Asset Value ("NAV") per share rose by 1.1 per cent in total return terms over the 12 months to 31 August 2019 while the 'comparative indices', the MSCI AC Asia ex Japan Index and the MSCI AC Asia ex Japan Small Cap Index, rose by 0.3 per cent and fell by 8.1 per cent respectively. As usual, we would stress that the Company is not invested with regard to any particular benchmark and these indices are shown to provide some context. In the Financial Highlights on the previous page you will see figures for the portfolio's active share against the two indices. These figures illustrate the extent to which our portfolio differs from each index; 100 per cent would indicate that there is no overlap whatsoever. The share price total return was 0.3 per cent. A performance fee was not earned this year.

The income per share was 12.50p compared to 9.19p last year. We are proposing an unchanged dividend of 11.50p. The earnings figure was boosted by a special dividend from Haw Par. The surplus will be added to the revenue reserve set out on page 55 to be used, if necessary, in future.

During the year, the Company did not buy back any ordinary shares. 1,539,879 shares were held in Treasury at the year end. The Board continues to have no formal discount control mechanism but will be prepared to buy back shares opportunistically and to issue new shares at a small premium to NAV.

The cash flow statement on page 48 shows that the turnover within the portfolio reduced slightly from the previous year's figure. We had expected turnover to fall further, but this did not happen for the reasons described in the Portfolio Managers' report.

Our comparatively large exposure to India held back Scottish Oriental's performance last year. However, you will see that our Investment Managers have been finding good companies for investment there and they are optimistic about their prospects. Overall, they are estimating earnings growth of 9 per cent from the portfolio this year and they are happy to have a cash reserve of 9.6 per cent at present to take advantage of opportunities as they arise.

Having spent 17 years with First State, Wee-Li decided to retire from the investment management industry. During her time with First State Stewart Asia ("FSSA") Wee-Li made a strong contribution to the management of Scottish Oriental in both lead and co-manager roles. She leaves with the Board's grateful thanks and best wishes. Vinay is supported in managing Scottish Oriental by the full FSSA team of investment analysts and Scott McNab remains as deputy manager, maintaining his 18 year association with the company.

This year the Annual General Meeting will be held in Edinburgh at the offices of FSSA Investment Managers, 23 St Andrews Square, Edinburgh EH2 1BB. I look forward to seeing shareholders there.

James Ferguson
Chairman
14 October 2019

Scottish Oriental's Investment Management Team

The Scottish Oriental Smaller Companies Trust plc ("Scottish Oriental", the "Company" or the "Trust") is managed by the the FSSA Investment Managers ("FSSA") team at First State Investment Management (UK) Limited (the "Investment Manager"). The Investment Manager is part of Colonial First State Global Asset Management ("CFSGAM") and offers a range of products across the Asia Pacific category.

On 2 August 2019 Commonwealth Bank of Australia announced the completion of its sale of CFSGAM to Mitsubishi UFJ Trust and Banking Corporation, a wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc, a global financial group. CFSGAM will operate as a standalone global investment management business and the transition has had no impact on the services provided by the Investment Manager to the Company.

Vinay Agarwal
Lead Manager

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

Scott McNab
Deputy Manager

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

Members of the FSSA team own 367,467 (2018: 328,309) shares in the Company.

Portfolio Managers' Report

The Market

During the year ending 31 August 2019, Asian equity markets' performance was weak. Performance seems better when measured in sterling, but was flattered by the depreciating pound. The US-China trade war was the biggest driver of stock market performance, with share prices falling sharply in October, May and August as heightened tensions impacted investor sentiment. Following the October and May falls, markets recovered on hopes of improving relations only for the cycle to repeat.

Expectations for global growth weakened over the period. Correspondingly, earnings forecasts for Asian companies have been reduced, particularly in sectors exposed to trade. Asian stock markets were mixed. Pakistan was by far the weakest market with its prime minister forced to ask the IMF for another bailout as the country's foreign reserves dwindled. South Korea also fell sharply with its export dependent economy impacted by the global slowdown in trade. South East Asia was relatively strong with Indonesia, the Philippines and Thailand being the three best performing stock markets as these nations are perceived as being relatively insulated from any trade downturn.

Surprisingly, given the trade war, Chinese companies performed in line with the broader Asian market with domestic consumption holding up relatively well. By contrast the Indian consumer became increasingly cautious which led to poor performance from consumer companies.

Smaller companies underperformed their larger counterparts over the year with this underperformance most pronounced in Hong Kong, India, Indonesia, South Korea and Sri Lanka.

The Company's Performance

Scottish Oriental's investment performance over the year was subdued, reflecting the difficult environment, although a modest positive return was generated. The biggest contributor to performance was stock selection in Taiwan. All six of the Company's Taiwanese holdings produced healthy double digit returns. We reduced Scottish Oriental's exposure to Taiwan during the period as this strong share price performance led to expensive valuations. The Company also benefited significantly from its exposure to Hong Kong although most of the positive performance in this market was generated by the large position in Vitasoy. Indonesia was a further contributor; we increased Scottish Oriental's exposure to this market, adding to three holdings on increased conviction and initiating one new position.

The biggest detractor from performance was the Company's large exposure to India, where consumer confidence has been significantly dampened by an economic slowdown triggered by a liquidity crisis amongst its large non-banking financial corporation sector. Smaller companies have been disproportionately impacted, falling very sharply compared to their larger peers. Scottish Oriental's exposure to India has been maintained with share price weakness allowing us to initiate several new positions and to add to existing holdings. The Company's large Indian weighting is a direct result of us finding a large number of high quality companies in this market with strong and growing franchises run by exceptional management teams. Pakistan also negatively impacted performance with both of the Company's Pakistani holdings unable to avoid the country's economic woes.

Portfolio Managers' Report – continued

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

Country/Region	Scottish Oriental 2019 %	Scottish Oriental 2018 %	MSCI* 2019 %	MSCI Small Cap† 2019 %	Stock Market Performance (Sterling) 2019 %
China	**9.1**	*8.7*	38.2	13.1	1.3
Hong Kong	**6.4**	*6.0*	11.0	7.5	5.2
Taiwan	**10.1**	*11.9*	13.2	23.8	3.4
Greater China	**25.6**	*26.6*	62.4	44.4	
Indonesia	**10.6**	*7.6*	2.5	2.9	21.7
Malaysia	**0.8**	*2.1*	2.5	3.7	(5.4)
Philippines	**9.8**	*9.3*	1.3	1.2	13.4
Singapore	**5.7**	*5.6*	3.9	7.6	7.6
Thailand	**0.0**	*2.6*	3.5	6.0	10.5
Vietnam	**2.3**	*1.9*	0.0	0.0	7.9
South East Asia	**29.2**	*29.1*	13.7	21.4	
Bangladesh	**1.8**	*1.7*	0.0	0.0	0.2
India	**29.1**	*29.0*	10.3	16.2	(1.4)
Pakistan	**1.5**	*1.7*	0.0	0.6	(34.3)
Sri Lanka	**2.1**	*4.3*	0.0	0.0	0.7
Indian Subcontinent	**34.5**	*36.7*	10.3	16.8	
South Korea	**1.1**	*1.9*	13.6	17.4	(13.4)
Net Current Assets	**9.6**	*5.7*	0.0	0.0	
Net Assets	***100.0***	*100.0*	*100.0*	*100.0*	

*Morgan Stanley Capital International AC Asia ex Japan Index

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

Principal Contributors and Detractors to Performance

Top Five Contributors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance%
Vitasoy International	Hong Kong	Consumer Staples	57	1.8
Sinbon Electronics	Taiwan	Technology	70	1.4
Gujarat Gas	India	Utilities	18	0.8
Voltronic Power	Taiwan	Industrials	39	0.6
Blue Star	India	Industrials	15	0.6

Vitasoy International continued its strong sales growth in mainland China, which is increasingly its dominant market. Despite the significant scale it has already gained in mainland China, Vitasoy has an opportunity to build a much bigger business in this large market. We significantly reduced Scottish Oriental's position in Vitasoy during the period after exceptionally strong share price performance led to highly expensive valuations. However, we subsequently added to the holding when the share price weakened.

Portfolio Managers' Report – continued

Sinbon Electronics has benefited from greater customer demand for its cables and connectors in areas such as wind energy and medical equipment. This has resulted in strong sales and profit growth for the company. The share price rose much more rapidly than profits, resulting in expensive valuations. Therefore we sold more than half of Scottish Oriental's position in the company.

Gujarat Gas is a beneficiary of recent regulatory changes that banned the use of coal by industrial users in one of its main operating regions. This is expected to lead to a shift to natural gas amongst these customers. As a result the company should witness further growth in its sales and profits in the coming period.

Voltronic Power reported strong revenue and profit growth. It continued to benefit from the trend to outsource production of uninterruptible power supplies, and gained market share from more expensive competitors. The rise in the share price resulted in more expensive valuations so we reduced the Company's exposure.

Blue Star gained further market share in the room air conditioner segment and saw a corresponding rise in revenues and profits. The opportunity remains substantial for the company given low air conditioning penetration levels in India.

Top Five Detractors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance %
HealthCare Global Enterprises	India	Healthcare	(57)	(1.1)
Mahindra CIE	India	Consumer Discretionary	(39)	(0.9)
Godrej Industries	India	Materials	(31)	(0.7)
Jyothy Laboratories	India	Consumer Staples	(30)	(0.6)
Concepcion Industrial	Philippines	Industrials	(21)	(0.6)

HealthCare Global Enterprises has expanded aggressively since raising funds through its initial public offering in 2016. Its expansion has exceeded the company's own guidance as they have invested in areas outside of the core business of cancer treatment hospitals. This has led to a substantial increase in the company's leverage and the interest expense on its debt has turned the business loss-making. Our engagement with the company's management, seeking focus on improving its cash flows and moderating its pace of expansion, has not led to a change in their strategy. Our conviction in the quality of its management to build a sustainable, long-term business has reduced.

Mahindra CIE was affected by the cyclical downturn in the automotive industry in both its key markets, India and Europe. This resulted in recent profits failing to meet market expectations. However, the company has used this period of market weakness to acquire, thereby expanding its presence among new customers and gaining expertise in aluminium die-casting technology. The lower margins of the acquired business have affected Mahindra CIE's profitability in the near term. Mahindra CIE's management team have a strong track record of improving operational efficiency and we expect them to do the same with the acquired business. Therefore, the company is likely to emerge stronger from this cyclical downturn. As valuations became attractive following the decline in its share price, we have added to the Company's holding.

Godrej Industries' share price fell over the period, reflecting weakness in the share price of Godrej Consumer Products which makes up the largest component of the group's net asset value. Godrej Consumer Products has been impacted by weak consumer confidence, resulting in it discounting products to achieve sales volume growth. However, other companies controlled by Godrej Industries have performed well and the share price decline now means that the company trades at a significant discount to its net asset value. We remain very happy with the Company's holding and have added significantly to the position on share price weakness.

Portfolio Managers' Report – continued

Jyothy Laboratories has also struggled to maintain sales given poor consumer sentiment in India. We had hoped that the company would seek a partnership with a multinational such as Henkel AG which would have given it access to a product portfolio and a research and development pipeline that would enable it to become a substantially bigger company over the long term. This has not happened. We believe the lack of externally hired professionals in key management roles is a competitive disadvantage for Jyothy Laboratories, and is likely to affect its long term development.

Concepcion Industrial was negatively impacted by aggressive pricing from a competitor in its key air conditioning segment, which resulted in a loss of market share. However, the company remains a dominant market leader in air conditioning in the Philippines and given the strength in its brands, products and distribution we expect the company to regain this market share in due course. We added to Scottish Oriental's holding during the year.

Portfolio activity

Purchases

During the year we invested £108m, adding 12 new companies to the portfolio.

51job is the largest online recruitment platform in China. It was founded by Rick Yan in 1998, who leads the company as its CEO and owns a 21 per cent stake. Recruit Holdings, the largest recruitment company in Japan, is the largest shareholder with a 37 per cent stake. Recruit is not involved in day to day management, but plays a role in governance with two representatives on 51job's Board. As the penetration level and price of online recruitment services increases in China, so does the company's opportunity for growth. Management is focused on expanding its service offering and improving its client mix. It is offering new services such as providing background checks and training for prospective employees, which is expected to improve the retention rate of its clients. It has also cut unprofitable customers. These initiatives are likely to increase its average revenue per user and its profitability.

ASM Pacific Technology (Hong Kong) is the world's largest manufacturer of back-end semiconductor and surface mount technology equipment, used in manufacturing electronic chips. It was founded in 1975 by its parent, ASM International, which continues to own a 25 per cent stake in the company. It is the only company which provides equipment for all major parts of the electronics manufacturing process. Higher penetration of electronics across automotive, industrial and consumer applications should drive consistent growth in the sales of its equipment over the long term. Management also has a strong track record of capital allocation. In 2011, it acquired the surface mount technology equipment business from Siemens for one euro. This now contributes half of ASM Pacific's business. The company is focused on building other such large businesses, such as advanced chip packaging.

Colgate-Palmolive India is the listed subsidiary of Colgate Palmolive Company. It has operated in India since 1937, and its parent owns a 51 per cent stake in the company. Colgate has been the dominant market leader in the Indian oral care industry for decades. Its market share of toothpaste has increased from 49 per cent to 52 per cent over ten years. Per capita consumption of toothpaste in India is less than half of the average of other developing countries. Colgate will benefit from higher per capita consumption and the shift towards premium oral care products. In recent years, the company has focused on gaining share in the fast growing "natural" segment of the industry. Its parent also has a large portfolio of personal care, home care and pet care products, which the company is likely to introduce in India as per capita incomes grow.

Portfolio Managers' Report – continued

JNBY Design is the largest designer apparel retailer in China. It owns six brands and operates over 2,000 stores. It was founded 25 years ago by a husband and wife team, who still lead the company. Management's focus is on building a strong design capability by attracting high quality designers. It is also a leader in creating customer engagement across online and offline platforms. A majority of its sales are to customers who are part of its membership programme. Its focus on design and customer engagement has led to consistent growth in same store sales over the last 20 years. The company still has a long runway for growth, as it aims to replicate the success of its core "JNBY" brand across its five other brands which still have a small revenue base.

Great Eastern Shipping (India) is an operator of offshore vessels, tankers and bulk carriers. It is managed by the Sheth family. They founded the business over 70 years ago, and own a 30 per cent stake. Management has a strong track record of acting counter-cyclically. Despite several cycles, Great Eastern Shipping has generated healthy returns, on average, over the last 15 years. The business cycle has been unfavourable recently. In 2018, the company suffered its first net loss in over 30 years. The management has been using this cyclical downturn to add capacity at attractive prices. As environmental regulations related to the shipping industry become increasingly stringent, higher operating costs are leading to higher rates of ship scrapping. This is expected to improve the industry's demand-supply balance, and lead to higher charter rates.

Nexteer Automotive (Hong Kong) is a leading global automotive steering system manufacturer. The Aviation Industry Corporation of China acquired a majority stake in the company in 2011 from General Motors, which had previously been its parent for over 100 years. The global automotive steering industry is consolidated among five large companies. Nexteer has consistently gained global market share since the change in its ownership, from 5 per cent in 2012 to 12 per cent currently. This trend should continue, as it builds a stronger position in the Chinese market by setting up new joint-ventures with its automotive customers. The introduction of new technologies such as electric vehicles and Advanced Driver Assistance Systems will create opportunities for the company to introduce new products. Management is also focused on continuing to improve the company's profitability by increasing the operating efficiency of poor performing plants in developed markets.

Nissin Foods is the leading noodle brand in Hong Kong. It was founded in 1984 by its Japanese parent, Nissin Foods Holdings. It is led by its Chairman Kiyotoka Ando, from the third generation of the group's founding family. The company has a dominant franchise in Hong Kong, with over 60 per cent market share in noodles. Its operations in Hong Kong are growing, as the company launches new products and increases its control over its distribution channels. However, it has a much larger growth opportunity in China, where it has 20 per cent market share in the premium noodle segment. Nissin has built a strong brand in China, based on its portfolio of healthier and higher quality products compared to its peers. Customer preferences are steadily shifting in favour of premium noodles and Nissin Foods is likely to be among the beneficiaries of this trend.

Oberoi Realty is the largest developer of premium residential property in India. It is led by Vikas Oberoi, who owns a 68 per cent stake in the company. The real estate sector in India is highly fragmented, with several local developers who have a reputation for poor business practices. Oberoi has built a reputation of delivering projects on time and of a high quality. After tough regulations were introduced in 2016, Oberoi has been gaining market share from the weaker local developers who are finding it difficult to comply with these stringent rules. Management has also adopted a counter-cyclical approach towards building its land-bank. It has a strong balance sheet which is allowing the company to buy land at attractive prices. This should help it to continue gaining market share and maintain its profitability.

Portfolio Managers' Report – continued

Philippine Seven is the dominant convenience store operator in the Philippines, with the exclusive right to use the 7-Eleven brand. President Chain Store of Taiwan owns a majority stake of 52 per cent. Management is led by its CEO, Victor Paterno, who owns a 7 per cent stake and is from the second generation of the company's founding family. The company is the undisputed market leader in convenience stores due to its first mover advantage. It has over 2,500 stores which is a multiple of its next largest competitor. As the company has gained scale, its bargaining power with its suppliers has increased. This has led to an improvement in its profitability and level of free cash flow generation. Increased cash generation is being used to fund an acceleration in its store network rollout, which should strengthen its market position further.

Sarimelati Kencana is the exclusive franchise operator of Pizza Hut in Indonesia. It is majority owned by the Arifin family but is professionally managed. The company operates the leading pizza chain in Indonesia with over 450 stores, compared to 130 stores for its next largest competitor. Management is focused on accelerating the expansion of smaller "Pizza Hut Delivery" stores. As the food delivery segment is growing rapidly in highly congested cities such as Jakarta, the company's investments in building its delivery network should help it strengthen its market position further. It has also received incentives such as lower royalty and store opening fees from its principal, Yum! Brands, for its store expansion. These incentives should help Sarimelati improve its profitability.

Tata Global Beverages has built leading tea and coffee brands in India and certain international markets such as the United Kingdom. The company's market leading positions in India's tea and coffee segments has led to a steadily growing and cash generative domestic franchise. However, sub-optimal capital allocation decisions in the past led to poor performing international operations, which depressed its overall returns on capital employed. There have been several encouraging changes to the company's culture and capital allocation under its new chairman, Mr. Natarajan Chandrasekaran. In recent years, the company has hired high quality professionals from multinationals including Glaxosmithkline, Diageo and Coca-Cola. Well regarded independent directors from larger consumer companies have also joined its board. Management has shut down or sold its loss making international operations in regions such as Russia and Eastern Europe, to increase focus on the profitable tea and coffee brands in India. Recently, the Tata Group decided to merge all its food businesses into Tata Global Beverages, including brands in pulses, spices and salt. As the products share a common distribution network, this should provide increased scale and bargaining power with distributors. Tata Global Beverages also operates a joint-venture with Starbucks in India, currently with 150 stores. Given strong consumer demand and improving profitability, its store expansion is expected to accelerate. This could emerge as a large and profitable business for the company over the long term. The company's net cash balance sheet positions it well to fund its growth.

Zensar Technologies (India) is an information technology services provider. It was founded by the Goenka family in the 1960s. While the family still owns a majority stake, its management has been led by professionals from an early stage. Sandeep Kishore was appointed CEO in 2016. He has led significant changes to the management and operations of the company. Leaders of underperforming teams were replaced by external hires from large companies such as Infosys and HCL Technologies. Unprofitable clients and businesses were cut. Management invested in scaling up the fast growing digital services business, which now contributes almost half of sales. These initiatives are now driving faster revenue growth and higher profitability. The company should continue to grow steadily as it also adds new capabilities through bolt-on acquisitions. Operating leverage from the investments made over the past few years is expected to lead to further improvement in profitability.

Portfolio Managers' Report – continued

Significant additions to existing positions

We added to Scottish Oriental's holdings in a number of companies as share price weakness resulted in more attractive valuations. These companies included Philippine air conditioning and refrigeration manufacturer **Concepcion Industrial**; Pakistani auto manufacturer **Indus Motor Company**; and South Korean advanced image solutions provider **Vieworks**. We continued to build up positions for the Company in Sri Lanka's **Hatton National Bank** and Philippine casual dining restaurant operator **Max's Group**. We added to Scottish Oriental's investments in several companies on our increased conviction in the investment case. These companies included Indian conglomerate **Godrej Industries**; Indonesia's **Mitra Adiperkasa**, an operator of franchises in food and beverage, department stores, sportswear and fashion apparel; Indian information technology outsourcer **Mphasis**; Indonesian auto components manufacturer **Selamat Sempurna**; and Chinese traditional medicine producer **Tong Ren Tang**.

Sales

During the year we disposed of 13 holdings for the Company.

Three companies were sold following strong share price performance which resulted in expensive valuations. These were diagnostic and testing service provider **Dr Lal Pathlabs**, industrial gas company **Linde India**; and **Federal Bank** – all three companies being based in India.

Ten companies were sold following a reappraisal of the strength of their respective businesses. We sold South Korean cosmetics company **Amorepacific Group**, as Chinese consumers appear to be increasingly less loyal to its brands. Courier company **Blue Dart Express** had suffered from increasing competition but the decision to sell the holding was triggered by the company entering into a partnership with a group we are uncomfortable with. Philippine cement producer **Cemex Holdings** has plans for significant new capacity which will increase leverage; Thai electronics manufacturer **Delta Electronics** was sold on concerns of decreasing alignment with the controlling shareholder; Sri Lankan conglomerate **Hemas Holdings** was sold on disappointment at management's perseverance with poorly performing businesses, such as hotels; Sri Lankan conglomerate **John Keells** was sold as the difficult operating environment had hampered the company's efforts to improve returns; cement producer **Lafarge Malaysia** was sold on a deteriorating competitive and economic outlook; Philippine utility **Manila Water** has been expanding outside Manila which we believe will lead to lower returns and higher leverage; Chinese automobile body part manufacturer **Minth** has had several departures from its management team which could see the company struggle to manage the current downturn in the global automotive cycle; and Indian department store group **Shoppers Stop** was sold because of concerns about the new management's aggressive expansion strategy.

Significant reductions from existing positions

We reduced Scottish Oriental's holdings in several companies following strong share price appreciation which saw their valuations rise. These companies included Taiwanese analogue integrated circuit designer **Silergy**; Taiwanese cable and connector manufacturer **Sinbon Electronics**; convenience store operator **Taiwan Familymart**; Hong Kong-based non-alcoholic beverage producer **Vitasoy**; and Taiwanese uninterruptible power supply maker **Voltronic Power**.

We reduced the Company's positions in Philippine bank **China Banking**; Sri Lankan telecom operator **Dialog Axiata**; noodle and beverage manufacturer **Uni-President China**; and Taiwanese networking equipment manufacturer **Wistron NeWeb**, following a reappraisal of the strength of their respective businesses.

Purchased and subsequently sold

Three companies were purchased during the year and subsequently sold. Two – Chinese sportswear brand **Li Ning** and Indian cinema operator **PVR** – after their share prices rose sharply following the initial purchase. A small position in diversified financial firm **Edelweiss Financial Services** was initially purchased on the expectation it would navigate the fallout from India's non-banking financial corporation crisis well. This should still be the case but the crisis appears worse than we first feared so we sold our investment to await a better opportunity to buy the company.

Portfolio Managers' Report – continued

Ten Largest Equity Holdings at 31 August 2019

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

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

Colgate-Palmolive India	**India**	**Consumer Staples**	**3.4%**

Colgate-Palmolive India is the listed subsidiary of Colgate Palmolive Company. It has operated in India since 1937, and its parent owns a 51 per cent stake in the company. Colgate has been the dominant market leader in the Indian oral care industry for decades. Its market share of toothpaste has increased from 49 per cent to 52 per cent over 10 years. Per capita consumption of toothpaste in India is less than half of the average of other developing countries. Colgate should benefit from higher per capita consumption and the shift towards premium oral care products. In recent years, the company has focused on gaining share in the fast growing "natural" segment of the industry. Its parent also has a large portfolio of personal care, home care and pet care products, which the company is likely to introduce in India as per capita incomes grow.

Haw Par	**Singapore**	**Consumer Staples**	**3.2%**

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

Blue Star	**India**	**Industrials**	**3.0%**

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

Concepcion Industrial	**Philippines**	**Industrials**	**3.0%**

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

Portfolio Managers' Report – continued

Company	Country	Sector	% of Shareholders' Funds
Selamat Sempurna	**Indonesia**	**Consumer Discretionary**	**2.8%**

Selamat Sempurna grew from a small family run producer of automotive radiators to become a leading manufacturer of filter and radiator products based in Indonesia. It has an extensive product range, mainly under the flagship brands Sakura (filters) and ADR (radiators), and a majority of sales is derived from exports. As a testimony to its quality and expertise, the company has formed several joint ventures with well-known names such as Donaldson in the USA and POSCO in Korea. Growth will come from achieving further economies of scale and penetration into new export markets.

Towngas China	**China**	**Utilities**	**2.8%**

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

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

Mphasis was formed in June 2000 by the merger of the US-based information technology consulting company Mphasis Corporation and the Indian information technology services company BFL Software Limited. Its former controlling shareholder, Hewlett-Packard, sold its stake to private equity firm Blackstone in 2016. Its new owner installed a new management team and since then growth has been strong and the company no longer relies on Hewlett-Packard for the bulk of its work.

Gujarat Gas	**India**	**Utilities**	**2.7%**

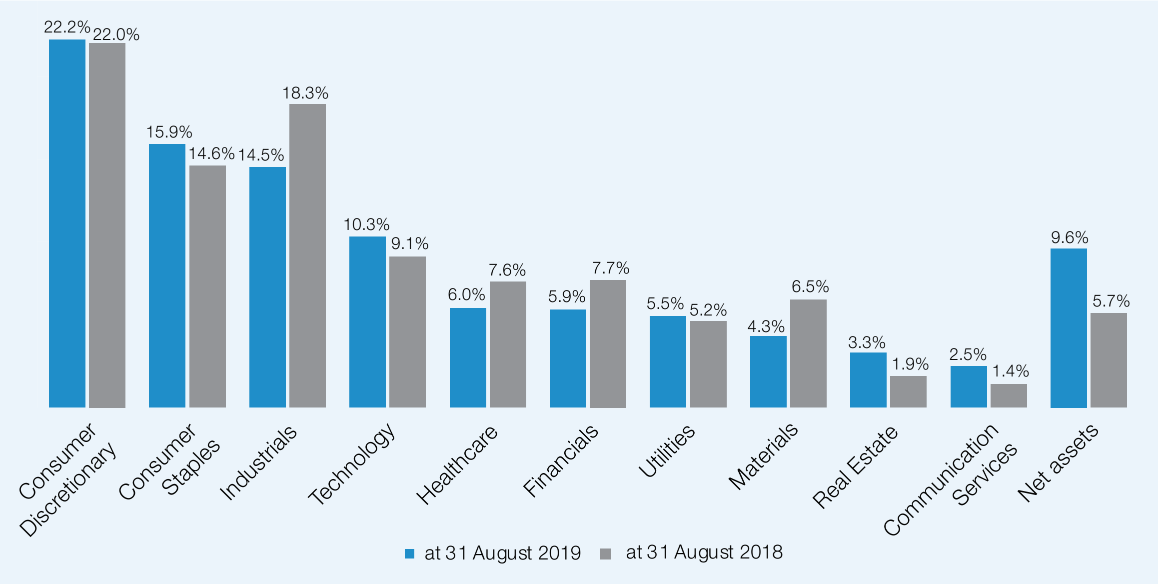
Gujarat Gas is India's largest city gas distributor with approximately 70 per cent of its sales coming from industrial customers. Historically the industrial segment has been more volatile than retail-sold compressed natural gas as pricing is market driven and customers are quick to switch to fuel oil when it is cheaper. However Gujarat Gas has managed this volatility well and should be able to achieve double digit volume growth as it targets higher utilisation of its young network and increases sales to the "stickier" retail segment.

Mitra Adiperkasa	**Indonesia**	**Consumer Discretionary**	**2.6%**

Mitra Adiperkasa is the Indonesian operator of various international franchises in food and beverage, department stores, sportswear and fashion apparel. Run by the Nursalim family who are keen to repair their reputation following the Asian Financial Crisis, the company has top tier partners such as Starbucks, Converse and Zara. Following poor performance caused by over-expansion, inventory build-up, a weak rupiah and poor consumer sentiment, Mitra Adiperkasa has resumed growth and is improving its margins.

Portfolio Managers' Report – continued

Sector Allocation (% of Shareholders' Funds)



Investment process

We are conviction-based, bottom-up stock selectors with a strong emphasis on high quality proprietary research. While cultural, political, economic and sectoral influences play an important part in the decision-making process, the availability of attractively-priced, good quality companies with solid long term growth prospects is the major determinant of Scottish Oriental's portfolio. Country weightings bear no relationship to regional stock market indices and we do not consider ourselves obliged to hold investments in any individual market, sector or company. As a result, the Company's asset allocation on a country and industry level is a residual of our stock selection process.

The number of holdings in the portfolio has now stabilised, falling by one from last year to 56. Nonetheless, portfolio turnover has been higher than we would have expected. Market volatility afforded some opportunities to buy companies at attractive prices although such opportunities were short-lived with us becoming sellers, on occasion, mere months after initiating a position. A larger number of companies than usual were sold because of a change in our assessment of management. Assessment of management is the most important part of our investment process so it is chastening when we get this wrong. The most common issue we had was how companies chose to go about expanding, either through choice of partner or attitude to risk. Given high levels of uncertainty in the world, now is not the time to have doubts about the companies in Scottish Oriental's portfolio so we felt it was prudent to sell rather than wait and worry.

We were also able to buy some companies that now fall within Scottish Oriental's recently enlarged market capitalisation constraints. There is no set definition of what makes a small company but we have found that with the rise of China and India, domestic companies operating in these countries can be quite large indeed despite showing the smaller company characteristics that we have looked for over the years. One such company is **Colgate-Palmolive India**. Whilst the company dominates oral care in India, it is still a relatively small company with revenues of several hundred million US dollars. Its parent generates more than half of its revenues from products other than those in the oral care segment, areas that are still nascent for Colgate-Palmolive India. However its distribution advantages resulting from the Colgate brand's dominance should allow it to fast track growth in the Palmolive brand, which the company's management believes India is now ready for. In addition, the company is further investing in distribution, seeking to enlarge its reach by 20% and is also

Portfolio Managers' Report – continued

increasing spend on advertising and promotion to the highest level as a percentage of sales in several years. This should result in improved market share and will serve to both create demand for its new products and reinforce the strength of its existing brands. We believe the company has taken the longer term decisions necessary to ensure it will have a much bigger business in the decades to come.

Another company with a larger market capitalisation is **51job**. Despite being barely 20 years old the company has a 15 year track record as a listed company which allows us to see how it has handled past cycles. We believe that a company's history is highly instructive and we have witnessed how 51job successfully transitioned from being predominantly a print-advertising business to an online recruitment platform, showing innovation where others failed. Having grown rapidly over the past two decades to become China's leading recruitment platform, the company is now targeting a similar position in human resource services which is a less cyclical business, as revenues are more recurring in nature. Management is investing in automating as much as possible for this new area to allow it to benefit from the economies of scale that a successful platform business can achieve. Comparable companies in other countries are much larger and 51job has a good chance of matching this success. The company is highly cash generative leading to a large net cash surplus on its balance sheet. This is a concern for us as it is unlikely that this cash will be needed to fund growth and we have shared our concern with the company's founder. Commencement of dividends or stock buybacks might encourage us to increase our position.

Meeting with management teams remains a key part of our investment process. We do not focus on the short term in these meetings, instead seeking to understand the sustainable competitive advantages that will ensure growing profits for many years to come. For example, we added significantly to the Company's existing position in **Mphasis** following meetings with management which increased our conviction in the company's ability to adapt to changes within the global information technology industry. As the industry shifts towards digital and cloud based applications, Mphasis is evolving its processes faster than larger companies. This is expected to lead to faster growth and better profitability in the future.

Our meeting with **Selamat Sempurna** in Indonesia also increased our conviction in the long term prospects of the business, which saw us add to the Company's position. The company has moved its product mix towards more complex, high technology air filters, which is leading to higher levels of profitability, with the share of low margin car filters falling from 50 per cent to 30 per cent of sales over the last five years. The recent trade tariffs imposed on Chinese products should also help the company as its partner, Donaldson US, shifts its purchases to Selamat Sempurna to diversify from its Chinese suppliers. In its regional operations, the company is focused on acquiring its distributors. This allows the company to manage its channel inventory more efficiently. These initiatives should allow the company to grow sustainably over the long term.

Outlook

We have become used to picking up the newspaper and alternately reading that Presidents Trump and Xi are increasing tariffs on billions of dollars of each other's goods, or that there are hopes for a rapprochement at the next global summit. This has served well to distract from what else has been going on in the world. Growth continues to slow and attempts in the West to commence "normalising" interest rates appear to have failed. The US yield curve is now inverted which is an indicator of pending recession. Exports from Asia are at best stalling, and at worst falling, which is unsurprising given weakening US and European economies. We do not know whether central banks will again resort to printing money in the face of this new slowdown or hold back and take the medicine that should have been administered a decade back, but indications are in favour of more money printing. In Asia, interest rate cuts have started with the most aggressive central bank being that of India. The Indian economy is suffering a hangover from its non-banking financial corporation crisis. Too much wholesale-funded money was lent too cheaply to too many people

Portfolio Managers' Report – continued

and the default by a major player spelled the end to this largesse, which acted as a sharp brake on the economy with both liquidity and confidence badly dented. We have heard numerous times from friends and contacts in India that they do not remember the economy being so weak. We have not heard such reports from China but both countries have seen a marked slowdown in GDP growth. This has flowed through to more modest growth expectations for companies. South Korea has suffered from its own trade spat with Japan which has further hurt its export-dependent economy. Prospects for South East Asia's economies appear better. Domestic economies, in the main, are in decent shape and we are increasingly hearing of Chinese companies moving manufacturing to South East Asia to circumvent trade tariffs.

Despite the difficulties facing India, its companies continue to represent by far Scottish Oriental's largest source of investment ideas. The economy and its companies have managed to grow through thick and thin in the past and the long term outlook for the country remains unchanged, driven by attractive demographics, a vibrant democracy and an increasing middle class. Share price weakness amongst smaller companies has allowed us to initiate a number of new positions where we believe the future is bright and also to add to existing holdings with a similarly strong outlook. India is relatively uncorrelated with the rest of Asia given its large domestic economy. The recent slowdown the country has experienced was of its own making but the typical Indian consumer still carries relatively low levels of debt. As has happened in the past, India will recover and its best companies will prosper whilst its weaker ones will fade. One company which we expect to prosper is **Oberoi Realty**. It has experienced limited impact from the liquidity crisis as the customers for its homes are typically owner-occupiers rather than speculators and are not highly leveraged. The company is also investing in its annuity business – offices, malls and hotels that will generate recurrent income and steady cash flows. Property development is a long term industry. Companies need to plan today for what they will be doing in five years' time and that is exactly what the management of Oberoi Realty are doing. A solid balance sheet is allowing the company to take advantage of opportunities which should enable it to become a larger business in the future.

Scottish Oriental also has a large weighting in companies in Indonesia and the Philippines. Like India, both countries have sizeable domestic economies, attractive demographics and an underleveraged consumer. Stock market weakness gave us an opportunity to buy **Philippine Seven**, a company we have been watching for some time but which has limited shares trading. We have seen how successful the convenience store format is elsewhere in Asia, such as Taiwan and Thailand. As the undisputed leader, Philippine Seven is intent on strengthening its dominance through continued store expansion as well as initiatives such as selling coffee, hot food and services such as bill payments. A change in accounting standards will see the company's earnings fall in the current financial year but cash flows are unchanged and the business continues to go from strength to strength. We expect Philippine Seven to grow for the foreseeable future as it benefits from changing consumption patterns in the Philippines.

Another company benefiting from changing consumption patterns in **Mitra Adiperkasa**. It operates more than 100 consumer brands in Indonesia and has been successful in introducing these brands to Indonesia's under-penetrated retail market. The retail sector has modernised rapidly in Indonesia and Mitra Adiperkasa has been at the vanguard of this. The company has grown Starbucks to become a large business in its own right in Indonesia, with well over 400 stores, and is targeting 60 new stores per annum. Mitra Adiperkasa has a large presence in fashion which is a notoriously difficult area. However, given the wide range of brands it represents, there is not an over-reliance on any one brand which reduces risk. Having over expanded in the mid-2000s, the company is now much more focused on margins than scale without profitability. We believe it has successfully evolved and now has the systems and team in place to support the long term sustainable growth that Indonesia offers. Given our increased conviction, we were pleased that temporary market weakness allowed us to increase Scottish Oriental's stake in the company.

Portfolio Managers' Report – continued

Despite the above examples, we have struggled to fully invest Scottish Oriental's funds over the past year and the cash position has risen. Every holding in the portfolio is weighted based upon our conviction in a company's prospects, as well as its valuation. The cash position is a residual. As investors, we like companies which have net cash balance sheets. It could be argued that this is an inefficient use of capital from time to time, but we back management teams who will use this strength in periods of crisis – when the most attractive opportunities arise – and create long-term value for shareholders. We would like Scottish Oriental's shareholders to think in a similar way. Our aim is to preserve capital and grow it sensibly. Cash gives us the tremendous option to do this.

The Company's portfolio trades on a historic price earnings ratio of 16 times, with expected earnings growth of nine per cent in the current year. This offers better value but slower growth than at the same point last year. While we are cautiously optimistic about the prospects for Scottish Oriental's companies in the coming years, uncertainty abounds and there are many risks in the short term. Should this uncertainty result in significant market weakness we would embrace the opportunity to add to the Company's holdings at cheaper valuations, but we believe keeping some powder dry is prudent in the current environment.

Vinay Agarwal
Scott McNab
First State Investment Management (UK) Limited, Investment Manager
14 October 2019

List of Investments at 31 August 2019

	% of Shareholders' Funds
BANGLADESH (1.8%)	
Financials (1.8%)	
Delta Brac	1.8
CHINA (9.1%)	
Communication Services (1.6%)	
51job	1.6
Consumer Discretionary (1.3%)	
JNBY Design	1.3
Consumer Staples (1.8%)	
Uni-President China	1.8
Healthcare (1.6%)	
Tong Ren Tang	1.6
Utilities (2.8%)	
Towngas China	2.8
HONG KONG (6.4%)	
Consumer Discretionary (2.9%)	
Fairwood Holdings	1.9
Nexteer Automotive	1.0
Consumer Staples (2.7%)	
Nissin Foods	0.9
Vitasoy International	1.8
Industrials (0.5%)	
Kwoon Chung Bus	0.5
Technology (0.3%)	
ASM Pacific Technology	0.3

	% of Shareholders' Funds
INDIA (29.1%)	
Consumer Discretionary (2.2%)	
Mahindra CIE Automotive	1.4
SP Apparels	0.2
Suprajit Engineering	0.6
Consumer Staples (4.3%)	
Colgate-Palmolive India	3.4
Jyothy Laboratories	0.4
Tata Global Beverages	0.5
Healthcare (0.8%)	
HealthCare Global Enterprises	0.8
Industrials (7.6%)	
Blue Star	3.0
Great Eastern Shipping	1.1
SKF India	3.5
Technology (3.9%)	
Mphasis	2.8
Zensar Technologies	1.1
Materials (4.3%)	
Godrej Industries	2.4
HeidelbergCement India	1.9
Real Estate (3.3%)	
Mahindra Lifespace	2.0
Oberoi Realty	1.3
Utilities (2.7%)	
Gujarat Gas	2.7

	% of Shareholders' Funds
INDONESIA (10.6%)	
Consumer Discretionary (8.4%)	
Astra Otoparts	1.8
Mitra Adiperkasa	2.6
Sarimelati Kencana	1.2
Selamat Sempurna	2.8
Consumer Staples (1.0%)	
Hero Supermarket	1.0
Financials (1.2%)	
Bank OCBC NISP	1.2
MALAYSIA (0.8%)	
Consumer Discretionary (0.8%)	
APM Automotive	0.8
PAKISTAN (1.5%)	
Consumer Discretionary (1.5%)	
Indus Motor Company	1.0
Pak Suzuki Motor	0.5

List of Investments at 31 August 2019 – continued

	% of Shareholders' Funds
PHILIPPINES (9.8%)	
Consumer Discretionary (2.2%)	
Max's Group	2.2
Consumer Staples (2.9%)	
Century Pacific Food	1.6
Philippine Seven	1.3
Financials (1.7%)	
China Banking	1.7
Industrials (3.0%)	
Concepcion Industrial	3.0
SINGAPORE (5.7%)	
Consumer Staples (3.2%)	
Haw Par	3.2
Healthcare (2.5%)	
Raffles Medical Group	2.5
SOUTH KOREA (1.1%)	
Healthcare (1.1%)	
Vieworks	1.1
SRI LANKA (2.1%)	
Financials (1.2%)	
Hatton National Bank	1.2
Communication Services (0.9%)	
Dialog Axiata	0.9
TAIWAN (10.1%)	
Consumer Discretionary (2.9%)	
Nien Made Enterprise	1.6
Taiwan Familymart	1.3
Industrials (2.1%)	
Voltronic Power	2.1
Technology (5.1%)	
Silergy	1.5
Sinbon Electronics	2.1
Wistron NeWeb	1.5
VIETNAM (2.3%)	
Industrials (1.3%)	
REE Corp	1.3
Technology (1.0%)	
FPT	1.0

Ten Year Record

Capital

Year ended 31 August	Market Capitalisation £m	Shareholders' Funds £m	NAV p	Share Price p	Discount to NAV %
2010	146.08	167.76	555.26	483.50	12.9
2011	181.28	186.89	618.56	600.00	3.0
2012	182.19	201.60	667.26	603.00	9.6
2013	232.19	253.63	801.53	733.75	8.5
2014	268.65	283.82	896.93	849.00	5.3
2015	227.39	257.18	816.57	722.00	11.6
2016	280.65	324.82	1,047.12	904.75	13.6
2017	330.19	369.26	1,192.68	1,066.50	10.6
2018	304.71	345.40	1,156.20	1,020.00	11.8
2019	301.73	346.06	1,158.42	1,010.00	12.8

Revenue

Year ended 31 August	Gross revenue £000	Available for ordinary shareholders £000	Earnings per share* p	Dividend per share (net) p	Ongoing charges* %	Ongoing charges incl performance fee %	Actual gearing*	Potential gearing*
2010	4,940	3,197	10.58	8.50	1.00	1.65	94	101
2011	5,726	3,443	11.39	9.00	1.01	2.29	95	111
2012	7,073	4,348	14.39	11.00	1.01	1.96	97	110
2013	7,903	4,518	14.56	11.50	1.03	1.73	88	108
2014	6,339	3,035	9.59	11.50	1.03	1.36	93	107
2015	8,716	4,929	15.58	11.50	1.01	1.05	95	108
2016	6,740	2,966	9.50	11.50	1.04	1.04	92	106
2017	6,431	2,097	6.77	11.50	0.99	0.99	91	100
2018	7,004	2,825	9.19	11.50	1.01	1.01	94	100
2019	7,648	3,734	12.50	11.50	1.01	1.01	88	100

* A glossary of terms and definitions is provided on pages 62 and 63

Cumulative Performance (taking year ended 31 August 2009 as 100)

Year ended 31 August	NAV	Share Price	MSCI AC Asia ex Japan Index	FTSE All-Share Index	Earnings per share	Dividend per share
2009	100	100	100	100	100	100
2010	147	148	121	107	139	142
2011	164	183	123	111	149	150
2012	177	184	119	118	189	183
2013	213	224	128	135	191	192
2014	238	259	141	144	126	192
2015	217	220	125	136	204	192
2016	278	276	161	147	125	192
2017	316	326	200	162	89	192
2018	307	311	199	163	120	192
2019	307	308	194	157	164	192

Directors

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

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

Alexandra Mackesy joined the Board in 2004 and is Senior Independent Director. Mrs Mackesy is also a member of the Audit Committee. Between 1988 and 2000, she worked as an investment analyst specialising in Asian equities, based in Hong Kong, becoming Director of Hong Kong and China equity research at Credit Suisse First Boston in 1998. Since 2000, she has worked as a consultant to a number of Asian-based companies. She is a non-executive Director of Murray International Trust plc, JPMorgan Chinese Investment Trust plc and The Henderson Smaller Companies Investment Trust plc.

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

Jeremy Whitley joined the Board in March 2017 and became Chairman of the Audit Committee in January 2019. Following a twenty nine year investment career, he left full time employment at Aberdeen Asset Management at the end of March 2017, where he held the position of Head of UK and European equities since July 2009. Previous roles there include being a Senior Investment Manager on the Global Equities team as well as the Asian equities team, based in Singapore, where he was lead manager of the Edinburgh Dragon Trust plc. He began his investment career at SG Warburg & Co in 1988.

Strategic Report

The purpose of this report is to provide shareholders with details of the Company's strategy, objectives and business model as well as the principal risks and challenges the Company has faced during the year under review. It should be read in conjunction with the Chairman's Statement on page 2 and the Portfolio Managers' Report on pages 4 to 16, 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 20.

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

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

Business and Status

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

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

Business Model and Strategy for Achieving Objectives

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

Strategic Report – continued

Investment Objective

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

Investment Policy

- The Company invests mainly in the shares of smaller Asian quoted companies, that is, companies with market capitalisations of below US$3,000m, or the equivalent thereof, at the time of first investment.
- The Company may also invest in companies with market capitalisations of between US$3,000m and US$5,000m at the time of first investment, although not more than 20 per cent of the Company's net assets at the time of investment will be invested in such companies.
- To enable the Company to participate in new issues, it may invest in companies which are not quoted on any stock exchange, but only where the Investment Manager expects that the relevant securities will shortly become quoted.
- For investment purposes, the Investment Region includes China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam. Countries in other parts of Asia may be considered with approval of the Board.
- With the objective of enhancing capital returns to shareholders, the Directors of the Company will consider the use of long-term borrowings up to a limit of 50 per cent of the net assets of the Company at the time of borrowing.
- The Company invests no more than 15 per cent of its total assets in other listed investment companies (including listed investment trusts).
- The Company invests no more than 15 per cent of its total assets in the securities of any one company or group of companies at the time of investment.
- The Company reserves the right to invest in equity-related securities (such as convertible bonds and warrants) of companies meeting its investment criteria. In the event that the Investment Manager anticipates adverse equity market conditions, the Company may invest in debt instruments in any country or currency.
- The majority of the Company's assets are denominated in Asian currencies or US dollars. The Company reserves the right to undertake foreign exchange hedging of its portfolio.

A portfolio review by the Investment Manager is given on pages 4 to 16 and the investments held at the year end are listed on pages 17 and 18.

Investment Manager

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

A summary of the terms of the Investment Management Agreement is contained in note 2 of the Accounts on page 53.

Strategic Report – continued

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

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

Responsible Investing

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

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

Principal Risks and Uncertainties

The Board believes that the principal risks facing the Company relate to the Company's investment activities and include market risk, interest rate risk, foreign currency risk, other price risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 58 to 61.

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

In the mitigation and management of these risks, the Board regularly monitors the investment environment and the management of the Company's investment portfolio, and applies the principles detailed in the guidance provided by the Financial Reporting Council, "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Compliance with regulatory rules is monitored on a daily basis by the Company Secretary who reports to the Board at each Board Meeting. The Company's internal controls are described in more detail on page 30.

Strategic Report – continued

Social, Community and Human Rights Issues

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

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

The Board and Outlook

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

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

On behalf of the Board

PATAC Limited
Company Secretary
14 October 2019

Directors' Report

The Directors have pleasure in presenting the Annual Report and Accounts for the year to 31 August 2019.

Results and Dividend

The table below shows the revenue position and dividend payable by the Company, subject to shareholders' approval of the final dividend of 11.50p per share proposed to be paid on 17 January 2020. 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 2018 (per Statement of Financial Position)	7,841
Dividend paid for year ended 31 August 2018	(3,435)
Net revenue earned in the year ended 31 August 2019	3,734
Revenue reserve as at 31 August 2019 (per Statement of Financial Position)	8,140
Dividend proposed for year ended 31 August 2019	(3,435)
Revenue reserve as at 31 August 2019	4,705

Share Capital and Share Buy Backs

The Company's capital structure consisted of 31,413,663 ordinary shares of 25p each at 31 August 2019.

The Company's buy back authority was last renewed at the Annual General Meeting on 18 December 2018 in respect of 4,478,080 ordinary shares of 25p each.

During the year the Company did not buy back or issue any ordinary shares. The Company held 1,539,879 ordinary shares in Treasury at 31 August 2019.

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 2019 the Company was aware of the following significant shareholdings representing (directly or indirectly) 3 per cent or more of the voting rights attaching to the issued share capital of the Company:

	Number of shares held	Percentage held
Clients of BMO Global Asset Management	2,618,871	8.8%
Clients of Brewin Dolphin Securities	2,335,568	7.8%
Clients of Alliance Trust Savings	2,315,394	7.8%
Clients of Hargreaves Lansdown	1,907,929	6.4%
Clients of City of London Investment Management	1,809,570	6.1%
Clients of Investec Wealth & Investment	1,511,277	5.1%
Clients of Rathbones	1,140,755	3.8%

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

Directors' Report – continued

Going Concern

After making inquiries, and bearing in mind the nature of the Company's business and assets, which are considered to be readily realisable if required, the Directors believe that there are no material uncertainties and that the Company has adequate resources to continue operating for at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

Viability Statement

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

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

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

The Directors have also carried out a robust assessment of the principal risks that are facing the Company over the period of the review, including those that would threaten its business model, future performance, solvency or liquidity, as noted in the Strategic Report on page 23 and discussed in note 13 to the Accounts.

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

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

Financial Instruments

Information on the Company's financial instruments can be found in the Notes to the Accounts on pages 53 to 61.

Principal Risks and Risk Management

Information on the principal risks to shareholders and management of these risks can be found in the Strategic Report on page 23 and in note 13 to the Accounts on pages 58 to 61.

Directors' Indemnity

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

Directors' Report – continued

Greenhouse Gas Emissions

All 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 under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for any other emission producing sources.

Criminal Finances Act 2017

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

Disclosure of Information to the Auditor

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

Annual General Meeting

The notice convening the Annual General Meeting to be held on 17 December 2019 (the "AGM") is given on pages 64 to 67. The resolutions to be proposed include a resolution to approve the Directors' Remuneration Report which is set out on pages 31 to 33.

Resolutions 10 and 11 to be proposed at the Annual General Meeting as ordinary and special resolutions respectively will, if approved, authorise the Directors to allot a limited number of new ordinary shares and empower them to allot some or all of the same for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The authority being sought under Resolution 10 is in respect of £746,844 in nominal value of relevant securities, representing approximately 10 per cent of the issued ordinary share capital at 14 October 2019. The power to disapply pre-emption rights being sought under Resolution 11 is also in respect of £746,844 of equity securities representing approximately 10 per cent of the ordinary shares of the Company (excluding Treasury Shares) in issue on 14 October 2019. The authority under Resolutions 10 and 11, if granted, will expire at the earlier of the next Annual General Meeting or 15 months from the passing of the resolutions. The Directors, who have no present intention of exercising their authority to allot any of the same, will allot relevant securities under this authority only to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

Resolution 12 to be proposed at the Annual General Meeting as a special resolution gives authority to the Company to purchase its own shares, subject to the provisions of the Companies Act 2006, as permitted by the Company's Articles of Association. This resolution specifies the maximum such number of shares which may be acquired (being 4,478,080 ordinary shares, representing 14.99 per cent of the Company's issued share capital at 14 October 2019) and the maximum (105 per cent of the 5 day average middle market price) and minimum (the nominal value) prices at which shares may be bought. The authority, which may be used to buy back shares either for cancellation or to be held in Treasury, will be used to purchase shares only if, in the opinion of the Directors, a purchase would be in the best interests of the shareholder as a whole. The Directors will exercise the authority granted pursuant to this resolution only through the market for cash at prices below the prevailing net asset value of the ordinary shares (as last calculated) in circumstances where such purchases will enhance the Company's net asset value. The proposed authority, if granted, will expire at the earlier of the next Annual General Meeting or 15 months following the passing of Resolution 12. There are no options outstanding over the Company's share capital.

Directors' Report – continued

Notice Period for General Meetings

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

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

Recommendation

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

Relations with Shareholders

The Board places great importance on communication with shareholders. In addition to the regular annual and half year reports, monthly factsheets, investment updates and general information are available on the Company's website www.scottishoriental.com. The Investment Manager has a policy of meeting major shareholders and reports to the Board following such meetings. The Chairman and members of the Board are available to meet with shareholders as appropriate. Any shareholder wishing to communicate with a member of the Board may do so by writing to him or her at the Company Secretary's office as detailed on the inside back cover of this report. All who attend at the AGM have an opportunity to question the Board and the Investment Manager. Proxy voting figures for each resolution are available to shareholders after the AGM. Separate items of business are proposed as separate resolutions. The Annual Report is sent to shareholders at least 20 working days before the AGM.

Exercise of Voting Powers

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

On behalf of the Board

PATAC Limited
Company Secretary
14 October 2019

Report of the Audit Committee

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

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

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and to review significant financial reporting judgements contained in them;
- to consider the appointment of the external auditor, the audit fee, and any questions of the external auditor's resignation or dismissal;
- to review the half-year and annual financial statements before submission to the Board;
- to monitor and review the effectiveness of the Company's statements on corporate governance and internal control systems (including financial, operational and compliance controls and risk management) prior to endorsement by the Board; and
- to review and monitor the external auditor's independence and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. The Audit Committee also reviews the objectivity of the auditor and the terms under which they are appointed to perform non-audit services. Ernst & Young LLP ("EY") provided no non-audit services for the year ended 31 August 2019.

At the request of the Board, the Audit Committee considered whether the 2019 Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Audit Committee has reviewed the Annual Report and Accounts and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion the Audit Committee has assumed that the reader of the Annual Report and Accounts has a reasonable level of knowledge of the investment industry.

Auditor

EY was appointed as auditor to the Company on 24 April 2014 following a robust tender process involving other audit firms. The Audit Engagement Partner rotates every five years in accordance with the Auditing Practices Board requirements. 2019 is the first year for the current partner, Caroline Mercer.

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

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

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

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

Report of the Audit Committee – continued

Internal Controls

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

These controls include:

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

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

Significant Accounting Matters

The significant issues considered by the Audit Committee during the year in relation to the financial statements of the Company were the valuation of investments, the existence/ownership of the investment portfolio, calculation of the management and performance fee and recognition of investment income. The Board addresses these risks by having the following processes in place. The Company's accounting policy for valuing investments is set out on page 50 and the prices of all investments are agreed to an independent source by the Administrator. The assets held within the investment portfolio are also agreed regularly to the custodian's records by the Administrator. Any performance fee that is payable is calculated by the Company Secretary and is reviewed by the Investment Manager. The recognition of investment income is undertaken in accordance with Accounting Policy (b) on page 50 and all investment dividends are reconciled to the projected dividend schedule each quarter by the Company Secretary, who will investigate any unexpected differences.

Jeremy Whitley
Director
14 October 2019

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 2017 (resolution received 99.82 per cent of votes for, 0.12 per cent of votes against, and 0.06 per cent of votes were withheld), will again be put to shareholders at the Annual General Meeting in December 2020.

Remuneration Committee

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

Policy on Directors' Remuneration

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

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 £29,400 to £31,500 per annum, the Audit Committee Chairman's fee from £23,520 to £25,200 per annum and Directors' fees from £21,000 to £22,500 per annum, effective from 1 July 2019. In setting these rates, the Board considers the factors set out in the Policy on Directors' Remuneration above. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

Directors' Remuneration Report – continued

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 38 to 45.

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 2019 ordinary 25p shares	31 August 2018 ordinary 25p shares
James Ferguson	134,860	134,860
Andrew Baird	–	–
Alexandra Mackesy	10,000	10,000
Anne West	22,000	22,000
Jeremy Whitley	67,500	60,500

There were no changes to the above holdings between 31 August 2019 and 14 October 2019. 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 2019 (£)	Fees 2018 (£)
James Ferguson (Chairman)	29,750	29,400
Andrew Baird	21,250	21,000
Alexandra Mackesy*	22,195	23,100
Dr Janet Morgan (retired 7 December 2017)	–	7,000
Anne West	21,250	21,000
Jeremy Whitley (Audit Committee Chairman†)	22,855	21,000
	117,300	122,500

* Retired as Audit Committee Chairman on 16 January 2019

† Appointed on 16 January 2019

The Directors are remunerated exclusively by fixed fees as set out above and do not receive pension contributions, bonus payments or taxable benefits.

Directors' Remuneration Report – continued

Statement of Voting at Annual General Meeting

Voting on the resolutions to approve the Directors' Remuneration Report at the Company's AGM on 18 December 2018 was as follows:

Resolution	Votes For	Votes Against	Votes Withheld
Approve Directors' Remuneration Report	11,253,357	12,190	1,659

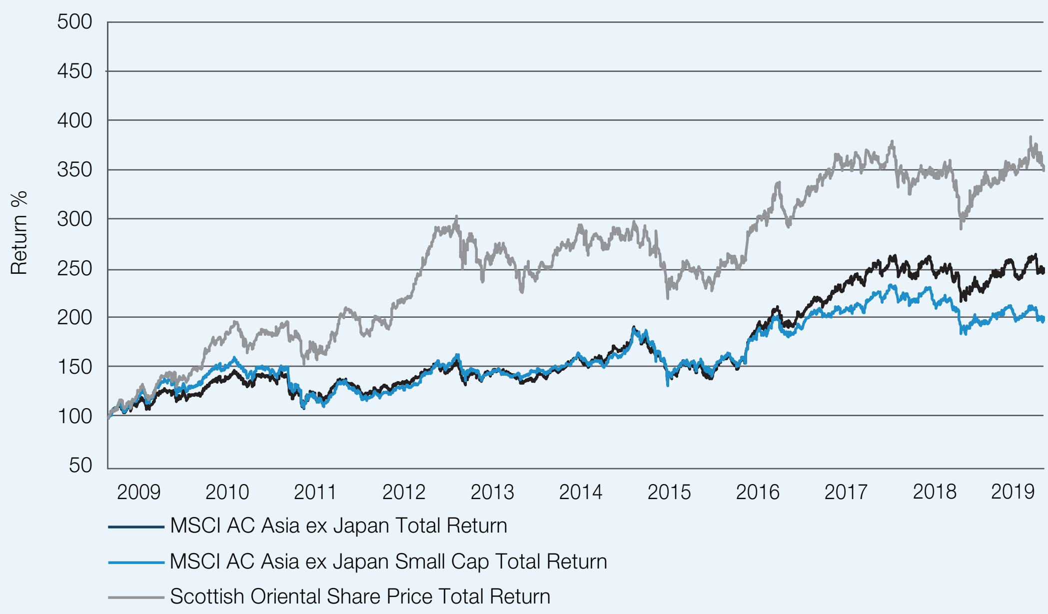
Relative Importance of Spend on Pay

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

Company Performance

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

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



The Directors' Remuneration report on pages 31 to 33 was approved by the Board of Directors on 14 October 2019 and signed on its behalf by

James Ferguson
Chairman
14 October 2019

Corporate Governance

Directors' Statement on Corporate Governance

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

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

The Board has been advised of the new UK Corporate Governance Code issued in July 2018 and the new AIC Code issued in February 2019, both effective for accounting periods beginning on or after 1 January 2019. Accordingly, the Company will report against these codes for the financial year ended 31 August 2020. Having considered the provisions of the new codes, the Board has agreed to adopt annual re-election of Directors, effective for the AGM on 17 December 2019 and thereafter.

Compliance

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

The Board is an entirely non-executive Board and the Directors are involved in discussions to determine their own remuneration taking various factors into consideration. James Ferguson, the Chairman, also chairs the Remuneration Committee and the Nominations Committee, appointments which are reviewed periodically. The Board considers that it is appropriate for Mr Ferguson to be Chairman of both committees as he is considered to be independent and has no conflicts of interest. Anne West is a director of ScotGems plc which is also managed by First State Investments (UK) Limited. As a result, for the purposes of the AIC Code, Anne West is deemed to be non-independent following this appointment in June 2017.

Conflicts of Interest

The Companies Act 2006 requires that a Director of the Company must avoid a situation in which he 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 and Nominations Committee held during the year and the attendance of the individual directors at those meetings is shown in the table on the following page. Board papers are distributed prior to all meetings in a form and of a quality appropriate to enable the Board to discharge its duties. Directors can in addition raise any matters at meetings and there is a procedure in place for Directors to take independent professional advice, if necessary, at the Company's expense. The Company purchases and maintains Directors' and Officers' liability insurance. The Directors confirm

Corporate Governance – continued

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	Nominations Committee
James Ferguson	4/4	2/2*	1/1	1/1
Andrew Baird	4/4	2/2	1/1	1/1
Alexandra Mackesy	4/4	2/2	1/1	1/1
Anne West	4/4	2/2*	1/1	1/1
Jeremy Whitley	4/4	2/2	1/1	1/1

* Attended meetings by invitation.

Independence of Directors

The Board considers its non-executive Directors (save for Anne West) to be free from any business or other relationship with the Investment Manager or its employees which could interfere with or compromise the exercise of his or her independent judgement and, therefore, independent of the Investment Manager. As noted on page 34, Anne West is on the board of another company managed by the Investment Manager and is therefore not considered to be independent for the purposes of the AIC Code. The Board deems the Chairman to be independent having taken into consideration his previous directorship with the Investment Manager until 2000. James Ferguson and Alexandra Mackesy have served on the Board for more than nine years. The Board considers that each of these Directors is independent of the Investment Manager in mind, character and judgement and free from any business or other relationship with the Investment Manager which could interfere with or compromise the exercise of their independent judgment. In addition, as the Company does not have an executive board or any employees, it is considered to be in shareholders' interests for non-executive Directors to serve on the Board for longer periods of time.

Performance Appraisals

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

Terms of Appointment and Re-election of Directors

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. As noted on the previous page, the Board has adopted annual re-election of Directors for the forthcoming AGM and thereafter. Each Directors' re-election is subject to shareholder approval, based upon the recommendations of the full Board. Biographical details of all Directors are set out on page 20 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.

Corporate Governance – continued

James Ferguson, Alexandra Mackesy and Anne West have served on the Board for more than nine years. The Board is of the view that longer term appointments are necessary to ensure long-term stability of the management of the Company, given that the Company has no employees.

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

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

Nominations Committee

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

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

The Board believes that length of service does not necessarily compromise the independence or contribution of directors of an investment trust company. Indeed, in its opinion, continuity and experience often add significantly to the strength of the board. While no new appointments were made to the Board during the year, the Directors are mindful of the need for a carefully considered succession plan and will continue to focus on this area over the next few years.

The Nominations Committee meets at least annually.

On behalf of the Board

PATAC Limited
Company Secretary
14 October 2019

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 of the Company; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

By order of the Board

James Ferguson
Chairman
14 October 2019

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 2019 which comprise the Income Statement, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 August 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Report of the Independent Auditor – continued

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the Annual Report set out on page 23 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 26 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 26 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 26 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the income statement; • Incorrect valuation and/or defective title to the investment portfolio.
Materiality	• Overall materiality of £3.46m which represents 1% of shareholders' funds

Report of the Independent Auditor – continued

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification as revenue or capital in the income statement (as described on page 30 in the Report of the Audit Committee and as per the accounting policy set out on page 50). The investment revenue receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The income received for the year to 31 August 2019 was £7.54m (2018: £6.98m). The Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. During the year the Company received two special dividends, with a total value of £0.68m, one of which was in excess of our testing threshold, with a value of £0.66m.	**We have performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and classification of special dividends by performing a walkthrough in which we evaluated the design and implementation of controls. We agreed 100% of dividend receipts to the corresponding announcement made by the investee company, agreed exchange rates to an external source, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. We agreed 100% of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. For 100% of dividends accrued at the year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 31 August 2019. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements where applicable. We reviewed the income report and the acquisition and disposal report produced by the Administrator to identify special dividends recorded in the year in excess of our testing threshold. There was one such special dividends, for which we confirmed that the classification as revenue was consistent with the underlying motives and circumstances behind the payment.	**The results of our procedures are:** We have no issues to report to the Audit Committee with respect to our procedures performed over the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement.

Report of the Independent Auditor – continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and/or defective title of the investment portfolio (as described on page 30 in the Report of the Audit Committee and as per the accounting policy set out on pages 50 and 51). The valuation of the portfolio at 31 August 2019 was £312.74m (2018: £325.73m) consisting of listed equity investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted market bid or last traded price at the reporting date.	**We performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding investment pricing and trade processing by performing a walkthrough. For all listed investments in the portfolio, we compared the market values and exchange rates applied to an independent pricing vendor. We reviewed pricing exception and stale pricing reports as at 31 August 2019 for unusual or static movements in prices. To confirm the existence of the assets held as at 31 August 2019 we independently obtained confirmation from the Custodian and Depositary of all securities held at the year end and agreed all securities held from the Company's records to those of the Custodian.	**The results of our procedures are:** We have no issues to report to the Audit Committee with respect to our procedures performed over the risk of incorrect valuation and defective title to the investment portfolio.

In the prior year, our auditor's report included a key audit matter in relation to the calculation of the performance fee. In the current year this has been removed as we have assessed the calculation as non-complex, it does not involve a significant amount of the audit time and effort as there has been no performance fee payable in the current or prior year.

An overview of the scope of our audit

Tailoring the scope

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

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £3.46m (2018: £3.45m) which is 1% of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Report of the Independent Auditor – continued

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £2.59m (2018: £2.59m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate revenue testing threshold of £0.21m (2018: £0.17m) for the revenue column of the Income Statement of 5% of the net revenue return on ordinary activities before taxation.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.17m (2018: £0.17m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 29 –** the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Report of the Independent Auditor – continued

- **Audit committee reporting set out on pages 29 to 30 –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 34 –** the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

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

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

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

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

Report of the Independent Auditor – continued

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

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

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

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

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

Report of the Independent Auditor – continued

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

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed by the Company on 24 April 2014, to audit the financial statements for the year ending 31 August 2014 and subsequent financial periods. Our appointment was subsequently ratified at the Annual General Meeting of the Company held on 19 February 2015.

  The period of total uninterrupted engagement, including previous renewals and reappointments is six years, covering the years ending 31 August 2014 to 31 August 2019.

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

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

Use of our report

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

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

14 October 2019

Notes:

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

Income Statement

For the year ended 31 August 2019

		2019			2018		
		Revenue	**Capital**	**Total***	Revenue	Capital	Total*
	Note	**£000**	**£000**	**£000**	£000	£000	£000
Losses on investments	7	**–**	**(649)**	**(649)**	–	(10,181)	(10,181)
Income from investments	1	**7,544**	**–**	**7,544**	6,983	–	6,983
Other income	1	**104**	**–**	**104**	21	–	21
Investment management fee	2	**(2,544)**	**–**	**(2,544)**	(2,680)	–	(2,680)
Currency gains/(losses)		**–**	**1,252**	**1,252**	–	(1,228)	(1,228)
Other administrative expenses	3	**(824)**	**–**	**(824)**	(928)	–	(928)
Net return on ordinary activities before taxation		**4,280**	**603**	**4,883**	3,396	(11,409)	(8,013)
Tax on ordinary activities	4	**(546)**	**(238)**	**(784)**	(571)	(767)	(1,338)
Net return attributable to equity shareholders		**3,734**	**365**	**4,099**	2,825	(12,176)	(9,351)
Net return per ordinary share	6	**12.50p**	**1.22p**	**13.72p**	9.19p	(39.60)p	(30.41)p

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

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

The Board is proposing a dividend of 11.50p per share for the year ended 31 August 2019 (2018: 11.50p per share) which, if approved, will be payable on 17 January 2020 to shareholders recorded on the Company's shareholder register on 6 December 2019.

The accounting policies on pages 50 to 52 and the notes on pages 53 to 61 form part of these Accounts.

All revenue and capital items derive from continuing operations.

Statement of Financial Position

as at 31 August 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
FIXED ASSETS – EQUITY INVESTMENTS	7				
Bangladesh			**6,182**		6,003
China			**31,500**		29,892
Hong Kong			**22,000**		20,752
India			**100,822**		100,283
Indonesia			**36,558**		26,268
Malaysia			**2,882**		7,138
Pakistan			**5,082**		5,811
Philippines			**34,061**		32,032
Singapore			**19,617**		19,371
South Korea			**3,853**		6,619
Sri Lanka			**7,409**		14,915
Taiwan			**34,836**		41,064
Thailand			**–**		9,083
Vietnam			**7,934**		6,497
			312,736		325,728
CURRENT ASSETS					
Debtors	8	**8,483**		1,496	
Cash and deposits		**40,949**		19,046	
		49,432		20,542	
CURRENT LIABILITIES (due within one year)					
Creditors	9	**(16,104)**		(870)	
		(16,104)		(870)	
Net Current Assets			**33,328**		19,672
Total Assets less Current Liabilities			**346,064**		345,400
CAPITAL AND RESERVES					
Ordinary share capital	10		**7,853**		7,853
Share premium account			**34,259**		34,259
Capital redemption reserve			**58**		58
Capital reserve			**295,754**		295,389
Revenue reserve			**8,140**		7,841
Total Equity Shareholders' Funds			**346,064**		345,400
Net asset value per share	11		**1,158.42p**		1,156.20p

These Accounts were approved by the Board on 14 October 2019 and signed on its behalf by

James Ferguson
Director

The accounting policies on pages 50 to 52 and the notes on pages 53 to 61 form part of these Accounts.

Cash Flow Statement

for the year ended 31 August 2019

	Note	2019 £000	2018 £000
Net cash outflow from operations before dividends, interest, purchases and sales	12	**(3,418)**	(3,535)
Dividends received from investments		**7,720**	7,117
Interest received from deposits		**104**	21
Purchases of investments		**(92,436)**	(119,010)
Sales of investments		**112,925**	118,698
Cash from operations		**24,895**	3,291
Taxation		**(808)**	(1,329)
Net cash inflow from operating activities		**24,087**	1,962
Financing activities			
Equity dividend paid		**(3,435)**	(3,559)
Buyback of ordinary shares		**(1)**	(10,945)
Net cash outflow from financing activities		**(3,436)**	(14,504)
Increase/(decrease) in cash and cash equivalents		**20,651**	(12,542)
Cash and cash equivalents at the start of the period		**19,046**	32,816
Effect of currency gains/(losses)		**1,252**	(1,228)
Cash and cash equivalents at the end of the period*		**40,949**	19,046

*Cash and cash equivalents represents cash at bank.

Statement of Changes in Equity

for the year ended 31 August 2019

	Ordinary Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 31 August 2018	7,853	34,259	58	295,389	7,841	345,400
Total comprehensive income:						
Return for the year	–	–	–	365	3,734	4,099
Transactions with owners recognised directly in equity:						
Dividend paid in the year‡	–	–	–	–	(3,435)	(3,435)
Balance at 31 August 2019	**7,853**	**34,259**	**58**	**295,754**	**8,140**	**346,064**

‡ See note 5.

for the year ended 31 August 2018

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

† See note 10. ‡ See note 5.

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 the inside back cover.

These Accounts have been prepared under the historical cost convention (modified to include the revaluation of fixed asset investments which are recorded at fair value) and in accordance with the Companies Act 2006, UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102, and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in November 2014 (the "SORP") and the 2017 amendments. 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. Subsequent to initial recognition, investments are valued at fair value which for listed investments is deemed to be bid price or last traded price. Gains and losses arising from changes in fair value are included as a capital item in the Income Statement and are ultimately recognised in the Capital Reserve. Gains and losses arising on realisation of investments are shown in the Capital Reserve.

Accounting Policies – continued

(j) Equities include ordinary shares and warrants.

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

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

Foreign currency

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

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

Dividends

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

Taxation

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

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

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

Significant judgements and estimates

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

Reserves

Share premium account

(r) 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

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

Accounting Policies – continued

Capital reserve

(t) Gains and losses on the realisation of investments, realised exchange differences of a capital nature and returns of capital are accounted for in this reserve. Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are also accounted for in this reserve. Any performance fee due is deducted from the capital reserve. The cost of shares bought back to be held in Treasury is also deducted from this reserve. The Articles of the Company stipulate that this reserve is non-distributable. However, subject to a change to the Company's Articles approved by shareholders, this reserve could be made distributable should the need arise.

Revenue reserve

(u) 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

	2019 £000	2018 £000
Investment management fee	**2,544**	2,680

Management

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

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

The performance fee is based on the Company's share price total return ("SPTR"), taking the change in share price and dividend together, over a three year period. If the Company's SPTR exceeds the SPTR of the MSCI AC Asia ex Japan Index over the three year period plus ten percentage points, a performance fee is payable to the Investment Manager. The objective of the performance fee is to give the Investment Manager ten per cent of the additional value generated for shareholders by such outperformance. No performance fee (2018: £nil) is due to be paid for the year ended 31 August 2019.

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

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

Notes on the Accounts – continued

3. Other Administrative Expenses

	2019 £000	2018 £000
Auditor's remuneration for audit services	23	22
Directors' fees	117	123
Company secretarial fees	119	115
Bank, custodial and other expenses	565	668
	824	928

Company Secretary

PATAC Limited provides company secretarial, accounting and administrative services. The fee for the year ended 31 August 2019, which is payable quarterly in advance and linked to the movement in the Retail Price Index annually, was £119,000 (2018: £115,000). Following discussions between the Board and PATAC a revised fee has been agreed effective from 1 September 2019. The fee will be £155,000 for the year to 31 August 2020, £195,000 for the year to 31 August 2021 and £195,000 per annum plus an annual adjustment to reflect the increase in the Consumer Price Index thereafter. The appointment is terminable on three months' notice.

4. Taxation

(a) Analysis of charge in the year

Overseas tax:

	2019 Revenue £000	2019 Capital £000	2019 Total £000	2018 Revenue £000	2018 Capital £000	2018 Total £000
Tax on overseas dividends	546	–	546	571	–	571
Indian capital gains tax	–	238	238	–	767	767
	546	238	784	571	767	1,338

(b) Factors affecting the tax charge for the year

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

	2019 Revenue £000	2019 Capital £000	2019 Total £000	2018 Revenue £000	2018 Capital £000	2018 Total £000
Return for the year before taxation	4,280	603	4,883	3,396	(11,409)	(8,013)
Total return for the year before taxation multiplied by the standard rate of corporation tax of 19.00% (2018:19.00%)	813	115	928	645	(2,168)	(1,523)
Effect of:						
Non-taxable losses on investments	–	123	123	–	1,935	1,935
Non-taxable losses/(gains) on foreign currency	–	(238)	(238)	–	233	233
Non-taxable income	(1,433)	–	(1,433)	(1,327)	–	(1,327)
Overseas tax	546	238	784	571	767	1,338
Unutilised management expenses	620	–	620	682	–	682
Total tax charge for the year	546	238	784	571	767	1,338

Notes on the Accounts – continued

4. Taxation – continued

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 £6,421,000 (2018: £5,867,000) at 31 August 2019 in respect of unrelieved tax losses carried forward. This asset has not been recognised in the Accounts as it is unlikely under current legislation that it will be capable of being offset against future taxable profits.

5. Dividends

	2019 £000	2018 £000
Dividends paid in the period:		
Dividend of 11.50p per share paid 18 January 2019 (2018 – 11.50p)	**3,435**	3,559

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

	2019 £000	2018 £000
Income available for distribution	**3,734**	2,825
Proposed dividend for the year ended 31 August 2019 – 11.50p payable 17 January 2020 (2018 – 11.50p)	**(3,435)**	(3,435)
Amount transferred to/(from) retained income	**299**	(610)

6. Return per Ordinary Share

	2019			2018		
	Revenue p	Capital p	Total p	Revenue p	Capital p	Total p
Net return per share	**12.50**	**1.22**	**13.72**	9.19	(39.60)	(30.41)

	2019	2018
Revenue return	**£3,734,000**	£2,825,000
Capital return	**£365,000**	(£12,176,000)
Weighted average ordinary shares in issue	**29,873,784**	30,750,547

There are no dilutive or potentially dilutive instruments in issue.

Notes on the Accounts – continued

7. Equity Investments

	£000
Cost at 31 August 2018	292,617
Unrealised appreciation	33,111
Valuation at 31 August 2018	325,728
Purchases at cost	107,721
Sales – proceeds	(120,064)
Sales – realised gains on sales	18,195
Unrealised depreciation on investments in the year	(18,844)
Valuation at 31 August 2019	312,736
Cost at 31 August 2019	298,469
Closing unrealised appreciation	14,267
Gains/(losses) on Investments	
Realised gains on sales	18,195
Unrealised losses on the fair value of investments during the year	(18,844)
	(649)

All investments are listed on recognised stock exchanges.

Transaction Costs

During the year the Company incurred transaction costs of £266,000 (2018: £319,000) on the purchase of investments and £376,000 (2018: £366,000) on the sale of investments.

8. Debtors

	2019 £000	2018 £000
Sales awaiting settlement	**8,167**	1,027
Accrued income	**316**	469
	8,483	1,496

9. Creditors (amounts falling due within one year)

	2019 £000	2018 £000
Purchases awaiting settlement	**15,283**	–
Management fee payable	**651**	648
Other creditors	**170**	222
	16,104	870

Notes on the Accounts – continued

10. Share Capital

The allotted and fully paid capital is £7,853,416 (2018: £7,853,416) represented by 31,413,663 ordinary shares of 25p each (2018: 31,413,663). During the year the Company did not buy back any ordinary shares (2018: 1,086,379 ordinary shares bought back for Treasury at a total cost of £10,946,000). The Company held 1,539,879 ordinary shares in Treasury at the year end (2018: 1,539,879), being 4.9 per cent of share capital, with a nominal value of £384,970 (2018: £384,970). There have been no shares issued or bought back since the year end.

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

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

The capital of the Company is the ordinary share capital and the other reserves. It is managed in accordance with its investment policy in pursuit of its investment objective, detailed on page 22.

11. Net Asset Value per Ordinary Share

Net assets per share are based on total net assets of £346,064,000 (2018: £345,400,000) divided by 29,873,784 (2018: 29,873,784) ordinary shares of 25p each in issue (excludes shares held in Treasury).

12. Cash Flow Statement

	2019 £000	2018 £000
Reconciliation of net return before taxation to net cash outflow from operations before dividends, interest, purchases and sales		
Net return before taxation	**4,883**	(8,013)
Net losses on investments	**649**	10,181
Currency (gains)/losses	**(1,252)**	1,228
Dividend income	**(7,544)**	(6,983)
Interest income	**(104)**	(21)
(Decrease)/increase in creditors	**(50)**	5
Decrease in debtors	**–**	68
Net cash outflow from operations before dividends, interest, purchases and sales	**(3,418)**	(3,535)

Notes on the Accounts – continued

13. Risk Management, Financial Assets and Liabilities

The Company invests mainly in smaller Asian quoted companies. Other financial instruments comprise cash balances and short-term debtors and creditors. The Investment Manager follows the investment process outlined on page 22 and in addition the Board conducts quarterly reviews with the Investment Manager. The Investment Manager's Risk and Compliance department monitors the Investment Manager's compliance with the Company's investment and borrowing powers to ensure that risks are controlled and minimised. Additionally, its Compliance and Risk Committee reviews risk management processes monthly.

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

Market Risk

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

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

Interest Rate Risk

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

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

Interest Rate Risk Profile

	2019 £000	2018 £000
Cash	40,949	19,046
	40,949	19,046

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 £205,000 (2018: £95,000). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at date of the Statement of Financial Position and are not representative of the year as a whole.

Foreign Currency Risk

The majority of the Company's assets, liabilities and income were denominated in currencies other than sterling (the currency in which the Company reports its results) as at 31 August 2019. The Statement of Financial Position therefore can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company reserves the right to undertake foreign exchange hedging of its portfolio. The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Notes on the Accounts – continued

13. Risk Management, Financial Assets and Liabilities – continued

Foreign Currency Risk Exposure by Currency of Denomination

	31 August 2019			31 August 2018		
	Overseas investments £000	Net monetary assets £000	Total currency exposure £000	Overseas investments £000	Net monetary assets £000	Total currency exposure £000
Indian rupee	100,822	(3,387)	97,435	100,283	–	100,283
Hong Kong dollar	47,877	87	47,964	50,644	78	50,722
Indonesian rupiah	36,558	(188)	36,370	26,268	–	26,268
Philippine peso	34,061	–	34,061	32,032	1,027	33,059
Taiwanese dollar	34,836	(781)	34,055	41,064	162	41,226
US dollar	5,623	27,993	33,616	–	9,054	9,054
Singapore dollar	19,617	121	19,738	19,371	157	19,528
Vietnamese dong	7,934	–	7,934	6,497	57	6,554
Sri Lankan rupee	7,409	–	7,409	14,915	–	14,915
Bangladeshi taka	6,182	–	6,182	6,003	–	6,003
Pakistan rupee	5,082	–	5,082	5,811	72	5,883
Korean won	3,853	–	3,853	6,619	–	6,619
Malaysian ringgit	2,882	–	2,882	7,138	–	7,138
Thai baht	–	–	–	9,083	–	9,083
Total foreign currency	312,736	23,845	336,581	325,728	10,607	336,335
Sterling	–	9,483	9,483	–	9,065	9,065
Total currency	312,736	33,328	346,064	325,728	19,672	345,400

Currency Risk Sensitivity

At 31 August 2019, 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 2018.

	2019 £000	2018 £000
Indian rupee	4,872	5,014
Hong Kong dollar	2,398	2,536
Indonesian rupiah	1,818	1,313
Philippine peso	1,703	1,653
Taiwanese dollar	1,703	2,061
US dollar	1,681	453
Singapore dollar	987	976
Vietnamese dong	397	328
Sri Lankan rupee	370	746
Bangladeshi taka	309	300
Pakistan rupee	254	294
Korean won	193	331
Malaysian ringgit	144	357
Thai baht	–	454
Total	16,829	16,816

Notes on the Accounts – continued

13. Risk Management, Financial Assets and Liabilities – continued

Other Price Risk

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

Other Price Risk Sensitivity

If market values at the date of the Statement of Financial Position had been 10 per cent higher or lower with all other variables remaining constant, the return attributable to ordinary shareholders for the year ended 31 August 2019 would have increased/(decreased) by £31,273,600 (2018: increased/(decreased) by £32,572,800) and equity reserves would have increased/(decreased) by the same amount.

Liquidity Risk

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

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

		2019			2018	
	3 months or less £000	**3 to 12 months £000**	**More than 12 months £000**	3 months or less £000	3 to 12 months £000	More than 12 months £000
Amount due to brokers	**15,283**	**–**	**–**	–	–	–
Other creditors and accruals	**821**	**–**	**–**	870	–	–
	16,104	**–**	**–**	870	–	–

Credit Risk

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

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

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

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

Notes on the Accounts – continued

13. Risk Management, Financial Assets and Liabilities – continued

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 August 2019 was as follows:

	2019		2018	
Current assets	**Statement of Financial Position £000**	**Maximum exposure £000**	Statement of Financial Position £000	Maximum exposure £000
Receivables	8,483	8,483	1,496	1,496
Cash at bank	40,949	40,949	19,046	19,046
	49,432	49,432	20,542	20,542

Fair Value Hierarchy

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

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

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

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

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

All of the Company's investments were categorised as Level 1 for the year to 31 August 2019 (2018: All investments Level 1).

14. Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on pages 31 to 33. An amount of £21,000 was outstanding to the Directors at the year end (2018: £19,000). No Director has a contract of service with the Company. During the year no Director had any related party transactions requiring disclosure under section 412 of the Companies Act 2006.

The management fees for the year are detailed in Note 2 and amounts payable to the Investment Manager at year end are detailed in Note 9. The Investment Management team's holdings in the Company are set out on page 3.

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 1.01 and 1.02 times the Company's net asset value.

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

Glossary of Terms and Definitions

Active Share

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

Actual Gearing

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

Alternative Performance Measure

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

Discount

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

			2019 £000	2018 £000
NAV per share	a		**1,158.4p**	1,156.2p
Share price	b		**1,010.0p**	1,020.0p
Discount	c	c=(b-a)/a	**12.8%**	11.8%

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).

Ongoing Charges

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

	2019 £000	2018 £000
Investment management fee	**2,544**	2,680
Administrative expenses	**824**	928
Ongoing charges	**3,368**	3,608
Average net assets	**334,866**	357,819
Ongoing charges ratio	**1.01%**	1.01%

There was no performance fee payable for the year to 31 August 2019 (2018: nil).

Glossary of Terms and Definitions – continued

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

	2019 £000	2018 £000
Opening NAV per share	1,156.2p	1,192.7p
Increase/(decrease) in NAV per share	2.2p	(36.5)p
Closing NAV per share	1,158.4p	1,156.2p
% increase/(decrease) in NAV	0.2%	(3.1)%
Impact of dividends reinvested*	0.9%	0.7%
NAV total return	1.1%	(2.4)%

* Assumes that the dividend of 11.5p (2018: 11.5p) paid by the Company was reinvested at the ex-dividend date.

Share Price Total Return

	2019 £000	2018 £000
Opening share price	1,020.0p	1,066.5p
Decrease in share price	(10.0)p	(46.5)p
Closing share price	1,010.0p	1,020.0p
% decrease in share price	(1.0)%	(4.4)%
Impact of dividends reinvested*	1.3%	1.1%
Share price total return	0.3%	(3.3)%

* Assumes that the dividend of 11.5p (2018: 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 FSSA Investment Managers, 23 St Andrew Square, Edinburgh EH2 1BB on 17 December 2019 at 12.15 pm for the purpose of transacting the following business:

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

1. To receive the reports of the Directors and Auditors and to adopt the Report and Accounts for the financial year ended 31 August 2019.
2. To approve the dividend of 11.50 pence per ordinary share of 25 pence each in the capital of the Company.
3. To re-elect James Ferguson, who retires from office annually, as a Director.
4. To re-elect Alexandra Mackesy, who retires from office annually, as a Director.
5. To re-elect Anne West, who retires from office annually, as a Director.
6. To re-elect Jeremy Whitley, who retires from office annually, as a Director.
7. To re-elect Andrew Baird, who retires from office annually, as a Director.
8. To re-appoint Ernst & Young LLP, Chartered Accountants and Statutory Auditor, as Auditor and to authorise the Directors to fix their remuneration.
9. To approve the Directors' Remuneration Report within the Report and Accounts for the financial year ended 31 August 2019.
10. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £746,844, (being approximately 10 per cent of the nominal value of the issued share capital as at 14 October 2019) such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

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

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

Notice of Annual General Meeting – continued

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

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £746,844 (being approximately 10 per cent of the nominal value of the issued share capital of the Company (excluding treasury shares) as at 14 October 2019).

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

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 4,478,080 or if less the number of ordinary shares representing 14.99 per cent of the Company's issued share capital (excluding treasury shares) at the date of the passing of this resolution;

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

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

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

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

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

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

Dated: 14 October 2019

By Order of the Board

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

PATAC Limited
Company Secretary

Notice of Annual General Meeting – continued

Notes

(1) To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at close of business on 13 December 2019 ("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 13 December 2019. Attendance by non shareholders will be at the discretion of the Company.

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

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

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

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

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

(7) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service

Notice of Annual General Meeting – continued

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

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

(9) The letters of appointment of the Directors are available for inspection at 21 Walker Street, Edinburgh EH3 7HX before, during and after the meeting. They will also be available on the date of the meeting at 23 St Andrew Square, Edinburgh EH2 1BB until the conclusion of the meeting.

(10) As at close of business on 14 October 2019, the Company's issued share capital comprised 31,413,663 ordinary shares of 25p each of which 1,539,879 ordinary shares are held in Treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 14 October 2019 is 29,873,784.

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

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

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

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

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

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

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

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

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

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

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

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

Information for Investors

Financial Diary

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

Capital Gains Tax

An individual tax payer is currently entitled to an annual total tax-free gain, presently £12,000 from the sale of any shares and other capital assets. Any gain beyond that amount may be liable to capital gains tax.

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

Where to find Scottish Oriental's Share Price

Scottish Oriental's share price appears daily in the Investment Companies Sector of the Financial Times and other leading daily newspapers.

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

The Internet

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

Data Protection

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

Regulatory Status

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

Further Information

If you require any further information please contact PATAC Limited at the address on the following page or by telephone on +44 (0)131 538 1400.

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

Company Information

Registered Office
10 St Colme Street
Edinburgh EH3 6AA

Company Number
SC156108

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

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

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

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

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

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

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

The Association of
Investment Companies

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