Annual Report 2024

The Scottish Oriental
Smaller Companies Trust plc

Contents

Investment Objective

The investment objective of The Scottish Oriental Smaller Companies Trust plc (the 'Company') 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 2024

Net Asset Value[A]	18.6%	MSCI AC Asia ex Japan Small Cap Index (£)	13.5%
Share Price[A]	16.5%	MSCI AC Asia ex Japan Index (£)	12.0%
Final dividend increased to 14p per share, with an additional special dividend of 8p per share		FTSE All-Share Index (£)	17.0%

Summary Data at 31 August 2024

Shares in issue	23,577,766	Shareholders' Funds	£403.1m
Net Asset Value per share	1,709.5p	Market Capitalisation	£346.6m
Share Price	1,470.0p	Share Price Discount to Net Asset Value[A]	14.0%
Ongoing Charges Ratio[AB]	0.98%	Active Share (MSCI AC Asia ex Japan Small Cap Index)[C]	97.6%
Ongoing Charges Ratio (excluding performance fee)[AB]	0.95%		

[A] Alternative Performance Measure.

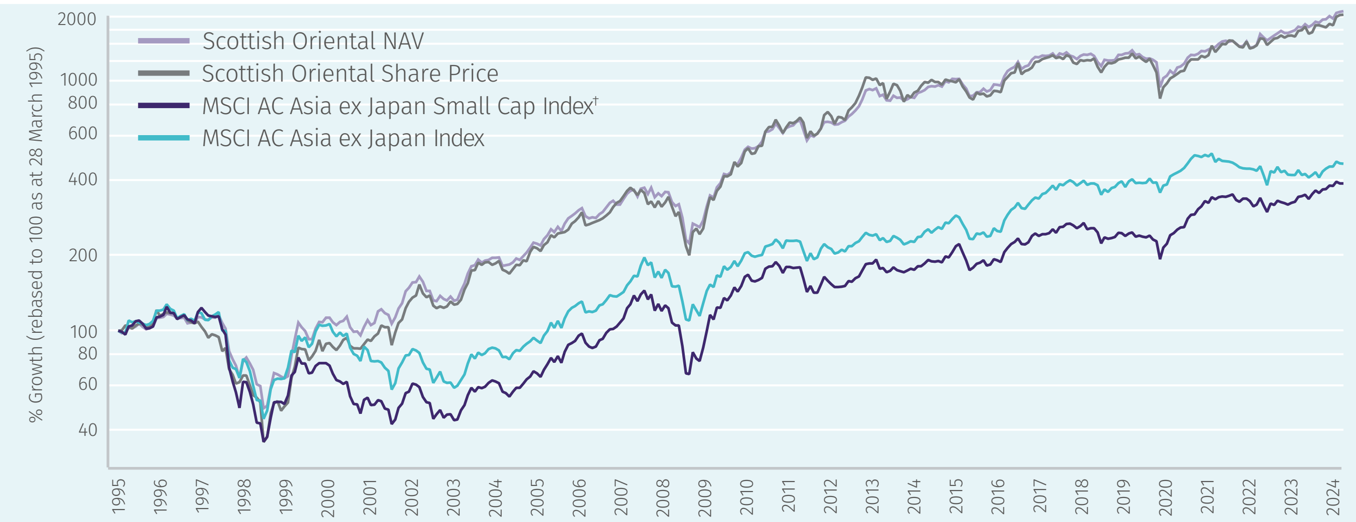
[B] A performance fee of £98,000 is payable relating to the year ended 31 August 2024 (2023: £2,247,000), please refer to note 2 on page 58 for more details.

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

A Glossary of Terms and Alternative Performance Measures is provided on pages 69 to 71.

Total Return Performance

Since 28 March 1995*



* The date on which the Company was launched.

† The MSCI AC Asia ex Japan Small Cap Index was launched on 1 June 2007, growth shown prior to this is an estimate based on the historical results of the companies in the index.

Chairman's Statement

I am pleased to present the Annual Report of the Company for the year ended 31 August 2024, my third as Chairman.

Investment Performance

During the period under review the Company's Net Asset Value ('NAV') Total Return increased by 18.6 per cent. This compared favourably against the MSCI AC Asia ex Japan Small Cap Index, the MSCI AC Asia ex Japan Index, and the FTSE All-Share Index which returned 13.5 per cent, 12.0 per cent and 17.0 per cent respectively during the same period. The NAV Total Return also outperformed the Company's peers in the Association of Investment Companies ('AIC') Asia Pacific Smaller Companies Sector peer group. The Company's share price increased by 15.3 per cent during the period under review, which, including the dividend, produced a Share Price Total Return of 16.5 per cent.

I would encourage shareholders to keep up to date on the performance of the portfolio through the Company's website at **www.scottishoriental.com**

In their report starting on page 6, the Portfolio Managers provide a short handbook for the Scottish Oriental investor. Having invested across Asia for the past thirty years the Investment Manager is well versed in understanding the nature of Asian companies and the nuances of the Asian stock markets. The handbook highlights how the Portfolio Managers deploy your capital in companies with high quality management teams, sustainable earnings growth, using a long-term investment horizon with a focus on capital preservation. At the same time, the handbook describes the methods of avoiding some of the traps that lie in wait for the inexperienced investor. Amongst other traits, they are not prepared to invest in poor quality companies and managers; franchises with low returns on capital employed; value traps, box ticking ESG exercises or benchmark shadowing.

Many of you will have held your shares in Scottish Oriental over a number of years and will be familiar with this process. So it is pleasing to report that it has been successful. On a total return basis, over the last five years the Company's NAV has increased by 55.1 per cent and over the last ten years it has increased by 112.3 per cent.

Development of the Company

It is the Board's aim to broaden the shareholder base by increasing awareness of the Company, and to ensure a clear investment proposition is presented to the market. To achieve this we have planned the following actions:

Appointment of a Corporate Broker

Following a detailed review, the Board has appointed Investec Bank plc ('Investec') as the Company's Corporate Broker. Investec brings a wealth of experience in the investment trust sector and has strong relationships with retail shareholder platforms and wealth managers.

Marketing

We have developed a fresh marketing strategy with the Investment Manager. This involves an increased profile in leading financial publications and enhanced content on our **website**. The aim is to provide both current and prospective shareholders with a deeper understanding of the portfolio and the Investment Manager's process and enable them to learn more about the people behind the investment decisions.

Share Split

Due to the Company's strong investment returns over recent years, the existing ordinary shares of 25p have risen to 1,470.00p (at 31 August 2024). To assist monthly savers and those who reinvest their dividends or are looking to invest smaller amounts, at the Annual General Meeting, the Board is proposing that shareholders approve a five for one share split. This should improve the liquidity in and marketability of the Company's shares, which will benefit all shareholders.

Discount Management

Given the strong investment performance of the Company during the year, it is somewhat disappointing to report that the share price discount to NAV marginally increased to 14.0 per cent as at 31 August 2024 (31 August 2023: 12.4 per cent). Although of little comfort, there has been a general widening of discounts in the investment trust sector due to weak investor sentiment.

During the year, the Company bought back 782,085 ordinary shares (3.2 per cent of the shares in issue as at 31 August 2023). The Company's average discount during the period was 14.5 per cent (2023: 13.0 per cent). Whilst the Board continues to have no formal discount control mechanism in place, discretion will continue to be used to purchase shares in the market when deemed appropriate to do so.

Chairman's Statement cont'd

Performance Fee

Following the change in performance fee comparator index, a new calculation methodolgy has been agreed. The key terms of the new methodology are;

- The hurdle rate has been reduced from ten per cent to two per cent.
- Periods of under-performance are now accumulated and applied against potential future performance fees.
- A high watermark provision has been introduced, whereby a performance fee will only be paid when the Company's share price exceeds the level where a performance fee was previously paid.
- If the total fee payable (base fee plus performance fee) in a year would be in excess of the cap of one and a half per cent of total assets, such excess will be carried forward and may be paid in future periods of positive performance where a performance fee is otherwise payable.

We believe that this new calculation methodology fairly remunerates the Investment Manager in periods of strong performance, and offers some protection to shareholders in periods of weak performance. Please refer to pages 28 and 58 for further details.

Revenue and Dividends

In last year's Annual Report, I reported a decrease in the Company's revenue earnings per share from 16.66p to 14.19p. As at 31 August 2024, revenue earnings per share have risen to 27.74p. This increase is primarily due to an increase in dividend receipts from the Company's underlying investment portfolio, enhanced by a number of special dividends.

The Board is proposing a final dividend of 14.0p per share (2023: 13.0p per share), a year-on-year increase of 7.7 per cent and an additional special dividend of 8.0p per share. The final and special dividends will be paid on 7 February 2025 to shareholders on the register as at 10 January 2025.

Board Composition

As previously detailed in my 2023 Chairman's Statement, Uma Bhugtiar was appointed as a non-executive Director of the Company on 19 October 2023. Karen Roydon was also appointed as a non-executive Director on 8 December 2023. Both Uma and Karen have already made significant contributions to the Board since their appointments. Uma and Karen's biographies can be found on page 23 of this report.

We continue to review Board composition and Directors' succession planning on a regular basis to ensure that we have a Board with a mix of tenures and one which provides diversity of perspective together with the range of appropriate skills and experience for your Company.

Annual General Meeting

The Annual General Meeting ('AGM') of the shareholders of the Company will be held on Wednesday, 29 January 2025 at the offices of First Sentier Investors, Finsbury Circus House, 15 Finsbury Circus, London. The Board looks forward to meeting with you in person.

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

Jeremy Whitley
Chairman

13 November 2024

Investment Management Team

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

Vinay Agarwal
Lead Manager

Vinay Agarwal is Lead Manager of the Company and is also a Director of FSSA Investment Managers. Joining FSSA Investment Managers in 2011, Vinay manages Regional Asia and Indian Subcontinent portfolios. Vinay graduated in 2002 with a management degree with a major in Finance from the Indian Institute of Management Calcutta, and has more than 20 years of investment experience. He also holds a Bachelor of Commerce (Hons) degree with a major in Accountancy from Calcutta University.

Sreevardhan Agarwal
Co-Manager

Sreevardhan Agarwal is an Investment Analyst and Portfolio Manager at FSSA Investment Managers. Sree joined FSSA Investment Managers as a graduate from the National University of Singapore with a management degree and a specialisation in Finance in 2014. He provides research support to the portfolio managers, with coverage across Asian markets.

Martin Lau
Deputy Manager

Martin Lau is a Managing Partner of FSSA Investment Managers and the Co-Manager of the Company. He has been with the team for over 20 years, starting with the firm as Director, Greater China Equities, in 2002. Martin is the lead manager of a number of First Sentier funds, based in Hong Kong. He has more than 24 years of investment experience and graduated from Cambridge University with a Bachelor of Arts degree and a Master's degree in Engineering. He is also a CFA charterholder.

Investment Management team holdings in the Company

Members of the FSSA team own 603,155 (2023: 594,682) shares in the Company.

Portfolio Managers' Report

In this report, we address the following topics:

1. Company Performance

Scottish Oriental's performance was strong over the last 12 months. Its net asset value rose by 18.6 per cent for the year ended 31 August 2024, compared to a gain of 13.5 per cent for the MSCI AC Asia ex Japan Small Cap Index and 12.0 per cent for the MSCI AC Asia ex Japan Index. The largest contributors to performance were the holdings in India and Philippines. The biggest detractors from performance were the holdings in Indonesia and Hong Kong.

Top Five Contributors

Company	Country	Sector	Absolute Return (Sterling)%	Contribution Performance %
Colgate Palmolive (India)	India	Consumer Staples	82.3	4.8
Blue Star	India	Industrials	125.4	3.9
Philippine Seven	Philippines	Consumer Staples	73.6	2.4
JNBY Design	China	Consumer Discretionary	81.8	2.4
Godrej Industries	India	Materials	78.9	2.2

Colgate Palmolive (India) reported strong sales and profit growth, as several of the initiatives introduced by its new Chief Executive Officer, Prabha Narasimhan, delivered results. The company has increased investments in brand-building, enhanced its focus on faster growing distribution channels and introduced new product variants across its portfolio. Colgate's strong pricing power has also helped the company improve its profitability levels.

> *"This year we delivered a significant step up in our growth trajectory. Our domestic growth of 9.5 per cent and 26.4 per cent PAT and EBITDA margins of 33.7 per cent which are the highest ever. This was driven by unrelenting focus on our 4 strategic pillars of Growing the core while driving category consumption, driving premiumisation in Toothpaste, winning in Toothbrush and devices and finally building the inherent strengths of Palmolive."*
>
> ***Prabha Narasimhan – Chief Executive Officer, Colgate Palmolive (India) 2024 Annual Report***
>
> **COLGATE-PALMOLIVE** (INDIA) LIMITED

> *"2023 can be considered the first full post-pandemic year for the Philippines, and after spending two years preparing for it, and watching which trends would continue in the 2022 transition year, we believe that we have responded well in 2023, but are preparing to do even more in the coming years to adapt to (and capitalise on) what has been a seismic shift in our industry."*
>
> ***Jose Victor P. Paterno – President & CEO, Philippine Seven 2023 Annual Report***

Blue Star is a leading air-conditioner manufacturer in India, serving the consumer and projects segments. The company delivered strong growth in revenues and higher profitability levels during the year. The company benefited from rapid growth in demand for air-conditioners in India, while it continued to gain market share through optimising its product portfolio and expanding its distribution. Its projects business also benefited from strong demand in infrastructure development, in areas such as metro rail projects and data centres.

Philippine Seven is the exclusive franchise operator for 7-Eleven stores in the Philippines. It continued its recovery after the disruption caused by the pandemic. Footfalls rose across their store network, and the changes made to the store footprint, store assortment and increased digitisation during the pandemic led to strong same store sales growth for the company. These changes also led to a significant improvement in the company's profitability during the year, as it benefited from operating leverage.

JNBY Design is a leading designer apparel brand in China. The company reported strong growth in its revenues and profits, as it benefited from the removal of movement restrictions in China. In recent years, the company has refurbished its store network and strengthened its digital initiatives, focused on its membership program. These loyal members have driven strong growth for the brand, despite the relatively weak consumer environment in China.

Godrej Industries is a leading Indian conglomerate, which controls the group's key businesses in consumer products, real estate development, agriculture and financial services. Its consumer products, real estate and agriculture businesses reported strong performance during the year. The company has also been investing to scale-up its financial services operations, which are growing rapidly from its currently low base.

Top Five Detractors

Company	Country	Sector	Absolute Return (Sterling) %	Contribution Performance %
Hero Supermarket	Indonesia	Consumer Staples	(51.6)	(1.0)
Vitasoy International	Hong Kong	Consumer Staples	(47.7)	(0.9)
Mitra Adiperkasa	Indonesia	Consumer Discretionary	(26.1)	(0.8)
Sarimelati Kencana	Indonesia	Consumer Discretionary	(51.2)	(0.7)
Nissin Foods	Hong Kong	Consumer Staples	(30.3)	(0.7)

Portfolio Managers' Report cont'd

Hero Supermarket is a leading retailer in Indonesia, with operations across pharmacies, supermarkets and the franchise to operate IKEA stores in the country. During the year, the company reported a loss from operations due to weakening profitability at its IKEA stores and the intense competitive environment in the supermarket industry. The company expects the profitability of IKEA stores to improve as the brand's recognition develops further in Indonesia, while benefiting from the optimisation of its supermarket store network.

Vitasoy International is the market leader in soy-based beverages and lemon tea with operations in Hong Kong, China, as well as a number of other countries in Asia-Pacific. The company's operations in China have struggled since a political issue in Hong Kong led to a boycott of its products in China. It has also faced disruptions to its business in Australia, which led to a decline in its profitability.

Mitra Adiperkasa is the exclusive franchise operator for several leading global brands including Zara, Starbucks, Domino's and Sephora in Indonesia. The company's operations were affected by the negative consumer sentiment for some of its global brands, related to the conflict in the Middle East. The management has taken several steps to engage with various local stakeholders and increased brand building investments to mitigate this impact.

"While various challenges such as geopolitical turmoil pose a threat for retailers, we remain cautiously optimistic in 2024 due to Indonesia's resilient economy and continued growth in domestic spending, fuelled by a young and tech-savvy population. Our diverse portfolio and our proven expertise in brand building, support us to navigate uncertainties and deliver sustainable growth."

Sri Indrastuti Hadiputranto – Independent President Commissioner, Mitra Adiperkasa 2023 Annual Report

Sarimelati Kencana is the exclusive franchise operator for Pizza Hut in Indonesia. Its performance has been disappointing, with a net loss from operations recorded for 2023. The company expanded its store network substantially in previous years, with some of these stores performing below management's expectations. It was also negatively impacted by the consumer sentiment towards multinational brands during the year. The management is taking initiatives including rationalising its store footprint, introducing more innovative products in its menu and investing in brand-building to improve its operating performance.

Nissin Foods operates a leading instant noodle brand with operations mainly in Hong Kong and China. The company has suffered due to the poor consumer sentiment in both its key markets. Consumers have shifted towards lower priced products, which has affected Nissin due to its strong position in the premium segment. Migration of blue-collar workers from Southern China towards inland areas has also hurt its growth, as Nissin has a stronger presence in the Southern regions. Its management is launching more variants in the mid-priced segment and expanding its distribution presence to address these challenges.

2. A Handbook for the Scottish Oriental Investor

Our investment approach is aimed at preserving capital and growing it sensibly. This approach has remained steadfast since the Company was established in 1995. In the fast-growing Asian region, there are several exciting stories or popular themes prevailing at any point of time, which promise attractive returns. These themes rarely stand the test of time – ranging from the mania for Telecom, Media and Technology (TMT) companies around the turn of the century, to real estate and infrastructure businesses before the global financial crisis, or "new-age" companies without clearly established business models in recent years. Investing behind such opportunities comes with the risk of permanent loss of capital. Therefore, our investment process starts by eliminating all those companies which we believe are not suited to meet our goal of capital preservation – simply put, we start by determining what we will not do. We do not believe that there is a price for every business – there are some companies in which we will not invest, irrespective of their growth opportunity or valuations. By eliminating such ideas, we can focus our research on a group of high-quality businesses which comprise our investable watchlist and the Company's portfolio.

Our investment process is predicated upon *avoiding* the following –

1. Investing in companies controlled by poor quality owners and managers.
2. Backing weak franchises with low returns on capital employed (ROCE).
3. Investing in businesses with poor growth prospects, available at "cheap" valuations.
4. Employing a box-ticking approach to environmental, social and governance (ESG) issues.
5. Trying to predict macro-economic variables and using those predictions to pick winners or losers.
6. Building a portfolio based on the composition of an index.

Investing in companies controlled by poor quality owners and managers

Our assessment of any business starts with the quality of its majority-owners and management team. We believe that those owners and managers which have a track record of treating other stakeholders poorly, ranging from their workers, suppliers or the communities in which they operate, will eventually compromise the interests of minority shareholders as well.

We prefer to invest behind family-owned companies, as families typically take a long-term view of building their businesses and are able to make counter-cyclical investments. In most cases, we don't find ourselves to be aligned with state-owned enterprises (SOEs) which typically need to shoulder national service obligations which may not be in the interests of minority shareholders. However, assessing which families are worth backing and which we should avoid is key. After three decades of investing in Asia, we have built strong networks across countries in the region which help us determine the local reputation of management teams. Our meetings with companies on the ground are supplemented by comprehensive checks with their suppliers, customers, distributors and competitors. In our experience, feedback from a supplier which indicates that a company habitually delays payments, or from a distributor that its management asks them to push sales aggressively just before the end of a quarter, tells us much more about the quality of a company's financials than spreadsheets. We pay close attention to changes in the ownership and management of companies, as those are often pivotal points of change in the direction of travel for the business.

One such example is **United Breweries**, the dominant beer company in India with 54 per cent market share in the industry, led by its Kingfisher brand. For several decades, the business was majority-owned by the Mallya family. While United Breweries had built a market leading position under their leadership, we had several concerns. The company's board was poor quality, with several of the chairman's friends and associates appointed as independent directors. This board permitted substantial related party transactions. We were also sceptical of our alignment with the promoter family, as the chairman had empire-building ambitions, having established a commercial airline, acquired a Formula-One franchise as well as a franchise in India's domestic cricket league (Indian Premier League). The listed company contributed to some of these endeavours through its large brand-building budget. Due to these governance concerns, we were not invested in the business despite an appreciation for its strong franchise and growth potential. A gradual change in ownership was initiated because the promoter family had taken on high levels of personal debt to fund its ventures. They used the sale of their shareholding in the listed company to repay some of this debt, which led to Heineken building its stake in United Breweries starting in 2008. Our meetings with Heineken's representatives suggested that they were gradually appointing key management members to critical functions such as the chief financial officer, strengthening the quality of the board and terminating the related party transactions as they gained control. This improvement in the quality of ownership and management gave us conviction to establish a position in the company in 2014. Since then, the company has grown consistently while strengthening its dominant position in India's beer industry. We remain excited about its prospects.

Portfolio Managers’ Report cont’d

Backing weak business franchises with low returns on capital employed (ROCE)

We avoid businesses which are price takers, have marginal positions in their category or are at the mercy of much larger customers or suppliers, with limited bargaining power. The low returns on capital such businesses earn forces them to rely on external funding sources to invest in future growth, leading to a leveraged balance sheet or dilution for shareholders. We like to own simple, predictable businesses which have market leading positions in under-penetrated categories. Our assessment is based on their ability to navigate changes in consumer preferences, competitive intensity and business cycles over their history. Their market leadership in their respective categories affords them strong bargaining power with their customers, suppliers and channel partners. This results in a sustainably high return on capital employed, which in our view is the best reflection of the quality of a business franchise.

Colgate Palmolive (India) has been present in India since 1937. A consistent focus on brand building, combined with a strong distribution advantage, has cemented its dominant position of more than 50 per cent market share – almost 3 times as much as its nearest competitor. This dominant market position allows it to command high levels of profitability, which it re-invests into continued brand building efforts. It has strong pricing power, which gives it the ability to pass on changes in raw material costs or currency fluctuations to its consumers without much impact on its market shares or profitability. The company’s strong market position and strong brand also affords it attractive terms of trade with its distributors and advertising partners, resulting in a large working capital float which is used to fund its growth. These attributes have led to Colgate Palmolive (India) earning high ROCE, averaging more than 100 per cent in recent years. As its CEO, Prabha Narasimhan, has focused on increasing its investments in brand building and introducing several new products across its portfolio, its lead over its competitors is only likely to grow further in the coming periods, reinforcing this virtuous cycle.

Businesses with poor growth prospects available at “cheap” valuations

We often observe that as a business matures, its owners or management may lose their desire to continue driving growth. They are happy to collect their annual dividends, which can be invested in other ventures. The earnings growth as well as return on capital of these companies decline over time. We noticed such trends in several companies with operations in economies such as Singapore, Malaysia or Hong Kong a decade ago. These businesses had performed well in previous decades when the countries in which they operated were benefiting from strong growth. As their categories matured, their promoter families began to use the cash flows from dividends they received to fund other interests, with limited focus on the listed entity. Their earnings per share were declining and ROCE was deteriorating. These risks were justified by their “cheap” valuations, which were substantially lower than past levels. We avoid such value-traps. Businesses with declining earnings power only become more expensive over time. Comparisons to historical valuation levels hold little merit, given the lower ROCE and growth prospects. Management teams can also make poor capital allocation decisions such as expensive mergers and acquisitions during such periods, to mitigate this lack of growth.

Our focus is to own smaller companies which have the potential to emerge as much larger businesses in future. These operate in under-penetrated categories in large markets, which offer a long runway for growth. As these categories grow with steadily rising per-capita income levels, these businesses are likely to be the large businesses of the future. For example, **Philippine Seven** is the exclusive franchise operator for 7-Eleven stores in the Philippines. The company is majority owned by President Chain Stores, which has successfully built the 7-Eleven convenience format into a large retail network in Taiwan. Its management is led by Jose Victor Paterno, who comes from the founding family of the business in the Philippines. Under his leadership, Philippine Seven has built a dominant position in convenience stores, with over 4,000 stores across the country and 58 per cent market share, which is over twice as large as its nearest competitor. The management has also broadened its product offering to serve the evolving needs of consumers, such as fresh coffee and meal options as well as basic financial services. Despite the strong growth, convenience store penetration is still below 10 per cent of total modern retail sales in Philippines, compared to 30 per cent to 70 per cent in other regional markets such as Thailand, Taiwan and Indonesia. As per-capita incomes grow and customers prioritise convenience, this penetration of convenience stores is expected to rise consistently. With its clear market leadership which its management is strengthening further, Philippine Seven has the potential to emerge as a much larger business in the coming years.

Predicting macro-economic variables to identify potential winners and losers

Our investment process is bottom-up – instead of trying to predict the direction of interest rates or currencies, we try to find high quality businesses operated by competent management teams which have an established track record of performing well across these changes in the business environment. Asian countries have witnessed a range of disruptions since Scottish Oriental was established in 1995, ranging from the Asian Financial Crisis and the Global Financial Crisis to pandemics such as SARS and Covid-19. In our experience, well run businesses used each of these disruptions to emerge with a stronger market position in their respective categories. We assess the track records of companies to observe attributes such as their pricing power, market shares and returns on capital employed during difficult periods, to find resilient businesses which are likely to succeed over the long run.

Selamat Sempurna is the largest manufacturer of filters and radiators in Indonesia, predominantly used in the automotive and off-highway industries. Its leading market position and focus on the after-market segment rather than on selling to original equipment manufacturers (OEMs) who dictate pricing terms, has led to a consistent track record over decades. Since 1992, the company's sales have grown at 19 per cent and net profit has grown at 29 per cent annually. Despite facing several disruptions over this period, its net profit has declined in only 3 of the last 30 years. The filter and radiator industry is highly fragmented, dominated by small, informal players. Selamat Sempurna has used its net cash balance sheet to consolidate the industry by acquiring smaller competitors and in some cases, its channel partners to control its distribution more effectively. Its returns on capital employed has increased consistently, from 13 per cent to 18 per cent in the 1990s to 35 per cent currently, as it has improved its profitability through operating leverage from increased scale. Through its association with Donaldson Corporation of the United States of America, the company's management has also gained exposure to global best practices towards shareholder returns. Selamat Sempurna has grown its dividend per share in each of the last 19 years and was among the first companies in Indonesia to start paying quarterly dividends. Its conservative management team is focused on sustaining this track record in the coming periods as well.

A box-ticking approach towards environmental, social and governance issues

Our approach to assessing environmental, social and governance (ESG) issues is integrated into our analysis of businesses. In our view, if a business does not earn and sustain its social license to operate, derived from treating all stakeholders well, it will be reflected in lower growth and returns on capital over time. We don't pay heed to glossy ESG reports or rankings in sustainability indices, which we often find to have little correlation with the underlying sustainability practices of a business. An example of this are tobacco businesses, which produce ESG reports going into hundreds of pages and have consistently found a place in global sustainability indices. Instead, we consistently engage with the management teams of Scottish Oriental's holdings on a range of issues and actively vote on company resolutions. Through our engagement, we gain conviction in the quality of the management teams, view feedback from shareholders and other stakeholders constructively, are proactive about learning best practices and admit mistakes.

Many smaller companies may have the right intent towards ESG issues but lack the exposure to global best practices or sophisticated communication. Our approach starts by identifying those companies which employ strong governance standards. In our experience, the management teams which exhibit strong governance also learn and employ strong environmental and social practices over time. **Century Pacific Food** in the Philippines is one such company, which is a leading branded food manufacturer across categories such as tuna, meat, dairy and pet foods. We have admired the management's approach of leading their industry on a range of issues, such as being among the first consumer companies in the Philippines to adopt a formal sustainability strategy focused on "Protein, Planet and People." It launched new products such as milk products fortified with immunity boosters and plant-based meat alternatives following the adoption of this strategy. It was also among the first corporates in the country to achieve plastic neutrality. We have engaged with the company on issues ranging from the professionalisation of its management team to an acquisition of a business owned by its majority shareholder. Following our engagement, the management agreed to inject the business into the listed company at an attractive valuation of 1x Price / Book. In recent periods, we have increasingly engaged with the management on modern slavery risks in the fisheries industry, to which Century Pacific is exposed. The company has been receptive to our letters on this issue, and we have introduced the management to relevant domain experts. Since our first investment in 2017, we have observed that Century Pacific's management has upheld strong governance standards as well as making efforts to improve the company's environmental and social footprint. This has increased our conviction in the management's ability to address the challenges and opportunities the company will face over the long-term.

Portfolio Managers’ Report cont’d

Building a portfolio based on the composition of an index

Our focus is on generating strong absolute returns and accordingly, we view risk as the permanent loss of capital, rather than underperforming a benchmark. Our country weightings bear no relationship to regional stock market indices. Regardless of index significance, we do not consider ourselves obliged to hold investments in any individual market.

We are often asked about our exposure to sectors such as information technology or to countries such as Taiwan and Korea, which comprise a large share of the benchmark. On a bottom-up basis, we have found few businesses in these markets which offer high standards of governance, a dominant business franchise and predictable growth. Several companies in the technology hardware supply chain in these countries operate as contract manufacturers for their customers. This gives them limited bargaining power, with their customers demanding annual reductions in their selling prices and long payment terms. This results in low returns on capital and these companies raise capital frequently, diluting shareholders. We are also cognisant of risks emanating from technology adoption cycles and disruptions, which makes their earnings unpredictable. An example is the recent excitement around artificial intelligence, which has led to a significant re-rating of the valuations of these companies. In our experience of previous such technology cycles, predicting the winners from the adoption of new technologies is difficult. Instead, we continue to find new investment opportunities in leading businesses operating in large addressable markets in India, China, Indonesia and Philippines. With growing per-capita incomes, the penetration levels of their categories is growing and these companies are acquiring a larger share of their respective profit pools. They comprise over 82 per cent of the Company’s portfolio. The Company’s sector and country allocations are entirely a residual of our bottom-up stock selection process, and we don’t expect this allocation to necessarily bear any resemblance to our benchmark index.

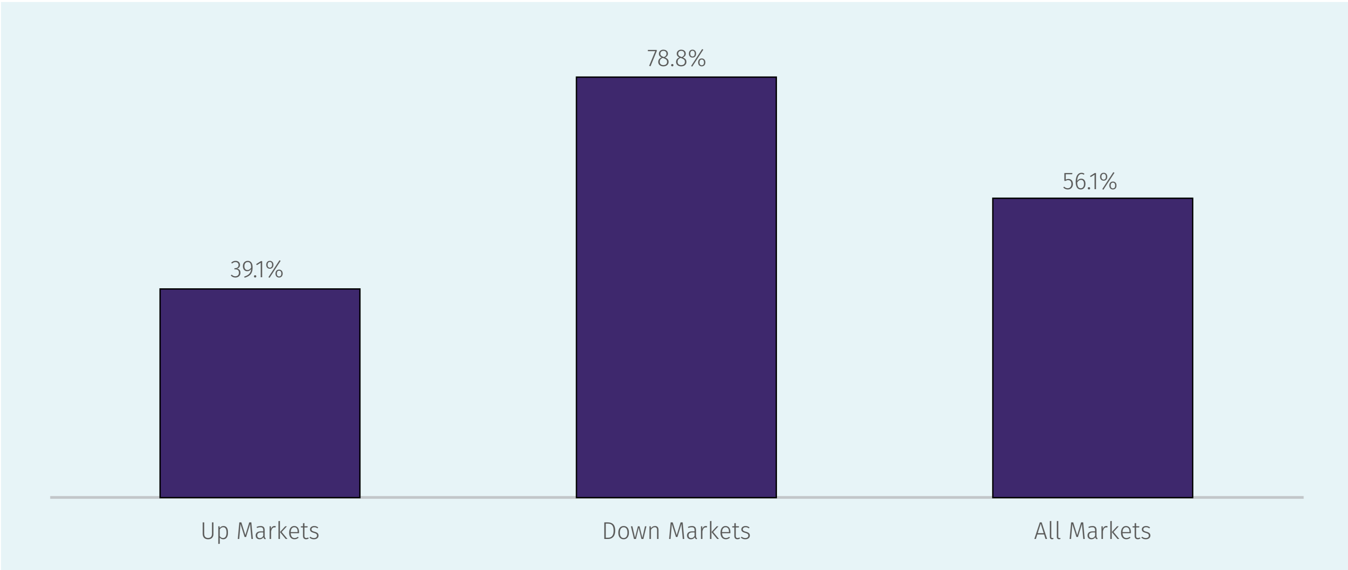
Having detailed what we will not do, the investment approach and outcomes which Scottish Oriental’s investors should expect are briefly described below.

1. **Investing in a portfolio of high-quality smaller companies.** Scottish Oriental’s portfolio comprises businesses which are simple and predictable, run by people who have a track record of treating all stakeholders fairly, with strong returns on capital and attractive growth prospects over the long term. Over time, the portfolio has been consolidated in favour of our highest conviction smaller companies. Since 2017, the share of the portfolio’s top ten holdings has risen from 25 per cent to 42 per cent currently, and that of the top twenty holdings has risen from 44 per cent to 66 per cent of the portfolio over the same period. The quality of the portfolio is reflected in its high returns on equity, with the portfolio's median return on equity improving from 13.6 per cent to 19.0 per cent currently.
2. **A long-term investment horizon.** Our investment horizon extends beyond five years, and many of Scottish Oriental’s portfolio holdings have been held for over a decade. Seven of Scottish Oriental’s ten largest holdings have been held in the Company’s portfolio for over five years. This allows us to be viewed by the owners and management teams of these companies as a long-term stakeholder. Our engagement with them on issues ranging from the composition of their board of directors to their capital allocation strategy or environmental and social issues is viewed constructively and allows us to contribute to the development of the businesses in which we are invested.
3. **Companies which can grow their earnings sustainably.** We are focused on owning smaller companies which have the potential to become significantly larger businesses in future. Their growth comes from rising penetration levels of the categories in which they operate, along with strengthening market positions. We expect that in periods of disruption, such as Covid-19, these companies gain market share from their smaller competitors and emerge with a larger share of their respective profit pools as the economy recovers. The portfolio’s estimated earnings per share growth over two years has also risen from 14.2 per cent to 17.4 per cent, alongside the improvement in the portfolio’s median return on equity (ROE).

4. **A focus on achieving strong absolute returns led by capital preservation.** The chart below reflects the performance of the portfolio against that of the comparator index since inception. In strong periods (months where the comparator index has risen), the Company's portfolio may not always keep pace with the market's returns. However, the Company has performed better than its comparator index in almost 80 per cent of weak periods (months where the comparator index has fallen). This ability to preserve capital during difficult times has driven Scottish Oriental's superior performance against the comparator index across the majority of market periods.

   With an investment approach that is consistent since the inception of the Company, we expect these portfolio outcomes to sustain in the coming periods as well.

Portfolio outcomes



Note – These figures refer to the past. Past performance is not a reliable indicator of future results. The comparator index shown is the MSCI AC Asia ex Japan Small Cap Index, on an income reinvested gross of tax basis. Months of NAV total return outperformance vs MSCI AC Asia ex Japan Small Cap Index calculated since inception on 28 March 1995 (The MSCI AC Asia ex Japan Small Cap Index was launched on 1 June 2007, outperformance in periods prior to this is an estimate based on the historical results of the companies in the index). Data as at 31 August 2024.

Portfolio Managers' Report cont'd

3. Recent Portfolio Activity

New Holdings

The team has had an active programme of research visits to all Asian countries over the last year, leading to a number of attractive bottom-up opportunities emerging. These include new holdings in China, where some smaller companies have shown the ability to grow consistently despite the weak economic environment by gaining market share and are available at attractive valuations. The team continues to find several new investment opportunities in India. The first holding of the Company in New Zealand was also established during the period. We purchased six new holdings during the year.

DPC Dash is the exclusive franchise operator of Domino's Pizza in China. While Domino's has been present in China since 1997, a group of entrepreneurs led by the current chairman acquired the franchise in 2010 and began expanding the business. Its principal, Domino's Pizza, has also purchased a strategic stake in the company. The business has grown rapidly in recent years and now has over 1,000 stores in more than 30 cities. Domino's has built strong brand equity in China through its focus on the pizza category, menu innovations and strong delivery capabilities. Its expansion into smaller cities has received a strongly positive consumer response. With scale, operating leverage should drive a significant improvement in the company's profitability and returns on capital. The business has the potential to be dominant in the pizza category and eventually become several times its current size.

Cloud Music is the second largest online music platform in China with over 200 million active monthly users. It is majority-owned by Netease, with a distinct corporate culture. By contrast with many other Chinese internet businesses, the company's management takes a long term view and is willing to invest counter-cyclically. Instead of aggressive M&A, its focus is on organic growth and earning high returns on capital. The online music industry in China is an attractive duopoly along with Tencent Music, the market leader. The supply of content is fragmented in China. This provides the online music platforms with strong bargaining power. The company also has strong pricing power due to the duopoly industry structure and its loyal user base. In recent years, the company has focused on expanding the share of paying users. Cloud Music has the potential to grow steadily and earn substantially higher levels of profitability over time.

Mainfreight is a leading global logistics provider and freight forwarder, headquartered in New Zealand. The company was established by a family and is led by its long-standing, professional CEO. The leadership has inculcated a culture of decentralised management, which drives high levels of accountability for growth and profitability to the local operations. The profit-sharing schemes offered to employees also creates a strong sense of ownership. The global logistics and freight forwarding industry is highly fragmented. Mainfreight has a dominant position in the Australia and New Zealand markets. By deploying the steady cash flows from its presence here, it has gradually expanded internationally. The company has been gaining market share from new entrants who had emerged during the upcycle amidst the Covid-19 disruption but are currently sustaining losses. The company has the potential to grow consistently for several years, given the fragmented industry structure and its entry into the large US market.

Mahindra & Mahindra Financial Services ('MMFS') is a leading Indian non-bank finance company, majority-owned by the reputed Mahindra group. Given its position as one of the group's largest businesses, the parent company's management has increased its focus on strengthening MMFS' returns on equity and accelerating its growth. Under a new CEO, Raul Rebello, MMFS has strengthened its senior leadership team, made changes to its underwriting systems and processes, reduced exposure to riskier lending segments and is diversifying its loan book beyond its core automotive and tractor financing businesses. These changes should result in a substantial improvement in the company's returns on equity in the coming years and drive consistent growth.

RHI Magnesita India is the leading Indian refractory manufacturer, majority-owned by RHI Magnesita NV, the global market leader. The position of refractories as a critical but low-cost consumable in the steel manufacturing process gives RHI sticky customer relationships and pricing power. It has over 30 per cent market share in India, which is twice as large as its largest competitor. With significant capacity addition in the Indian steel industry over the next five years, there is potential for consistent volume growth. Following recent acquisitions, the company's margins declined due to lower utilisation rates at the acquired entities. The management is focused on ramping up these utilisation levels which should improve the company's profitability and returns on capital. It also provides the company an entry into adjacent segments such as cement and non-ferrous metals. These segments offer an attractive growth opportunity over the medium-term.

Honasa Consumer operates leading personal care brands in India, including MamaEarth, their flagship brand with a focus on safe and toxin-free products. The founders have built a high-quality board and hired several experienced senior management team members. Honasa initially built its brands as a direct-to-consumer online offering with an innovative positioning around toxin-free products which were not easily available in India. Subsequently, they have scaled MamaEarth by adding several SKUs, while also building other brands. The company successfully expanded into the large offline distribution network which has helped to scale up its operations substantially. There is a large growth opportunity offered by the severely under-penetrated personal care category in India. Honasa earns high gross margins. As its new brands also gain scale, the business' profitability is likely to be significantly higher as well.

Sales

We sold 13 holdings during the year. Several Indian holdings including **Castrol India**, **Mahindra Lifespace**, **360 One**, **Biocon**, **HeidelbergCement India** and **Delhivery** were sold after their valuations became expensive following strong share price appreciation. We had purchased **Tisco Financial** in Thailand during the Covid-19 disruption, which had led to significant concerns about the credit losses in its vehicle finance portfolio. With the management's conservative approach towards its loan portfolio, Tisco benefited from a strong recovery and its valuations rose to more expensive levels. As its long-term growth opportunities are limited, we sold the holding. **Indus Motor Company** in Pakistan and **Delta Brac** in Bangladesh were also disposed of during the year. Both companies have suffered from the weak economic environment in their respective countries, as well as regulatory changes such as interest rate caps in Bangladesh which constrain their ability to maintain their high profitability levels. We also sold a few smaller holdings, including **NHN KCP**, **Beijing Capital Airport**, **Vitasoy International** and **Luk Fook Holdings** which faced difficult business outlooks, to consolidate the portfolio among higher conviction positions.

Bought and Subsequently Sold

Haitian International is the global leader in the plastic injection moulding machine industry. It had suffered from the economic downturn in China, which led to attractive valuations. Its management was incubating new businesses in the export market, which offered steady growth potential. After our purchase, its strong performance led to a sharp increase in its valuations. We sold the holding as its valuations rose to more expensive levels. We had purchased small positions in **LG Household & Healthcare** (a Korean cosmetics company with significant operations in China) and **Centre Testing** (a leading testing service provider in China) as their valuations had declined to attractive levels due to the weak economic environment in their key operating markets. Both companies continued to suffer from intense competition while customer demand remained weak. We sold the small positions to consolidate the portfolio among higher conviction holdings.

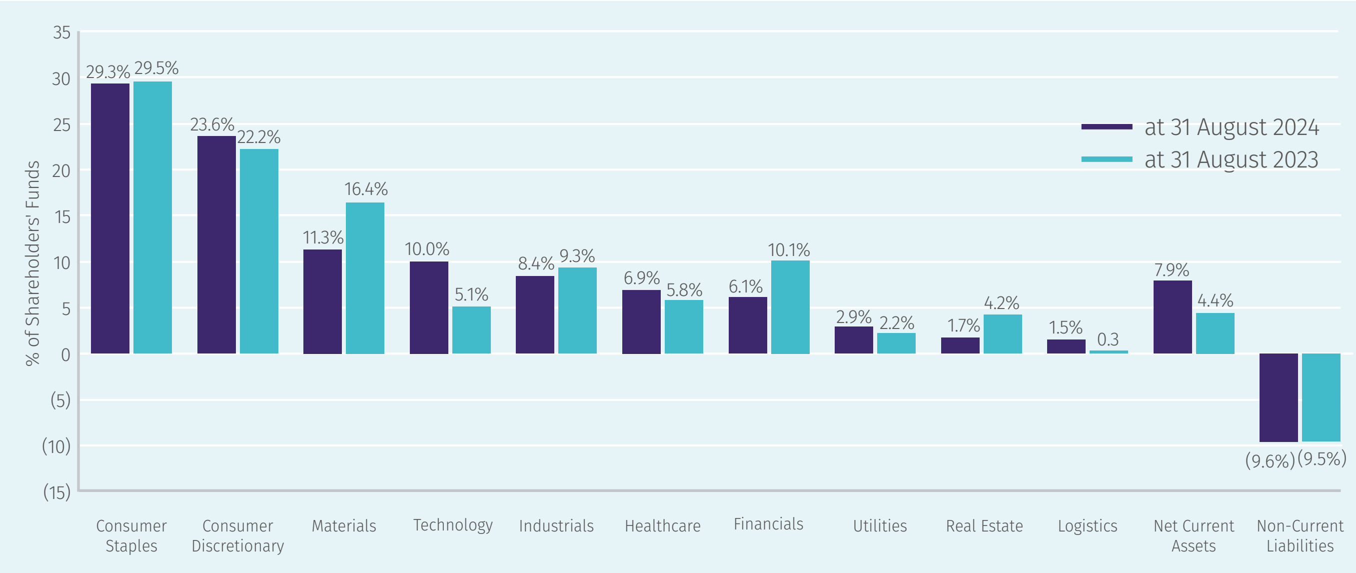
Portfolio Managers' Report cont'd

4. Ten Largest Investments as at 31 August 2024

Name	Country	Sector	% of Shareholders' Funds
Colgate-Palmolive (India)	**India**	**Consumer Staples**	**6.9**
Colgate-Palmolive (India) is the market leader in the oral care segment in India, with about 50% market share in the toothpaste category. It also has potential to build a larger presence in segments such as personal care.			
DPC Dash	**China**	**Consumer Discretionary**	**5.1**
DPC Dash is the exclusive franchise operator for Domino's Pizza stores in China. It is leading the development of the pizza category in China.			
Uni-President China	**China**	**Consumer Staples**	**5.1**
The company operates leading instant noodle and beverage brands in China. Its management is focused on launching premium products which earn higher margins, while strengthening the company's distribution in emerging channels.			
Philippine Seven	**Philippines**	**Consumer Staples**	**5.0**
It is the leading convenience store operator in the Philippines, with the exclusive right to use the 7-Eleven brand in the country. Philippine Seven is expected to lead the development of the convenience store industry in the country, as penetration is still at low levels.			
JNBY Design	**China**	**Consumer Discretionary**	**4.2**
JNBY Design is a leading designer apparel brand in China. The company has built a strong network of loyal members which has driven its growth consistently.			
Century Pacific Food	**Philippines**	**Consumer Staples**	**4.1**
Century Pacific Food is the largest canned food producer in the Philippines. The company is gaining traction in emerging categories such as milk and pet food products which should drive steady growth over the medium term.			
Selamat Sempurna	**Indonesia**	**Consumer Discretionary**	**3.5**
Selamat Sempurna is the leading manufacturer of filters and radiators in Indonesia. Through its joint venture with Donaldson (based in the United States of America), it also exports products to global markets. Selamat has the potential to consolidate the fragmented domestic industry and enter new segments such as air and water filters, which have a large addressable market.			
Blue Star	**India**	**Industrials**	**3.0**
Blue Star operates one of the leading air-conditioner brands in India, which has been gaining market share consistently. The company executes engineering, procurement and construction (EPC) projects as well which are expected to grow with industrial and infrastructure development.			
Kansai Nerolac Paints	**India**	**Materials**	**3.0**
Kansai Nerolac Paints is a leading paint company with a dominant market share in automotive paints in India. Under a new CEO, the company has also taken several initiatives to improve its market position in decorative paints, by launching several new products, engaging with channel partners and expanding its distribution.			
Metropolis Healthcare	**India**	**Healthcare**	**2.9**
Metropolis Healthcare is a leading diagnostics testing service provider in India. The company is leading the consolidation of the highly fragmented Indian diagnostics industry, as consumers shift towards accredited brands.			

5. Sector & Geographical Analysis

Sector Allocation at 31 August 2024



Country Allocation at 31 August 2024 (based on geographical area of activity)

Country/Region	Scottish Oriental 2024 %	Scottish Oriental 2023 %	MSCI Small Cap* 2024 %	MSCI† 2024 %
China	**19.3**	11.7	8.9	27.9
Hong Kong	**2.0**	5.1	3.4	4.6
Taiwan	**9.1**	4.8	25.2	21.5
Greater China	**30.4**	21.6	37.5	54.0
Indonesia	**11.8**	17.7	2.0	2.0
Malaysia	**–**	–	3.0	1.8
Philippines	**10.4**	9.6	0.9	0.7
Singapore	**1.5**	2.6	5.5	3.6
Thailand	**–**	1.6	3.4	1.7
Vietnam	**2.3**	1.8	–	–
South East Asia	**26.0**	33.3	14.8	9.8
Bangladesh	**–**	0.9	–	–
India	**40.9**	45.2	34.4	22.8
Pakistan	**–**	0.3	–	–
Indian Subcontinent	**40.9**	46.4	34.4	22.8
New Zealand	**1.5**	–	–	–
South Korea	**2.9**	3.8	13.3	13.4
Net Current Assets	**7.9**	4.4	–	–
Non-Current Liabilities	**(9.6)**	(9.5)	–	–
Net Assets	**100.0**	100.0	100.0	100.0

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

Portfolio Managers' Report cont'd

6. Portfolio Positioning & Outlook

Our research efforts have been focused on visiting Scottish Oriental's portfolio holdings and our broader investable universe across Asian countries. These visits inform our outlook for the region and form the primary source of new idea generation. We have observed diverging trends across the various economies. India, Indonesia and Philippines have steadily recovered since the disruption of the pandemic. The business outlook here remains positive. In some instances, this is also reflected in the valuations of some companies in India being re-rated to expensive levels, which we have used to reduce our exposure. In China, companies have been weighed down by numerous challenges, including the impact of the pandemic on consumer sentiment, the decline in the large property sector, and regulatory interventions across industries ranging from e-commerce to healthcare. However, these challenges have also provided opportunities for well-run companies to gain market share. In the instances in which we find that valuations have declined to attractive levels, we have selectively used this to add to our holdings as well as initiate new positions. Taiwan and Korea have witnessed increased investor enthusiasm about the opportunity provided by artificial intelligence, reflected in the increase in valuations across several parts of the investment universe. These opportunities are yet to be seen in the performance of businesses. Our experience suggests that periods of technological disruption such as this usually come with low levels of predictability about the eventual winners. We typically avoid investing behind "themes", as detailed previously. These challenges have led to fewer investment opportunities for us on a bottom-up basis in Taiwan and Korea.

The outlook for Scottish Oriental's portfolio is exciting. The portfolio has been further consolidated among our highest conviction holdings, with the top 20 now comprising 65.7 per cent weight. The median return on equity remains high at 19 per cent and reflects the strong earnings quality of the holdings. At a median level, the portfolio's holdings maintain a net cash balance sheet, which makes them resilient. The portfolio's forecasted growth has moderated from the high base of recent years, which was due to the reopening of economies after the pandemic. On a normalised base, the portfolio's holdings continue to offer attractive growth in the years ahead. The valuations, in the context of the attractive growth potential and high returns on equity, are at reasonable levels.

As at 31 August	2017	2018	2019	2020	2021	2022	2023	2024
Weight of top 10 holdings %	25.1%	29.2%	29.6%	31.6%	31.8%	39.2%	38.2%	**42.8%**
Weight of top 20 holdings %	44.0%	50.8%	50.4%	52.4%	54.8%	63.1%	60.4%	**65.7%**
Median current year return on equity	13.6%	15.0%	16.3%	15.9%	15.3%	18.8%	19.2%	**19.0%**
Median 2-year forecast annualised earnings per share growth	14.2%	7.3%	1.5%	8.6%	34.1%	21.2%	17.6%	**17.4%**
Median forward price to earnings ratio	20.5x	26.8x	15.0x	24.9x	23.0x	17.4x	18.3x	**18.9x**

FSSA Investment Managers

13 November 2024

List of Investments at 31 August 2024

	% of Shareholders' Funds
China (19.3%)	
Consumer Discretionary (9.3%)	
DPC Dash	5.1
JNBY Design	4.2
Consumer Staples (5.1%)	
Uni-President China	5.1
Industrials (0.9%)	
Hongfa Technology	0.9
Materials (1.4%)	
Sinoseal Holdings	1.4
Technology (2.6%)	
Cloud Music	2.6
Hong Kong (2.0%)	
Consumer Discretionary (0.7%)	
Fairwood Holdings	0.7
Consumer Staples (1.3%)	
Nissin Foods	1.3

	% of Shareholders' Funds
India (40.9%)	
Consumer Discretionary (3.2%)	
Crompton Greaves Consumer Electricals	0.7
Honasa Consumer	0.3
Whirlpool of India	2.2
Consumer Staples (10.6%)	
Colgate-Palmolive (India)	6.9
Radico Khaitan	2.6
United Breweries	1.1
Financials (3.8%)	
Computer Age Management	2.4
Mahindra & Mahindra Financial Services	1.4
Healthcare (6.9%)	
Metropolis Healthcare	2.9
Mphasis	1.9
Solara Active Pharma	2.1
Industrials (4.7%)	
Blue Star	3.0
Escorts Kubota	1.7

	% of Shareholders' Funds
Materials (7.1%)	
Godrej Industries	2.9
Kansai Nerolac Paints	3.0
RHI Magnesita India	1.2
Real Estate (1.7%)	
Oberoi Realty	1.7
Utilities (2.9%)	
Mahanagar Gas	2.9
Indonesia (11.8%)	
Consumer Discretionary (6.2%)	
Astra Otoparts	0.1
Mitra Adiperkasa	2.0
Sarimelati Kencana	0.6
Selamat Sempurna	3.5
Consumer Staples (2.6%)	
Hero Supermarket	0.8
Uni-Charm Indonesia	1.8
Financials (1.4%)	
Bank OCBC Nisp	1.4
Materials (1.6%)	
Avi Avian	1.6

List of Investments at 31 August 2024 cont'd

	% of Shareholders' Funds
New Zealand (1.5%)	
Logistics (1.5%)	
Mainfreight	1.5
Philippines (10.4%)	
Consumer Discretionary (0.6%)	
Max's Group	0.6
Consumer Staples (9.1%)	
Century Pacific Food	4.1
Philippine Seven	5.0
Industrials (0.7%)	
Concepcion Industrial	0.7

	% of Shareholders' Funds
Singapore (1.5%)	
Consumer Staples (0.6%)	
Haw Par	0.6
Financials (0.9%)	
Credit Burea Asia	0.9
South Korea (2.9%)	
Consumer Discretionary (1.7%)	
Fila Holdings	1.7
Materials (1.2%)	
Tokai Carbon	1.2

	% of Shareholders' Funds
Taiwan (9.1%)	
Consumer Discretionary (1.9%)	
Poya International	1.9
Industrials (2.1%)	
AirTac International	2.1
Technology (5.1%)	
Parade Technologies	2.2
Silergy	0.8
Sinbon Electronics	2.1
Vietnam (2.3%)	
Technology (2.3%)	
FPT	2.3

Environmental, Social and Governance ('ESG') Policy

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

In our experience, most small Asian companies are keen to improve their ESG practices but in several instances, do not have the resources or exposure to global best practice. To help address this, we engage on a range of issues from board composition to the safety of workers and the environmental impact of their operations, and proactively vote on all shareholder resolutions. We also seek to introduce domain experts to their management teams. We have been encouraged to see that the management teams of Scottish Oriental's holdings have been receptive to our engagement.

The key components of our approach towards sustainability are detailed below.

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

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

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

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

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

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

Global standards on ESG issues are constantly evolving. We engage with non-governmental organisations and third-party experts, as well as collaborating with like-minded peers in order to remain well informed of the key issues.

Ten Year Record

Capital

Year ended 31 August	Market Capitalisation £m	Shareholders' Funds £m	NAV p	Share Price p	Discount to NAV* %
2015	227.39	257.18	816.57	722.00	11.6
2016	280.65	324.82	1,047.12	904.75	13.6
2017	330.19	369.26	1,192.68	1,066.50	10.6
2018	304.71	345.40	1,156.20	1,020.00	11.8
2019	301.73	346.06	1,158.42	1,010.00	12.8
2020	249.73	289.45	992.14	856.00	13.7
2021	297.80	345.46	1,264.54	1,090.00	13.8
2022	295.32	343.20	1,382.93	1,190.00	14.0
2023	310.59	354.58	1,455.58	1,275.00	12.4
2024	**346.59**	**403.07**	**1,709.53**	**1,470.00**	**14.0**

Revenue

Year ended 31 August	Gross revenue £000	Available for ordinary shareholders £000	Earnings per share* p	Dividend per share (net) p	Ongoing charges (excluding performance fee)* %	Ongoing charges %*	Net gearing*	Gross gearing*
2015	8,716	4,929	15.58	11.50	1.01	1.05	95	108
2016	6,740	2,966	9.50	11.50	1.04	1.04	92	106
2017	6,431	2,097	6.77	11.50	0.99	0.99	91	100
2018	7,004	2,825	9.19	11.50	1.01	1.01	94	100
2019	7,648	3,734	12.50	11.50	1.01	1.01	88	100
2020	6,308	2,439	8.19	11.50	1.03	1.03	92	100
2021	6,872	2,548	9.02	11.50	1.02	1.02	105	110
2022	9,239	4,352	16.66	14.00†	0.97	0.97	107	110
2023	8,453	3,496	14.19	13.00	0.95	1.60	100	108
2024	**12,462**	**6,645**	**27.74**	**22.00‡**	**0.95**	**0.98**	**98**	**107**

* A glossary of terms and definitions and Alternative Performance Measures is provided on pages 69 to 71.
† Included a special dividend of 1.00p per share.
‡ Includes a special dividend of 8.00p per share.

Performance (taking year ended 31 August 2014 as 100)

Year ended 31 August	NAV	Share Price	MSCI AC Asia ex Japan Small Cap Index	FTSE All-Share Index	Earnings per share	Total dividends per share
2014	100	100	100	100	100	100
2015	91	85	91	94	162	100
2016	117	107	117	102	99	100
2017	133	126	135	112	71	100
2018	129	120	137	113	96	100
2019	129	119	126	109	130	100
2020	111	101	135	92	85	100
2021	141	128	186	113	94	100
2022	154	140	184	110	174	122
2023	162	150	188	112	148	113
2024	**191**	**173**	**213**	**126**	**289**	**191**

Directors

Jeremy Whitley (Chairman)

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

Jeremy is also a member of the Remuneration Committee, Management Engagement Committee and Nomination Committee.

Andrew Baird

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

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

Uma Bhugtiar

Uma joined the Board in October 2023. She is an experienced corporate lawyer, most recently serving as Head of Compliance at Hillhouse Capital Management. Prior to this she was the General Counsel and Chief Compliance Officer for Tybourne Capital Management and the Head of Asia Pacific Equities Client and Business Solutions for Credit Suisse.

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

Michelle Paisley

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

Michelle is the Chair of the Audit Committee, and a member of the Remuneration Committee, Management Engagement Committee and Nomination Commitee.

Karen Roydon

Karen joined the Board in December 2023. She is a CFA Charterholder and an experienced investment manager. Karen started her career at BlackRock and in 2006 moved to Genesis Investment Management, a long-only Emerging Markets equities specialist. During her seventeen years as a Portfolio Manager at Genesis she focused primarily on investing in listed businesses in Asia across the full range of market capitalisations. Since 2020 Karen has also chaired the GenEM Foundation, which funds sustainable, long-term income generation opportunities for marginalised communities in developing countries.

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

Business Review

The purpose of this report is to provide shareholders with details of the Company's strategy, objectives and business model as well as the principal and emerging risks and challenges the Company has faced during the year under review. It should be read in conjunction with the Chairman's Statement on page 3 and the Portfolio Managers' Report on pages 6 to 18, 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 23.

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

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

Business and Status

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

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

Investment Objective

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

Investment Policy

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

A review by the Portfolio Managers' is given on pages 6 to 18 and the investments held at the year end are listed on pages 19 and 20.

Business Model and Strategy for Achieving Objectives

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

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

Purpose and Values

Purpose

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

Values

Independence: to act independently in the interests of shareholders.

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

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

Culture

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

Investment Manager

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

Investment Management Agreement

The Investment Manager's appointment is subject to termination on three month's notice. The Company is entitled to terminate the Investment Manager's appointment on less than the specified notice period subject to compensation being paid to the Investment Manager for the period of notice not given. The compensation in the case of the Investment Manager's termination is based on 0.75% 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.

A summary of the terms of the Investment Management Agreement is contained in note 2 to the Financial Statements on page 58.

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

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

Matters reserved for the Board

The Investment Management 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 buyback 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.

Business Review cont'd

Responsible Investing

The Investment Manager takes a strategic approach to responsible investing and stewardship, focused on quality investment processes, a culture of stewardship across the organisation and engaging all employees in responsible investing. The team believes that environmental, social and governance ('ESG') issues comprise sources of long-term risk and return and can therefore impact long-term investment value. Each analyst understands that it is their responsibility to consider and identify ESG opportunities and risks and to incorporate this into all bottom-up company analysis, stock selection and engagement. Just as the analysis of a company's financials would never be outsourced to a team of accountants, the manager believes there is no reason to separate the ESG and sustainability elements from its research process. The Portfolio Managers also believe that, as stewards of shareholders' funds, it can achieve better longterm investment outcomes through active company engagement and by exercising the voting rights it holds on behalf of shareholders.

The Investment Manager is a signatory to the UK Stewardship Code 2020 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 (PRI), achieving in its most recent assessment seven A+ ratings and one A rating for the eight areas of assessment, and it is fully compliant with the CFA Institute's Code of Ethics and Standards of Professional Conduct for asset managers.

Gearing

Details of the Company's £30 million fixed rate loan notes can be found in note 11 on page 63.

Social, Community and Human Rights Issues

The Board undertakes an annual review of environmental, social and governance factors in the context of the Company's investment portfolio. As part of its review, the Board considers the Investment Manager's approach to the responsible investment of shareholders' funds, details of which can be found on page 21 of this report.

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

Tender Offer

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

In the three years from 1 September 2021 the Company's NAV outperformed the MSCI AC Asia ex Japan Small Cap Index by 24.9 per cent.

The Board

At the date of signing this report, the Company has five Directors. Two are men and three are women. The Company has no employees.

On behalf of the Board

Juniper Partners Limited
Company Secretary

13 November 2024

Section 172 Statement

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

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

Stakeholders

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

The Board considers its stakeholders at each Board meeting as part of its decision making process.

Shareholders

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

Investment Manager and AIFM

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

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

The Portfolio Managers' Review on pages 6 to 18 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, under the oversight of the Board. The Board regularly reviews the Company's performance against its investment objective and undertakes an annual strategy review to ensure that the Company is positioned well for the future delivery of its objective. The Board receives presentations from the Investment Manager at every Board meeting to enable it to exercise effective oversight of the Investment Manager.

As part of its role, the Investment Manager also engages with investee companies on performance and corporate governance related issues and provides feedback to the Board at its quarterly meetings or more frequently as required.

On an annual basis the Management Engagement Committee conducts a formal evaluation of the performance of the Investment Manager.

Service Providers

In addition to the Investment Manager and AIFM, the Company's other key service providers are Juniper Partners Limited (Company Secretary and Administrator), JP Morgan Chase Bank N.A. (Custodian), JP Morgan Europe Limited (Depositary), Computershare Investor Services plc (Registrar), Johnston Carmichael LLP (Auditor) and Investec Bank plc (Corporate Broker).

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

Section 172 Statement cont'd

Key decisions

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

Key Decision	Stakeholder(s) affected	Outcome
Performance fee arrangements Following the change to the comparator index used as the basis for calculating the performance fee of the Company's AIFM, on 31 July 2023, the Board has agreed the following further key changes with the AIFM in respect of the calculation of the performance fee: • The hurdle rate (i.e. the level of outperformance of the comparator index at which a performance fee may be payable) has been reduced from ten per cent to two per cent. • Periods of underperformance are accumulated and applied against potential future performance fees. • If the total fee payable to the AIFM (base fee plus any performance fee) in a year would be in excess of the cap of one and a half per cent of total assets, such excess will be carried forward and may be paid in future periods of positive performance where a performance fee is otherwise payable. • In addition, a high watermark provision has been introduced, whereby a performance fee will only be paid when the Company's share price exceeds the level where a performance fee was previously paid (with the initial high water mark being the Company's share price as at 1 September 2023). The Board believes that this structure is an appropriate way to incentivise and reward the AIFM to deliver consistent positive returns above those available using a passive index model, whilst also allowing for a competitive base management fee.	**Investment Manager/ Shareholders**	• The AIFM is fairly remunerated in periods of positive performance, they now receive ten percent of share price total return performance in excess of the comparator index plus hurdle. This is in addition to the base management fee of 0.75 per cent of net assets. • Shareholders are protected in periods of poor performance. • Shareholders have an Investment Manager that is able to assign a high level of resource to the management of their portfolio.
Share Split Due to the Company's strong investment returns over recent years, the existing ordinary shares of 25p have risen to 1,470.00p (at 31 August 2024). To assist monthly savers and those who reinvest their dividends or are looking to invest smaller amounts, at the Annual General Meeting to be held on 29 January 2025, the Board is proposing that shareholders approve a five for one share split. This should improve the liquidity in and marketability of the Company's shares, which will benefit all shareholders.	**Shareholders/Potential new shareholders**	• Improved liquidity of the Company's shares. • The opportunity for a more efficient re-investment of dividends. • Potential increase of individual shareholders on the register.

Key Decision	Stakeholder(s) affected	Outcome
Appointment of Corporate Broker and Marketing The Board is committed to engaging with existing shareholders and attracting new investors. To achieve this, the Board made the decision to appoint a Corporate Broker and to initiate a new marketing campaign. Following a competitive tender process the Board announced on 30 September 2024 that Investec Bank plc ('Investec') had been appointed as the Company's Corporate Broker. Investec brings a wealth of experience in the investment trust sector and has strong relationships with the retail shareholder platforms and wealth managers. A new marketing campaign has been launched. This involves increased advertising in leading financial publications and enhanced content on our website. The aim is to provide both current and prospective shareholders with a deeper understanding of the portfolio and Investment Manager's process and to learn more about the people behind investment decisions.	**Shareholders**	• Access to expert knowledge in the investment trust sector. • Opportunity to build relationships with new retail investors and wealth management clients. • Improved Company website. • Increased visibility of the Company.
Discount management The Board has continued to monitor the Company's share price discount to NAV. The Board has implemented an active buyback programme to manage the Company's share price discount with a twofold effect; the supply of the Company's shares reduces, and the Company's NAV per share increases as shares have been bought back at a discount.	**Shareholders**	• During the year under review the Company bought back 782,085 shares to be held in Treasury (3.2% of the shares in issue at 31 August 2023). • At 31 August 2024 the discount was 14.0 per cent. Throughout the year the discount ranged from 9.6 per cent to 18.5 per cent, and averaged 14.5 per cent.
Board composition The Directors are aware that the Board and its Committees should possess a blend of skills, expertise, and understanding. It is important to take into account the overall tenure of the Board members and ensure regular renewal of membership. The Board appointed Karen Roydon as a non-executive Director of the Company. With a background in investment management in emerging markets, Karen brings valuable experience.	**Shareholders**	• Karen Roydon was appointed as a non-executive Director on 8 December 2023. • The Directors keep the composition of the Board under review, with succession plans considered at least annually.
Dividend Following strong income generation in 2024, the Company's Revenue Reserve is in a healthy position. To maintain investment company status the Company must pay dividends of at least 21.0p per share. After discussing the Company's revenue forecasts and investment outlook with the Portfolio Managers, the Board agreed to recommend increasing the final dividend per share to 14.0p and to recommend an additional special dividend of 8.0p per share.	**Shareholders**	• Increased final dividend. • Payment of a special dividend.

Principal Risks and Uncertainties

The Board has carried out a thorough assessment of risks faced by the Company. Below the Board has set out the principal and emerging risks identified from the consideration. The Company faces emerging risks from climate change and global political events. The impact of these on the principal risks is detailed below, together with a summary of the mitigating action taken to manage these risks.

Emerging Risks

Risk	Mitigation
Environmental, Social and Governance ('ESG') There is increased awareness of the challenges posed by ESG and climate change. The increasing volume, short implementation deadlines and lack of commonality of new ESG regulations issued by multiple regulators, accompanied by increased regulatory focus and labeling and marketing of investment products as having ESG characteristics increase the perceived risk of greenwashing.	The investment process is focused on ESG issues and, as set out on page 21, puts a great deal of emphasis on good Governance. Overall the specific potential effects of climate change are difficult, if not impossible to predict. The Board and Investment Manager continue to monitor material physical and transition risks and opportunities as part of the investment process.
Social and political events Economic and political events continue to impact global equity markets. Particularly relevant for the Company is the poor economic relationship between the United States and China. Investment flows have been significantly impacted; this has the potential to impact supply chains and may affect other countries in Asia.	Although not possible to predict the scale of unknown events, the Investment Manager invests in a portfolio of high quality companies which are resilient to market downturns. The Board and the Investment Manager discuss the resilience of the portfolio as part of regular meetings. Please refer to the Portfolio Managers' report on pages 6 to 18 for further details.

Principal Risks

Risk	Mitigation
Investment objective and strategy An inappropriate or unattractive objective and strategy may have an adverse effect on shareholder returns or cause a reduction in demand for the Company's shares, both of which could lead to a widening discount. **No change to this risk**	The Company's investment objective and strategy is monitored by the Board to ensure it continues to remain appropriate. The Board conducts annual strategy reviews and considers investment performance, shareholder views and developments in the marketplace as well as emerging risks which could impact the Company regularly throughout the year. The Board reviews changes to the shareholder register at quarterly Board meetings and engages the Administrator to continually monitor the discount at which the Company's shares trade, reporting regularly to the Board and buying back shares when appropriate.
Investment performance Poor investment performance may have an adverse effect on shareholder returns. In extreme circumstances, poor investment performance could lead to the Company breaching loan covenants. **No change to this risk**	The Board reviews investment performance at each quarterly Board meeting. The Investment Manager reports on the Company's performance, transaction activity, individual holdings, portfolio characteristics and outlook. The Investment Manager is formally appraised at least annually by the Management Engagement Committee. The Board formally reviews compliance with the Company's loan covenants on a quarterly basis.

Principal Risks

Risk	Mitigation
Financial and Economic The Company's investments are impacted by financial and economic factors including market prices, interest rates, foreign exchange rates, liquidity and credit which could cause losses to the investment portfolio. **No change to this risk**	The Board regularly reviews and agrees policies for managing market price risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. These are explained in detail in note 16 to the financial statements on pages 64 to 68.
Share price discount/premium to net asset value A significant share price discount or premium to the Company's net asset value per share, or related volatility, could lead to high levels of uncertainty or speculation and the potential to reduce investor confidence. **No change to this risk**	The Board has established share issuance and share buyback processes to assist in the moderation of share price premium and discount to net asset value. Shareholders are kept informed of developments as far as practicable and are encouraged to attend briefings, such as the Company's Annual General Meeting, to understand the implementation of the investment policy to achieve the Company's objectives.
Operational The Company is reliant on third party service providers including FSSA Investment Managers as Investment Manager, Juniper Partners as Company Secretary and Administrator, JP Morgan Europe as Depositary, JP Morgan Chase Bank as Custodian and Computershare as Registrar. Failure of the internal control systems of these third parties could result in inaccurate information being reported or risk to the Company's assets. **No change to this risk**	The Audit Committee formally reviews each service provider at least annually, considering their reports on internal controls. Further details of the Company's internal control and risk management system is provided on pages 36 and 37.
Regulatory The Company operates in a regulatory environment. Failure to comply with s1158 of the Corporation Tax Act 2010 could result in the Company losing investment trust status and being subject to tax on capital gains. Failure to comply with other regulations could result in financial penalties or the suspension of the Company's listing on the London Stock Exchange. **No change to this risk**	Compliance with relevant regulations is monitored on an ongoing basis by the Company Secretary and Investment Manager who report regularly to the Board. The Board monitors changes in the regulatory environment and receives regulatory updates from the Company Secretary, Lawyers and Auditor as relevant.

Directors' Report

The Directors have pleasure in presenting the Annual Report for the year to 31 August 2024.

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 14.0p per share and a special dividend of 8.0p per share. These dividends are proposed to be paid on 7 February 2025. 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 2023 (per Statement of Financial Position)	7,746
Dividends paid for year ended 31 August 2023	(3,138)
Net revenue earned in the year ended 31 August 2024	6,645
Revenue reserve as at 31 August 2024 (per Statement of Financial Position)	11,253
Dividends proposed for year ended 31 August 2024	(5,160)
Revenue reserve as at 31 August 2024 (after payment of proposed dividends)	6,093

Share Capital and Share Buybacks

The Company's capital structure consisted of 31,413,663 ordinary shares of 25p each at 31 August 2024.

The Company's buyback authority was last renewed at the General Meeting on 7 December 2023 in respect of 3,625,908 ordinary shares of 25p each.

During the year the Company bought back 782,085 ordinary shares to be held in Treasury. The Company held 7,835,897 ordinary shares in Treasury at 31 August 2024.

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 2024 the Company was aware of the following significant shareholdings representing (directly or indirectly) three per cent or more of the voting rights attaching to the issued share capital of the Company:

	Number of shares held	Percentage held
Clients of City of London Investment Management	4,247,503	18.2%
Clients of Ameriprise Financial	2,423,264	10.3%
Clients of Interactive Investor	2,315,394	9.8%
Clients of Hargreaves Lansdown	1,907,929	8.1%
Clients of Investec Wealth & Investment	1,511,277	6.4%
Clients of Allspring Global Investments	1,493,987	6.3%
Clients of Brewin Dolphin Securities	1,314,208	5.6%
Clients of Rathbones	1,140,755	4.8%

On 16 September 2024 the Company was notified that OAM Recovery Fund owns 1,150,000 shares (4.9%) in the Company.

On 27 September 2024 the Company was notified that clients of City of London Investment Management own 3,513,638 shares (14.9%) in the Company.

Going Concern

In assessing the Company's ability to continue as a going concern the Directors have considered the Company's investment objective detailed on page 24, risk management policies detailed on pages 30 and 31, the nature of its portfolio and expenditure projections and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and for at least 12 months from the date of this Report. In addition, the Board has had regard to the Company's investment performance (see page 2), the price at which the Company's shares trade relative to their NAV (see page 2) and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with shareholders).

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

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

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

Viability Statement

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

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

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

The Directors have also carried out a robust assessment of the principal and emerging risks that are facing the Company over the period of the review, including those that would threaten its business model, future performance, solvency or liquidity, as noted on pages 30 and 31 and discussed in note 16 to the Financial Statements.

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

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

Financial Instruments

Information on the Company's financial instruments can be found in the Notes to the Financial Statements on pages 56 to 68.

Principal Risks and Risk Management

Information on the principal and emerging risks to shareholders and management of these risks can be found on pages 30 and 31 and in note 16 to the Financial Statements on pages 64 to 68.

Directors' Report cont'd

Proposed Share Split

The Directors are increasingly aware of changes in its shareholder base as well as changes in the way in which investors hold their shares. The Company's shares are now held through a broad range of wealth managers and retail platforms.

Accordingly, the Board believes that it is appropriate to seek shareholder approval at the upcoming Annual General Meeting to split each Ordinary share on a five for one basis. Under the proposals each existing Ordinary share of 25 pence each (the 'Existing Ordinary shares') will be subdivided into five new Ordinary shares of 5 pence each (the 'New Ordinary shares').

Following the share split, each shareholder will hold five New Ordinary shares for each Existing Ordinary share they held immediately prior to the date of the share split. Whilst the share split will increase the number of Ordinary shares the Company has in issue, upon the share split becoming effective the net asset value, share price and dividend per share can be expected to become one-fifth of their respective values immediately preceding the share split. A holding of New Ordinary shares will represent the same proportion of the issued ordinary share capital of the Company as the corresponding holding of Existing Ordinary shares immediately prior to the split. The share split will not therefore affect the overall value of a shareholder's holding in the Company.

The New Ordinary shares will rank pari passu with each other and will carry the same rights and be subject to the same restrictions as the Existing Ordinary shares, including the same rights to participate in dividends paid by the Company. Communication preferences and mandates and other instructions for the payment of dividends in paper form or via CREST will, unless and until revised, continue to apply to the New Ordinary shares.

The share split will not itself give rise to any liability to UK income tax (or corporation tax on income) for shareholders. For the purposes of UK capital gains tax and corporation tax on chargeable gains, the receipt of the New Ordinary shares from the share split will be a reorganisation of the share capital of the Company. Accordingly, a shareholder's holding of New Ordinary shares will be treated as the same asset as the shareholder's holding of Existing Ordinary shares and as having been acquired at the same time, and for the same consideration, as that holding of Existing Ordinary shares.

The proposed share split requires the approval of shareholders and, accordingly, Resolution 10 seeks such approval. The share split is conditional on the New Ordinary shares being admitted to the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities. Applications for such admissions will be made and, if they are accepted, it is proposed that the last day of dealings in the Existing Ordinary shares will be 27 February 2025 (with the record date for the share split being 6.00pm on that date) and that dealings in the New Ordinary shares will commence on 28 February 2025. If Resolution 10 is passed, the share split will become effective on admission of the New Ordinary shares to the Official List, which is expected to be at 8.00am on 28 February 2025.

The aggregate nominal value of the Company's issued share capital as at 12 November 2024 was £5,863,817 comprising 23,455,266 Ordinary shares. If the share split was applied to the issued share capital as at 28 February 2025, the total aggregate nominal value of the share capital would remain at £5,863,817 but will comprise 117,276,330 Ordinary shares.

The New Ordinary shares may be held in certificated or uncertificated form. Following the share split becoming effective, share certificates in respect of the Existing Ordinary shares will cease to be valid and will be cancelled. New certificates in respect of the New Ordinary shares will be issued to those shareholders who hold their Existing Ordinary shares in certificated form and are expected to be dispatched not later than 15 March 2025. No temporary documents of title will be issued. Transfers of New Ordinary shares between 31 January 2025 and the dispatch of new certificates will be certified against the Company's register of members held by the Company's Registrars.

It is expected that the ISIN (GB00BRBL6574) of the Existing Ordinary shares will be disabled in CREST at the close of business on 27 February 2025 and the New Ordinary shares will be credited to CREST accounts on 28 February 2025.

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.

Corporate Governance

The Company's Corporate Governance Report is set out on pages 41 to 44 and forms part of the Directors' Report.

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

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

Criminal Finances Act 2017

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

Disclosure of Information to the Auditor

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

Annual General Meeting

The Notice of Annual General Meeting to be held on Wednesday 29 January 2025 is set out on pages 72 to 77. Resolutions 1 to 11 will be proposed as Ordinary Resolutions and Resolutions 12 to 14 will be proposed as Special Resolutions. Please refer to pages 74 and 75 for a full explanation of all resolutions.

Recommendation

The Directors consider that the passing of each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of these resolutions.

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 inside the back cover of this report. Proxy voting figures for each resolution are available to shareholders after the AGM. Separate items of business are proposed as separate resolutions. The Annual Report is sent to shareholders at least 21 days before the AGM.

Exercise of Voting Powers

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

On behalf of the Board

Juniper Partners Limited
Company Secretary

13 November 2024

Report of the Audit Committee

The Audit Committee is chaired by Michelle Paisley and also comprises Andrew Baird, Karen Roydon and Uma Bhugtiar.

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

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and to review significant financial reporting judgements contained in them;
- to consider the appointment of the external auditor, the audit fee, and any questions of the external auditor's resignation or dismissal;
- to review the half-year and annual financial statements before submission to the Board;
- to monitor and review the effectiveness of the Company's statements on corporate governance and internal control systems (including financial, operational and compliance controls and risk management) prior to endorsement by the Board; and
- to review and monitor the external auditor's independence and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. The Audit Committee also reviews the objectivity of the auditor and the terms under which they are appointed to perform non-audit services. Johnston Carmichael LLP ('Johnston Carmichael') provided no non-audit services for the year ended 31 August 2024.

At the request of the Board, the Audit Committee considered whether the 2024 Annual Report was fair, balanced and understandable and whether it 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 is satisfied that, taken as a whole, it is fair, balanced and understandable. In reaching this conclusion the Audit Committee has assumed that the reader of the Annual Report has a reasonable level of knowledge of the investment industry.

Auditor

As part of its review of the scope and results of the audit, the Audit Committee considered and approved Johnston Carmichael's plan for the audit of the financial statements for the year ended 31 August 2024. At the conclusion of the audit, Johnston Carmichael did not highlight any issues to the Audit Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. Johnston Carmichael issued an unqualified audit opinion which is included on pages 46 to 51.

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

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

Internal Controls

The Directors are ultimately responsible for the internal controls of the Company which aim to ensure that proper accounting records are maintained, the assets are safeguarded and the financial information used within the business and for publication is reliable. The Directors are required to review the effectiveness of the Company's system of internal control. The UK Corporate Governance Code states that the review should cover all material controls, including financial, operational and compliance controls and risk management systems. Operational and reporting systems are in place to identify, evaluate and monitor the operational risks potentially faced by the Company and to ensure that effective internal controls have been maintained throughout the period under review and up to the date of approval of this Annual Report. The Audit Committee receives and examines reports on internal controls from all key service providers. The Board confirms that there is a process for identifying, evaluating and managing the significant risks faced by the Company. A full review of all internal controls is undertaken annually and the Board confirms that it has reviewed the effectiveness of the system of internal control.

These controls include:

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

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

Significant Accounting Matters

Significant accounting matter	Actions taken
Valuation of investments	The Company's accounting policy for valuing investments is set out on page 56 and the prices of all investments are reconciled against an independent source by the Administrator.
Existence/ownership of investments	The assets held within the investment portfolio reconciled regularly to the custodian's records by the Administrator.
Performance fees calculation	Any performance fee payable is calculated by the Company Secretary and reviewed by another team member at Juniper Partners.
Revenue recognition	The recognition of investment income is undertaken in accordance with Accounting Policy (b) on page 56.

Michelle Paisley
Director

13 November 2024

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 2023 (resolution received 99.76 per cent of votes for, 0.18 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 January 2027.

Remuneration Committee

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

Policy on Directors' Remuneration

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

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

Directors' Service Contracts

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

Annual Report on Remuneration

The Board carried out a review of the level of Directors' fees during the year. It was resolved to increase the level of the Chairman's fee from £39,000 to £42,700 per annum, the Audit Committee Chairman's fee from £31,000 to £36,600 per annum and Directors' fees from £27,500 to £30,500 per annum, effective from 1 July 2024. In setting these rates, the Board considers the factors set out in the Policy on Directors' Remuneration above. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 46 to 51.

Directors' interests

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. The following table has been audited.

	31 August 2024 ordinary 25p shares	31 August 2023 ordinary 25p shares
Jeremy Whitley	80,750	80,750
Andrew Baird	2,000	2,000
Uma Bhugtiar	–	–
Michelle Paisley	–	–
Karen Roydon	–	–

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

The following emoluments in the form of fees were received by the Directors who served in the year, the following table has been audited:

	Fees 2024 £	Fees 2023 £	% change
Jeremy Whitley (Chairman)	39,617	36,500	8.5
Andrew Baird	28,000	25,833	8.4
Uma Bhugtiar*	24,296	–	–
Michelle Paisley (Audit Committee Chair)	31,933	28,917	10.4
Karen Roydon†	20,529	–	–
Anne West††	7,384	25,833	(71.4)
	151,759	**117,083**	**29.6**

* Appointed to the Board on 19 October 2023.
† Appointed to the Board on 8 December 2023.
†† Retired from the Board on 7 December 2023.

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

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

Fee Rates	Year to 31 August 2020 £	Year to 31 August 2021 £	Year to 31 August 2022 £	Year to 31 August 2023 £	Year to 31 August 2024 £
Chair	31,667	32,750	34,333	36,500	39,617
	+6.4%	+3.4%	+4.8%	+6.3%	+8.5%
Audit Committee Chair	25,333	26,167	27,250	28,917	31,933
	+6.4%	+3.3%	+4.1%	+6.1%	+10.4%
Non-excutive Director	22,583	23,167	24,250	25,833	28,000
	+6.3%	+2.6%	+4.7%	+6.5%	+8.4%

Statement of Voting at Annual General Meeting

Voting on the resolutions to approve the Directors’ Remuneration Report at the Company’s AGM on 7 December 2023 was as follows:

Resolution	Votes For	Votes Against	Votes Withheld
Approve Directors’ Remuneration Report	11,972,808	18,679	7,588

Directors' Remuneration Report cont'd

Relative Importance of Directors' Fees

	2024 £000	2023 £000
Directors' fees	152	117
Buyback of Ordinary Shares	10,527	5,567
Dividend paid	3,138	3,457
Expenses (including performance fee)	3,677	5,493

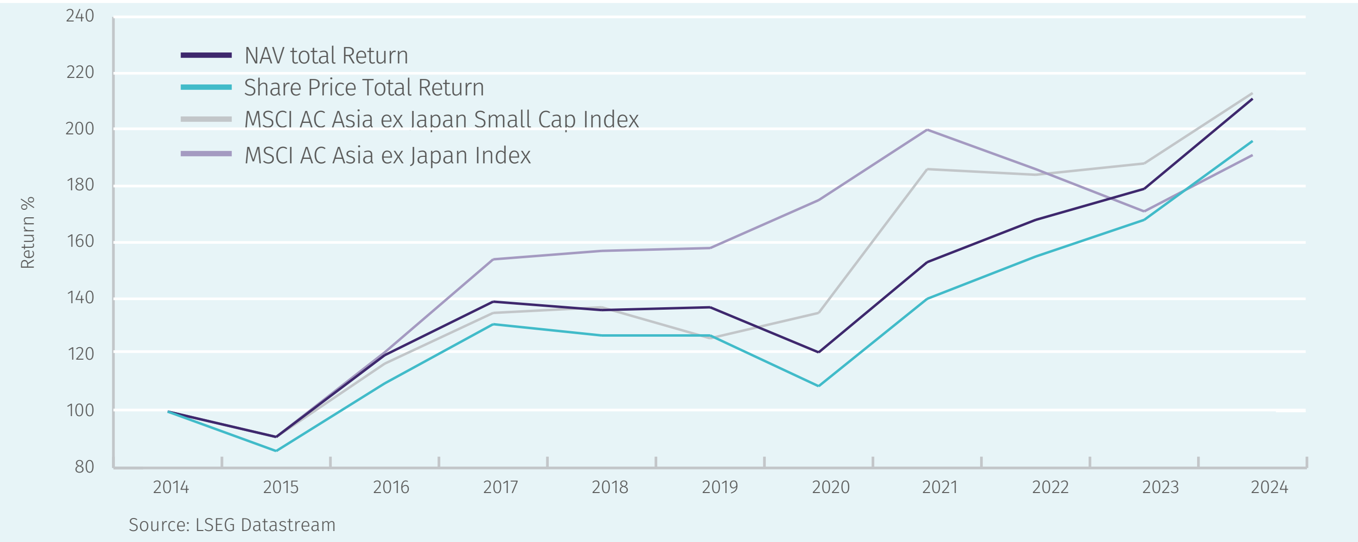
	2024 %	2023 %
Directors' fees as a percentage of buyback of Ordinary shares	1.4	2.1
Directors' fees as a percentage of dividend paid	4.8	3.4
Directors' fees as a percentage of expenses	4.1	2.1

Further details of the Company's expenses can be found in notes 2 and 3 on pages 58 and 59.

Company Performance

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

Total Return – Scottish Oriental versus comparator indices



The Directors' Remuneration report on pages 38 to 40 was approved by the Board of Directors on 13 November 2024 and signed on its behalf by

Jeremy Whitley
Chairman

13 November 2024

Corporate Governance

Directors' Statement on Corporate Governance

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance ('AIC Code'). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the 'UK Code'), as well as setting out additional Provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to shareholders.

The Company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board

As Chairman, Jeremy Whitley is responsible for leading the Board and ensuring its effectiveness in all aspects of its role. In line with the requirements of the AIC Code, the responsibilities of the Chairman and the Senior Independent Director ('SID') have been agreed by the Board and are available to view on the Company's website: **www.scottishoriental.com**.

The Board has formalised the arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice. The Company also maintains Directors' and Officers' liability insurance. There were no third party indemnity provisions over the course of the year or since the year end.

Other than their letters of appointment, none of the Directors has a contract of service nor have there been any contracts or arrangements between the Company and any Director at any time during the year.

The Board has engaged external companies to undertake the Company's investment management, administrative and custodial activities. Clear, documented contractual arrangements are in place between the Company and its service providers that define the areas where the Board has delegated functions to them. Further details of the Investment Management Agreement are given on page 58. A schedule of matters specifically reserved to the Board for its decision has been adopted. These reserved matters include the approval of Annual and Interim Reports; the recommendation of dividends; the approval of press releases and circulars; Board appointments and resignations; and the membership of committees. Decisions regarding the capital structure of the Company (including share buybacks and treasury share transactions) are also taken by the Board, while the day-to-day investment of the portfolio is delegated to the Investment Manager.

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, Nomination Committee and Management Engagement Committee held during the year and the attendance of the individual directors at those meetings is shown in the table below. Board papers are distributed prior to all meetings in a form and of a quality appropriate to enable the Board to discharge its duties. Directors can in addition raise any matters at meetings.

Number of Meetings	Board Meetings	Audit Committee	Remuneration Committee	Management Engagement Committee	Nomination Committee
Jeremy Whitley	4/4	3/3*	1/1	1/1	1/1
Andrew Baird	3/4	2/3	1/1	1/1	1/1
Uma Bhugtiar	3/3	2/2	1/1	1/1	1/1
Michelle Paisley	4/4	3/3	1/1	1/1	1/1
Karen Roydon	2/2	2/2	1/1	1/1	–

*Attendance by invitation

Corporate Governance cont'd

Independence of Directors and Tenure

The Board has considered the independent status of each Director under the AIC Code and has determined that all Directors are independent.

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

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

Performance Appraisals

Performance appraisals of the Chairman and Directors were carried out during the accounting period through a discussion based process. The Chairman's appraisal was led by the Senior Independent Director, Andrew Baird. The Board concluded that the Chairman and each Director contributed effectively and demonstrated commitment to his or her role. The Board also concluded that the performance of the Board as a whole and its Committees was effective. The Board has given consideration to appointing an external Board evaluator, however, it does not believe it is necessary at this time. The training and development needs of Directors are discussed prior to and during the annual appraisal.

Election/Re-election of Directors

The Articles of Association provide that each Director is subject to election at the first AGM after his or her appointment and must retire by rotation every three years. The Board has adopted annual re-election of Directors. Each updated re-election is subject to shareholder approval, based upon the recommendations of the full Board. Biographical details of all Directors are set out on page 23 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 elected/re-elected.

Board Diversity

The Nomination Committee considers diversity, including balance of skills, knowledge, gender, social and ethnic backgrounds, cognitive and personal strengths and experience, amongst other factors when reviewing the composition of the Board.

The Nomination Committee does not consider it appropriate to establish diversity targets or quotas at this time. However, it is conscious of the diversity targets set out in the FCA Listing Rules and the AIC Code of Corporate Governance in appointing appropriately diverse, independent non-executive Directors who set the operational and moral standards of the Company and aims to have an appropriate level of diversity on the Board. In accordance with Listing Rule 6.6.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity as at 31 August 2024, being the financial year end of the Company.

The information included in the tables below has been obtained following confirmation from the individual Directors.

The Company did not meet the FCA gender diversity target of one woman in a senior board position (which is defined as Chair, CEO, SID or Chief Financial Officer). As an externally managed investment trust the Company does not have the roles of CEO or Chief Financial Officer. However, the Chair of the Audit Committee, which the Board considers to be an equivalent senior position for an investment trust is held by a woman.

The Board will continue to take all matters of diversity into account as part of its succession planning and aims to have an appropriate level of diversity on the Board.

Board gender as at 31 August 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board(4)	Number in executive management(1)	Percentage of executive management(1)
Man	2	40	2	n/a	n/a
Woman	3	60(2)	0(3)	n/a	n/a
Not specified/prefer not to say	–	–	–	n/a	n/a

Board ethnic background as at 31 August 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[4]	Number in executive management[1]	Percentage of executive management[1]
White British or other white (including minority groups)	4	80	2	n/a	n/a
Mixed/multiple ethnic groups	–	–	–	n/a	n/a
Asian/Asian British	1	20	–	n/a	n/a
Black/African/Caribbean/Black British	–	–	–	n/a	n/a
Other ethnic group, includng Arab	–	–	–	n/a	n/a
Not specified/prefer not to say	–	–	–	n/a	n/a

(1) The number of Directors in executive management is not applicable for an investment trust.

(2) This meets the Listing Rules target of 40 per cent.

(3) The position of the Chair of the Audit Committee is held by a woman. However this is not currently defined as a senior position.

(4) The rules state that the senior board positions consist of Chair, CEO, SID or Chief Financial Officer.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Please refer to page 27 for details of engagement activity in the year to 31 August 2024.

Board Committees

The Chair of each Board Committee fulfils an important leadership role similar to that of the Chairman of the Board, particularly in creating the conditions for overall Committee and individual Director effectiveness.

Audit Committee

This Committee is comprised of all Directors (excluding Jeremy Whitley, the Company's Chairman) and is chaired by Michelle Paisley, who is an experienced investment professional, with significant experience in reviewing statutory accounts. The Board is satisfied that Ms Paisley has recent and relevant financial experience to guide the Committee in its deliberations.

The Board is also satisfied that other members of the Audit Committee have relevant and recent financial experience to fulfil their role effectively and also have sufficient experience relevant to the closed ended investment company sector and UK listed companies. The report from this Committee is set out on pages 36 and 37.

Nomination Committee

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

The Nomination 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 Nomination Committee. The Nomination Committee considers a broad range of skills and experience when seeking potential candidates including diversity and gender.

In the year under review the Nomination Committee met and considered the appointment of a non-executive Director. After agreeing a diverse list of potential candidates, several candidates were considered and interviewed by the members of the Nomination Committee. Following this process Karen Roydon was appointed to the Board due to her significant knowledge of emerging markets investing, time available to commit to the role and other skills which would complement the existing Directors. Provision 25 of the AIC Code suggests that generally there should be open advertising and/or an external search consultancy engaged. However, due to the specific requirements of the role and the rigour and extent of our processes noted above, neither an external search consultant nor open advertising was used to assist in the appointment of Ms Roydon.

The Nomination Committee meets at least annually.

Management Engagement Committee

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

Risk Management and Internal Controls

Details of the principal risks and internal controls applied by the Board are set out on pages 30 and 31 and pages 36 and 37 respectively.

By order of the Board

Juniper Partners Limited
Company Secretary

13 November 2024

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 financial statements for each financial year.

Under that law the Directors have elected to prepare the Financial Statements 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 Annual Report unless they are satisfied that it gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company for that period. In preparing the Annual Report, 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 Annual Report.

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 Financial Statements 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 Financial Statements and that applicable accounting standards have been followed.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides 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 has a reasonable level of knowledge of the investment industry.

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

By order of the Board

Jeremy Whitley
Chairman

13 November 2024

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 2024, which comprise the Income Statement, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 August 2024 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Our approach to the audit

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

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

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

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter and our conclusions
Valuation of investments (as per page 37 (Report of the Audit Committee), page 56 (Accounting Policies) and note 8. The valuation of the portfolio at 31 August 2024 was £409.8m (2023: £372.7m) and comprised entirely of listed equity investments. As this is the largest component of the Company's Statement of Financial Position, and a key driver of the Company's total return this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to error. There is a further risk that investments held at fair value may not be actively traded and the quoted prices may not be reflective of their fair value.	We performed a walkthrough of the valuation process at the Administrator to evaluate the design of the process and implementation of key controls. We compared market prices and exchange rates applied to all listed equity investments held at 31 August 2024 to an independent third-party source and recalculated the investment valuations. We obtained average trading volumes from an independent third-party source for all investments held at year end and challenged management's active market assessment for investments where trading volumes indicated lower levels of liquidity. From our completion of these procedures, we identified no material misstatements in relation to the valuation of investments.
Revenue recognition, including allocation of special dividends as revenue or capital returns (as per page 37 (Report of the Audit Committee), page 56 (Accounting Policies) and note 1. The income from investments for the year to 31 August 2024 was £12.4m (2023: £8.4m) consisting of dividends received from listed investments. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The income from investments received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company. There is a risk that revenue is incomplete, did not occur or is inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error. Additionally, judgement is required in determining the allocation of special dividends as revenue or capital returns in the Income Statement.	We performed a walkthrough of the revenue recognition process (including the process for allocating special dividends as revenue or capital returns) at the Administrator to evaluate the design of the process and implementation of key controls. We assessed whether income was recognised and disclosed in accordance with the financial reporting framework, including the AIC SORP and the Company's accounting policies. We recalculated 100% of dividends due to the Company from equity holdings, based on investment holdings throughout the year and announcements made by investee companies. We have agreed the foreign exchanges rates used and agreed a sample of investment income recognised to bank statements. We obtained management's list of all special dividends received by the Company and their allocation as revenue or capital returns, and used third-party independent data sources to assess the completeness of the special dividend population and evaluate management's conclusions as to whether special dividends recognised were revenue or capital in nature with reference to the underlying circumstances of the investee companies' dividend payments. From our completion of these procedures, we identified no material misstatements with revenue recognition, including allocation of special dividends as revenue or capital returns.

Report of the Indep. Auditor cont'd

Our application of materiality

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

Materiality measure	Value
Materiality for the financial statements as a whole – we have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. We determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.	£4.03m (2023: £3.55m)
Performance materiality – performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the Company's overall control environment and any experience of the audit that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 75% of our overall financial statement materiality.	£3.02m (2023: £2.66m)
Specific materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the Company, we applied a separate testing threshold for the revenue column of the Income Statement set at the higher of 5% of the revenue net return on ordinary activities before taxation and our Audit Committee Reporting Threshold. We have also set a separate specific materiality in respect of related party transactions and Directors' remuneration. We used our judgement in setting these thresholds and considered our past experience and industry benchmarks for specific materiality.	£0.40m (2023: £0.22m)
Audit Committee reporting threshold – we agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£0.20m (2023: £0.18m)

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

Conclusions relating to going concern

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Report of the Indep. Auditor cont'd

Corporate governance statement

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

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

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 33;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 33;
- the Directors' statement on fair, balanced and understandable set out on page 45;
- the Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 33;
- the Directors' confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 30 and 31;
- the section of the Annual Report that describes the review of the effectiveness of risk management and internal control systems set out on pages 36 and 37; and
- the section describing the work of the Audit Committee set out on pages 36 and 37.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 45, 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 responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- Companies Act 2006;
- Financial Conduct Authority (FCA) listing and Disclosure Guidance and Transparency Rules (DTR);
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the "AIC Code");

- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued by the Association of Investment Companies (the 'AIC') in July 2022;
- Financial Reporting Standard 102; and
- The Company's qualification as an investment trust under section 1158 of the Corporation Tax Act 2010.

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

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

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

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, recalculating the investment management fee and performance fee, evaluating the business rationale of significant transactions outside the normal course of business and assessing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules; and
- Agreement of the financial statement disclosures to supporting documentation.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 24 March 2021 to audit the financial statements for the year ended 31 August 2021 and subsequent financial periods. The period of our total uninterrupted engagement is four years, covering the years ended 31 August 2021 to 31 August 2024.

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

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

Use of our report

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

Richard Sutherland (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh, United Kingdom

13 November 2024

Income Statement

For the year ended 31 August 2024

	Note	2024 Revenue £000	2024 Capital £000	2024 Total* £000	2023 Revenue £000	2023 Capital £000	2023 Total* £000
Gains on investments	8	–	67,406	67,406	–	22,540	22,540
Income from investments	1	12,382	–	12,382	8,411	–	8,411
Other income	1	80	–	80	42	–	42
Investment management fee	2	(2,802)	–	(2,802)	(2,549)	–	(2,549)
Performance fee	2	–	(98)	(98)	–	(2,247)	(2,247)
Currency losses		–	(357)	(357)	–	(713)	(713)
Other administrative expenses	3	(777)	–	(777)	(697)	–	(697)
Net return on ordinary activities before finance costs and taxation		**8,883**	**66,951**	**75,834**	**5,207**	**19,580**	**24,787**
Finance costs	4	(835)	–	(835)	(835)	–	(835)
Net return on ordinary activities before taxation		**8,048**	**66,951**	**74,999**	**4,372**	**19,580**	**23,952**
Tax on ordinary activities	5	(1,403)	(11,440)	(12,843)	(876)	(2,677)	(3,553)
Net return attributable to equity shareholders		**6,645**	**55,511**	**62,156**	**3,496**	**16,903**	**20,399**
Net return per ordinary share	7	27.74p	231.73p	259.47p	14.19p	68.60p	82.79p

* 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 final dividend of 14.0p per share for the year ended 31 August 2024 (2023: 13.0p per share) and a special dividend of 8.0p per share (2023: nil) which if approved, will be payable on 7 February 2025 to shareholders recorded on the Company's shareholder register on 10 January 2025.

The accounting policies on pages 56 and 57 and the notes on pages 58 to 68 form part of these Financial Statements.

All revenue and capital items derive from continuing operations.

Statement of Financial Position

As at 31 August 2024

	Note	2024		2023	
		£000	£000	£000	£000
Investments held at fair value through profit or loss	8				
Bangladesh			–		3,191
China			77,895		41,623
Hong Kong			7,828		17,958
India			164,682		160,435
Indonesia			47,669		62,642
New Zealand			6,174		–
Pakistan			–		1,126
Philippines			41,872		34,008
Singapore			6,096		9,296
South Korea			11,663		13,413
Taiwan			36,560		16,762
Thailand			–		5,747
Vietnam			9,319		6,459
			409,758		**372,660**
Current Assets					
Debtors	9	2,834		1,052	
Cash and deposits		37,972		18,089	
		40,806		**19,141**	
Current Liabilities					
Creditors	10	(8,948)		(3,572)	
		(8,948)		**(3,572)**	
Net Current Assets			**31,858**		**15,569**
Non-Current Liabilities					
Deferred tax liabilities on Indian capital gains	11		(8,706)		(3,820)
Loan notes	11		(29,842)		(29,832)
			(38,548)		**(33,652)**
Total Assets less Liabilities			**403,068**		**354,577**
Capital and reserves					
Ordinary share capital			7,853		7,853
Share premium account			34,259		34,259
Capital redemption reserve			58		58
Capital reserves			349,645		304,661
Revenue reserve			11,253		7,746
Total equity shareholders' Funds			**403,068**		**354,577**
Net asset value per share	13		**1709.53p**		**1455.58p**

These Financial Statements were approved and authorised for issue by the Board on 13 November 2024 and signed on its behalf by

Jeremy Whitley
Director

The accounting policies on pages 56 and 57 and the notes on pages 58 to 68 form part of these Financial Statements.

Cash Flow Statement

For the year ended 31 August 2024

	Note	2024 £000	2023 £000
Net cash outflow from operations before dividends, interest, purchases and sales of investments	14	**(5,751)**	**(3,254)**
Dividends received from investments		12,535	8,894
Interest received from deposits		80	42
Cash inflow from operations		**6,884**	**5,682**
Taxation		(1,396)	(971)
Net cash inflow from operating activities		**5,468**	**4,711**
Investing activities			
Purchases of investments		(123,398)	(124,575)
Sales of investments		159,114	142,938
Capital gains tax paid on sale of investments		(6,554)	(2,041)
Net cash inflow from investing activities		**29,162**	**16,322**
Financing activities			
Interest paid		(825)	(825)
Equity dividend(s) paid		(3,138)	(3,457)
Buyback of ordinary shares		(10,427)	(5,439)
Net cash outflow from financing activities		**(14,390)**	**(9,721)**
Increase in cash and cash equivalents		20,240	11,312
Cash and cash equivalents at the start of the year		18,089	7,490
Effect of currency losses		(357)	(713)
Cash and cash equivalents at the end of the year*		**37,972**	**18,089**

*Cash and cash equivalents represents cash at bank.

Total tax paid for the year ended 31 August 2024 was £7,950,000 (2023: £3,011,000).

The accounting policies on pages 56 and 57 and the notes on pages 58 to 68 form part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 August 2024

	Ordinary Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserves £000	Revenue Reserve £000	Total £000
Balance at 31 August 2023	7,853	34,259	58	304,661	7,746	354,577
Total comprehensive income:						
Return for the year	–	–	–	55,511	6,645	62,156
Transactions with owners recognised directly in equity:						
Dividend paid in year*	–	–	–	–	(3,138)	(3,138)
Buyback of Ordinary shares	–	–	–	(10,527)	–	(10,527)
Balance at 31 August 2024	**7,853**	**34,259**	**58**	**349,645**	**11,253**	**403,068**

* See note 6.

For the year ended 31 August 2023

	Ordinary Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserves £000	Revenue Reserve £000	Total £000
Balance at 31 August 2022	7,853	34,259	58	293,325	7,707	343,202
Total comprehensive income:						
Return for the year	–	–	–	16,903	3,496	20,399
Transactions with owners recognised directly in equity:						
Dividends paid in year*	–	–	–	–	(3,457)	(3,457)
Buyback of Ordinary shares	–	–	–	(5,567)	–	(5,567)
Balance at 31 August 2023	**7,853**	**34,259**	**58**	**304,661**	**7,746**	**354,577**

* See note 6.

The accounting policies on pages 56 and 57 and the notes on pages 58 to 68 form part of these Financial Statements.

Accounting Policies

Basis of accounting

(a) The Scottish Oriental Smaller Companies Trust plc is a public company limited by shares, incorporated and domiciled in Scotland, and carries on business as an investment trust. Details of the Company's registered office can be found in the 'Company Information' section on page 79.

These Financial Statements have been prepared under the historical cost convention (modified to include the revaluation of fixed asset investments which are recorded at fair value) and in accordance with the Companies Act 2006, UK Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102, and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in July 2022 (the 'SORP'). These Financial Statements 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 Company's returns between items of revenue and capital nature has been presented in the Income Statement.

The Financial Statements 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 fees are calculated on a three year-rolling basis and payable annually. A performance fee is recognised when there is a likelihood that the performance conditions will be met. The performance fee is chargeable in full to the capital column of the Income Statement.

Financial Instruments

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

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

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

The AIFM is responsible for ensuring that investments are held at fair value, and may make adjustments in the absence of a market price or where strong evidence exists that the market price or price provided by the pricing source does not represent a fair value for the investment As part of this process the AIFM monitors liquidity of the investments. When historic trading data suggests an investment is illiquid, these investments are categorised as level 2 in the fair value hierarchy.

(j) Equities include ordinary shares and warrants.

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

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

Loan notes

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

Foreign currency

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

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

Dividends

(p) Final and special dividends are recognised in the period in which they are approved by the Company's shareholders.

Taxation

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

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

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

Significant judgements and estimates

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

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

Deferred tax on Indian capital gains

The Directors use their judgement in selecting the appropriate rate of capital gains tax to apply to unrealised gains on Indian investments. The Directors have chosen to apply the long-term rate of capital gains tax on unrealised gains on Indian investments. Please refer to note 5 (a) on page 59 for further details.

Special dividends

The Directors use their judgement in recognising and classifying special dividends received as either revenue or capital in nature. All special dividends received in the year have been treated as revenue income.

Reserves

Share premium account

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

Capital redemption reserve

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

Capital reserve

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

Revenue reserve

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

Notes to the Financial Statements

1. Income

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

2. Fees payable to the Investment Manager

	2024			2023		
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
	£000	£000	£000	£000	£000	£000
Investment management fee	2,802	–	2,802	2,549	–	2,549
Performance fee	–	98	98	–	2,247	2,247
	2,802	**98**	**2,900**	**2,549**	**2,247**	**4,796**

Investment management fee

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.

Performance fee – from 1 September 2023

The performance fee is based on the comparative performance of the Company's share price total return ('SPTR') against the performance of the MSCI AC Asia ex Japan Small Cap Index ('Index SPTR'). A performance fee of ten per cent of the SPTR out-performance compared with the Index SPTR plus a hurdle of two per cent, calculated on a rolling three-year basis, with an inception date of 1 September 2023.

Where there is a period of SPTR under performance compared with the Index SPTR, a negative performance fee is calculated. The negative performance fee will then be carried forward and will be used to offset against the payment of any potential future performance fees.

Additionally there is a high watermark provision, whereby a performance fee will only be paid when the Company's share price exceeds the level where a performance fee was previously paid (with the initial high water mark being the Company's share price as at 1 September 2023 – £12.75).

The total fee payable to the Investment Manager is capped at 1.5 per cent per annum of the Company's total assets, any fees earned in excess of this cap may be paid in future periods of positive performance where a performance fee is otherwise payable.

Performance fee – to 31 August 2023

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. For performance fee purposes a comparator index is used, for periods up to 31 August 2021 (one year of the performance period), this comparator index was the MSCI AC Asia ex Japan Index, for the period 1 September 2021 to 31 August 2023 (two years of the performance period), the comparator index was the MSCI AC Asia ex Japan Small Cap Index. If the Company's SPTR exceeds the Index SPTR over the three year period plus ten per cent, 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. The total fee payable to the Investment Manager is capped at 1.5 per cent per annum of the Company's net assets.

3. Other Administrative Expenses

	2024	2023
	£000	£000
Auditor's remuneration for audit services	42	34
Directors' fees	152	117
Company secretarial and administration fees	236	221
Bank, custodial and other expenses	347	325
	777	**697**

Expenses are shown net of recoverable VAT where relevant.

4. Finance Costs

	2024	2023
	£000	£000
On loan notes	825	825
Amortisation of set up costs	10	10
	835	**835**

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

5. Taxation

(a) Analysis of charge in the year

Overseas tax:

	2024			2023		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Irrecoverable tax on overseas dividends	1,403	–	1,403	876	–	876
Indian capital gains tax incurred on sales	–	6,554	6,554	–	2,041	2,041
Movement in deferred tax liability on Indian capital gains	–	4,886	4,886	–	636	636
	1,403	**11,440**	**12,843**	**876**	**2,677**	**3,553**

Capital gains tax

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

On 23 July 2024 the Indian Government introduced The Finance (No. 2) Act, 2024, this legislation revised the tax rates on capital gains. Indian capital gains tax is now charged on sales of investments at 20% (previously 15%) where the investment has been held for less than 12 months (the 'short-term rate'), this is reduced to 12.5% (previously 10%) if the investment has been held for longer than 12 months (the 'long-term rate'). The new rates apply to all investments purchased after 23 July 2024, sales of investment purchased prior to this will be charged at the previous rates.

The deferred tax liability has been calculated using the long-term rate (10% for investments purchased prior to 23 July 2024 and 12.5% for investments purchased from 23 July 2024), as the Investment Manager has a long term investment focus and it is likely that Indian investments will be held for longer than 12 months.

At 31 August 2023 the Company had a deferred tax liability of £3,820,000, due to unrealised gains on Indian investments. This has increased by £4,886,000 and therefore the deferred tax liability at 31 August 2024 is £8,706,000. If the assumption that all Indian investments will be held for a period in excess of 12 months was removed, the deferred tax liability would have been £9,575,000 (2023: £4,816,000).

Notes to the Financial Statements cont'd

5. Taxation cont'd

(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:

	2024			2023		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Return for the year before taxation	8,048	66,951	74,999	4,372	19,580	23,952
Total return for the year before taxation multiplied by the standard rate of corporation tax of 25.00% (2023: 21.50%)	2,012	16,738	18,750	940	4,210	5,150
Effect of:						
Non-taxable gains on investments	–	(16,851)	(16,851)	–	(4,846)	(4,846)
Non-taxable losses on foreign currency	–	89	89	–	153	153
Non-taxable income	(3,096)	–	(3,096)	(1,808)	–	(1,808)
Overseas tax	1,403	11,440	12,843	876	2,677	3,553
Unutilised management expenses	1,084	24	1,108	868	483	1,351
Total tax charge for the year	**1,403**	**11,440**	**12,843**	**876**	**2,677**	**3,553**

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 £15,026,000 at 31 August 2024 (2023: £16,815,000) in respect of unrelieved tax losses carried forward. This asset has not been recognised in the Financial Statements as it is unlikely under current legislation that it will be capable of being offset against future taxable profits.

6. Dividends

	2024 £000	2023 £000
Dividends paid in the year		
Final dividend of 13.0p (2023 – 13.0p)	3,138	3,210
Special dividend of nil (2023 – 1.0p)	–	247
	3,138	**3,457**

The below proposed dividends in respect of the financial year ended 31 August 2024 are the basis upon which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The proposed dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these Financial Statements.

	2024 £000	2023 £000
Income available for distribution	6,645	3,496
Proposed dividend for the year ended 31 August 2024		
Final dividend of 14.0p (2023:13.0p)	(3,284)	(3,145)
Special dividend of 8.0p (2023: nil)	(1,876)	–
Amount transferred to retained income	**1,485**	**351**

7. Return per Ordinary Share

	2024			2023		
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Net return per share (pence)	**27.74**	**231.73**	**259.47**	14.19	68.60	82.79

	2024	2023
Revenue return	£6,645,000	£3,496,000
Capital return	£55,511,000	£16,903,000
Weighted average ordinary shares in issue	23,954,593	24,638,683

There are no dilutive or potentially dilutive instruments in issue.

8. Equity Investments

	2024 £000	2023 £000
Opening book cost	379,666	361,456
Unrealised (losses)/gains	(7,006)	6,986
Opening valuation	372,660	368,442
Purchase at cost	130,745	124,575
Sales proceeds	(161,053)	(142,897)
Gains on investments	67,406	22,540
Closing valuation	**409,758**	**372,660**
Closing book cost	374,129	379,666
Closing unrealised gains/(losses)	**35,629**	**(7,006)**

The Company received £161,053,000 (2023: £142,897,000) from investments sold in the year.

The average book cost of these investments when they were purchased was £136,282,000 (2023: £106,365,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

All investments are listed on recognised stock exchanges.

Transaction Costs

During the year the Company incurred transaction costs of £220,000 (2023: £242,000) on the purchase of investments and £359,000 (2023: £393,000) on the sale of investments.

9. Debtors

	2024 £000	2023 £000
Sales awaiting settlement	1,939	–
Accrued income	480	641
Prepayments	41	17
Recoverable tax on Indian dividends	374	394
	2,834	**1,052**

10. Creditors (amounts falling due within one year)

	2024 £000	2023 £000
Purchases awaiting settlement	7,574	128
Management fee payable	757	666
Performance fee payable	98	2,247
Other creditors	151	163
Accrued interest	368	368
	8,948	**3,572**

11. Creditors (amounts falling due after one year)

	2024	2023
	£000	£000
Deferred tax liability on Indian capital gains	8,706	3,820
Loan notes	29,842	29,832
	38,548	**33,652**

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

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

12. Share Capital

The allotted and fully paid share capital is £7,853,416 (2023: £7,853,416) represented by 31,413,663 ordinary shares of 25p each (2023: 31,413,663). During the year the Company bought back 782,085 ordinary shares (2023: 457,128). The Company held 7,835,897 ordinary shares in Treasury at the year end (2023: 7,053,812), being 24.9 per cent of share capital (2023: 22.5 per cent of share capital), with a nominal value of £1,958,974 (2023: £1,763,453).

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 24.

13. Net Asset Value per Ordinary Share

The net asset value per share is based on total net assets of £403,068,000 (2023: £354,577,000) divided by 23,577,766 (2023: 24,359,851) ordinary shares of 25p each in issue (excludes shares held in Treasury).

Notes to the Financial Statements cont'd

14. Cash Flow Statement

	2024	2023
	£000	£000
Reconciliation of net return before finance costs and taxation to net cash outflow from operations before dividends, interest, purchases and sales		
Net return on activities before finance costs and taxation	75,834	24,787
Net gains on investments	(67,406)	(22,540)
Currency losses	357	713
Dividend income	(12,382)	(8,411)
Interest income	(80)	(42)
(Decrease)/increase in creditors	(2,070)	2,300
Increase in debtors	(4)	(61)
Net cash outflow from operations before dividends, interest, purchases and sales	**(5,751)**	**(3,254)**

15. Analysis of changes in net debt

	At 31 August 2023	Non-cash movements	Cash flows	At 31 August 2024
	£000	£000	£000	£000
Cash and cash equivalents	18,089	(357)	20,240	37,972
Loan notes	(29,832)	(10)	–	(29,842)
	(11,743)	**(367)**	**20,240**	**8,132**

16. Risk Management, Financial Assets and Liabilities

The Company invests mainly in smaller Asian quoted companies. Other financial instruments comprise cash balances and short-term debtors and creditors. The Investment Manager follows the investment process outlined on pages 6 to 18 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.

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

The Company is exposed to interest rate risk on interest receivable from bank deposits and interest payable on bank overdraft positions and loan notes. The Company faces minimal interest rate risk; cash is not held on deposit with the intention of generating interest income and the interest payable on loan notes is fixed at 2.75% over the life of the loan (twenty years). The interest rate risk profile of the Company at 31 August is shown below.

Interest Rate Risk Profile

	2024	2023
	£000	£000
Cash	37,972	18,089
Loan notes	(30,000)	(30,000)
	7,972	**(11,911)**

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 £40,000 (2023: decrease of £60,000). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at date of the Statement of Financial Position and are not representative of the year as a whole. The impact on the Company's loan notes have been excluded, as these are fixed for the life of the loan.

Foreign Currency Risk

The majority of the Company's assets, liabilities and income were denominated in currencies other than sterling (the currency in which the Company reports its results) as at 31 August 2024. The Statement of Financial Position therefore can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company reserves the right to undertake foreign exchange hedging of its portfolio. The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign Currency Risk Exposure by Currency of Denomination

	31 August 2024			31 August 2023		
	Overseas investments	Net monetary assets	Total currency exposure	Overseas investments	Net monetary assets	Total currency exposure
	£000	£000	£000	£000	£000	£000
Indian rupee	164,682	1,633	166,315	160,435	141	160,576
Hong Kong dollar	85,723	(3,139)	82,584	62,642	–	62,642
Indonesian rupiah	47,669	482	48,151	59,581	88	59,669
Philippine peso	41,872	–	41,872	34,008	–	34,008
Taiwanese dollar	36,560	332	36,892	16,762	192	16,954
Korean won	11,663	1,457	13,120	13,413	–	13,413
Vietnamese dong	9,319	–	9,319	6,459	2,209	8,668
New Zealand dollar	6,174	–	6,174	–	–	–
Singapore dollar	6,096	47	6,143	9,296	179	9,475
Bangladeshi taka	–	1,698	1,698	3,191	–	3,191
US dollar	–	32	32	–	–	–
Pakistan rupee	–	–	–	1,126	–	1,126
Thai baht	–	–	–	5,747	–	5,747
Total foreign currency	**409,758**	**2,542**	**412,300**	**372,660**	**2,809**	**375,469**
Sterling	–	(9,232)	(9,232)	–	(20,892)	(20,892)
Total	**409,758**	**(6,690)**	**403,068**	**372,660**	**(18,083)**	**354,577**

Notes to the Financial Statements cont'd

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

Currency Risk Sensitivity

At 31 August 2024, 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 2023.

	2024	2023
	£000	£000
Indian rupee	8,316	8,029
Hong Kong dollar	4,129	3,132
Indonesian rupiah	2,408	2,983
Philippine peso	2,094	1,700
Taiwanese dollar	1,845	848
Korean won	656	671
Vietnamese dong	466	433
New Zealand dollar	309	–
Singapore dollar	307	474
Bangladeshi taka	85	160
US dollar	2	–
Pakistan rupee	–	56
Thai baht	–	287
Total	**20,617**	**18,773**

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 2024 would have increased/decreased by £40,976,000 (2023: increased/decreased by £37,266,000) and equity reserves would have increased/decreased by the same amount.

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

Liquidity Risk

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

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

	2024			2023		
	3 months or less	3 to 12 months	More than 12 months	3 months or less	3 to 12 months	More than 12 months
	£000	£000	£000	£000	£000	£000
Amounts due to brokers	7,574	–	–	128	–	–
Other creditors and accruals	1,374	–	–	1,197	2,247	–
Loan	–	–	29,842	–	–	29,832
Deferred tax liability on Indian capital gains	–	–	8,706	–	–	3,820
	8,948	**–**	**38,548**	**1,325**	**2,247**	**33,652**

Credit Risk

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

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

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

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

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 August 2024 was as follows:

	2024		2023	
	Statement of Financial Position	Maximum exposure	Statement of Financial Position	Maximum exposure
	£000	£000	£000	£000
Current Assets				
Receivables	2,793	2,793	1,035	1,035
Cash at bank	37,972	37,972	18,089	18,089
	40,765	**40,765**	**19,124**	**19,124**

Notes to the Financial Statements cont'd

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

Fair Value Hierarchy

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102, these investments are analysed using the fair value hierarchy described below. Short term balances are excluded as their carrying value at the reporting date approximates their fair value.

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

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

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

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

Financial assets at fair value through profit or loss

	2024				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Listed investments	385,316	24,442	–	409,758	313,937	58,723	–	372,660
Total	**385,316**	**24,442**	**–**	**409,758**	**313,937**	**58,723**	**–**	**372,660**

Listed investments included in fair value Level 1 are actively traded on recognised stock exchanges and the fair value of these investments has been determined by reference to their quoted prices at the reporting date.

Listed investments included in Level 2 are deemed to be illiquid. The fair value of these investments has been determined by reference to their quoted prices at the reporting date.

17. Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on pages 39 and 40. An amount of £28,500 was outstanding to the Directors at the year end (2023: £20,800). 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 and performance fees for the year are detailed in note 2 and amounts payable to the Investment Manager at year end are detailed in note 10. The Investment Management team's individual shareholdings in the Company are set out on page 5.

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 1.04 and 1.11 times the Company's net asset value.

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

Glossary of Terms and Alternative Performance Measures

Active Share

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

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.

		2024	2023
NAV per share	a	1,709.5p	1,455.6p
Share price	b	1,470.0p	1,275.0p
Discount	c=(b-a)/a	**14.0%**	**12.4%**

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.

Gearing

Gearing is the ratio of a company's debt to its equity.

Gross Gearing

Gearing excluding postive cash balances, i.e. the gearing level should all cash be employed.

Net Gearing

Gearing after taking account of positive cash balances.

		2024	2023
		£000	£000
Total Assets	a	450,564	391,801
Total Liabilities (exluding Loan Notes)	b	(17,654)	(7,392)
Loan Notes	c	(29,842)	(29,832)
Equity Shareholders' Funds	d = a+b+c	403,068	354,577
Gross Gearing	e = (a-b)/d	**107**	**108**
Cash	f	37,972	29,832
Net Gearing	g = (a-b-f)/d	**98**	**100**

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).

Glossary of Terms and Alternative Performance Measures cont'd

Ongoing Charges

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

	2024	2023
	£000	£000
Investment management fee	2,802	2,549
Administrative expenses	762*	697
Ongoing charges	3,564	3,246
Average net assets	373,815	339,900
Ongoing charges ratio (net of performance fee)	**0.95%**	**0.95%**
Performance fee	98	2,247
Ongoing charges ratio	**0.98%**	**1.62%**

*Non-recurring costs of £15,000 are excluded (2023: nil).

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 change 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

	2024	2023
Opening NAV per share	1,455.6p	1,382.9p
Increase in NAV per share	253.9p	73.3p
Closing NAV per share	1,709.5p	1,455.6p
% increase in NAV	17.4%	5.3%
Impact of dividends reinvested*	1.2%	1.2%
NAV total return	**18.6%**	**6.5%**

* Assumes that dividends paid by the Company are reinvested at the ex-dividend date.

Share Price Total Return

	2024	2023
Opening share price	1,275.0p	1,190.0p
Increase in share price	195.0p	85.0p
Closing share price	1,470.0p	1,275.0p
% increase in share price	15.3%	7.1%
Impact of dividends reinvested*	1.2%	1.3%
Share price total return	**16.5%**	**8.4%**

* Assumes that dividends paid by the Company are 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 Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB on 29 January 2025 at 12.15 pm.

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

1. To receive the reports of the Directors and Auditor and to adopt the Annual Report for the financial year ended 31 August 2024.

2. To approve a final dividend of 14.0 pence and a special dividend of 8.0 pence per ordinary share of 25 pence each in the capital of the Company.

3. To elect Karen Roydon as a Director.

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

5. To re-elect Uma Bhugtiar, who retires from office annually, as a Director.

6. To re-elect Michelle Paisley, who retires from office annually, as a Director.

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

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

9. To approve the Directors' Remuneration Report within the Annual Report for the financial year ended 31 August 2024.

10. That each of the issued ordinary shares of 25 pence each in the capital of the Company be and is hereby sub-divided into one five ordinary shares of 5 pence each (the 'New Ordinary Shares') having the rights and being subject to the restrictions and obligations set out in the articles of association of the Company, provided that such sub-division shall be conditional on, and shall take effect on, the New Ordinary Shares being admitted to the Official List of the Financial Conduct Authority and to trading on the main market of the London Stock Exchange,which is expected to be occur at 8.00 am on 28 February 2025 (or such other time and/or date as the Directors may in their absolute discretion determine).

11. 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 £586,382, (being approximately 10 per cent of the nominal value of the issued share capital as at 12 November 2024) 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.

12. That, subject to the passing of Resolution 11 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 11 above or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to any such allotment of equity Securities, provided that this power:

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

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £586,382 (being approximately 10 per cent of the nominal value of the issued share capital of the Company (excluding treasury shares) as at 12 November 2024).

13. 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 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 17,579,721 if Resolution 10 is approved and becomes effective, otherwise 3,515,944 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 the nominal value of that share;

(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.

14. 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: 13 November 2024

By Order of the Board

Registered Office:
28 Walker Street
Edinburgh EH3 7HR

Juniper Partners Limited
Company Secretary

Notice of Annual General Meeting cont'd

Explanation of Notice of Annual General Meeting

Resolution 1 – To receive the Annual Report

The Directors are required to present the financial statements, Strategic Report, Directors' Report and Auditor's Report to the meeting. These are contained in the Company's Annual Report for the year ended 31 August 2024 (the 'Annual Report'). A resolution to receive the Financial Statements, together with the Strategic Report, Directors' Report and the Auditor's Report on those Financial Statements is included as an ordinary resolution.

Resolution 2 – Dividends

The Board proposes a final dividend of 14.0 pence per share, and an additional special dividend of 8.0 pence per share in respect of the year ended 31 August 2024. If approved, the dividends will be paid on 7 February 2025 to all ordinary shareholders who are on the register of members on 10 January 2025. The shares will be marked ex dividend on 9 January 2025.

Resolutions 3 to 7 – Election/Re-election of Directors

In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors of the Company are required to retire and offer themselves for election/re-election at each AGM. In accordance with this requirement, Ms Royden will offer herself for election and Mr Baird, Ms Bhugtiar, Ms Paisley and Mr Whitley will retire and offer themselves for re-election as Directors. All of the Directors seeking election/re-election are recommended by the Board for election/re-election. Full biographies of all of the Directors are set out on page 23. The Nomination Committee considered the Directors' performance and recommended their election/re-election and the Board agrees that it is in the best interests of shareholders that each of the Directors be elected/re-elected.

Resolutions 8 – Re-appointment and remuneration of Auditor

At each meeting at which the Company's financial statements are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the re-appointment of Johnston Carmichael LLP as Auditor to the Company. The Auditor's re-appointment, and authorisation for the Directors to fix their remuneration will be proposed to the AGM as Resolution 8.

Resolution 9 – Remuneration Report

An advisory resolution to approve the Directors' Remuneration Report (set out in the Annual Report) is included.

Resolution 10 – Five for one share split

Resolution 10, which will be proposed as an ordinary resolution, seeks shareholders' approval to split each existing Ordinary share into five new Ordinary shares and at the same time, the nominal value of each share is reduced from 25 pence per share to 5 pence per share. The total value of a Shareholders' holding in the Company will be unchanged as a result of the share split. Further details on the proposed share split can be found on page 34.

Resolution 11 – Authority to allot ordinary shares

Resolution 11 authorises the Board to allot Ordinary shares generally and unconditionally in accordance with Section 551 of the Companies Act 2006 (the 'Act') up to an aggregate nominal value of £586,382, representing approximately 10 per cent of the issued Ordinary share capital at the date of the Notice, excluding shares held in Treasury. This authority shall expire at the next AGM.

Resolution 12 – Authority to disapply pre-emption rights

Resolution 12 is a special resolution which is being proposed to authorise the Directors to disapply the pre-emption rights of existing Shareholders in relation to issues of Ordinary shares under Resolution 11 (being in respect of Ordinary shares up to an aggregate nominal value of £586,382, representing approximately 10 per cent of the Company's issued Ordinary share capital, excluding Treasury shares, as at the date of the Notice). This authority shall expire at the next AGM. The Directors will only allot new shares pursuant to the authorities proposed to be conferred by Resolutions 11 and 12 if they believe it is advantageous to the Company's shareholders to do so.

Resolution 13 – Purchase of own shares

Resolution 13 is a special resolution which will grant the Company authority to make market purchases of up to 17,579,721 Ordinary shares if Resolution 10 is approved and becomes effective, otherwise 3,515,944, representing 14.99 per cent of the Ordinary shares in issue as at the date of the Notice. The Ordinary shares bought back will either be cancelled or placed into Treasury, at the determination of the Directors. The maximum price which may be paid for each Ordinary share must not be more than the higher of (i) 105 per cent of the average of the market value of an Ordinary shares for the five business days immediately preceding the day on which the purchase is made or (ii) the value of an Ordinary share calculated on the basis of the higher price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for any number of Ordinary shares on the trading venue where the purchase is carried out. The minimum price which may be paid for each Ordinary share is the nominal value of that share. This power will only be exercised if, in the opinion of the Directors, a purchase would result in an increase in the NAV per share and be in the best interests of the shareholders as a whole. The Board's intention is to apply an active discount management policy, and to consider a buyback of shares where the discount of the share price to the NAV per share is greater than 10% for a sustained period of time and is significantly wider than the average for similar trusts. Any such transaction must be value enhancing for shareholders and the Board will take into consideration the effect of the buyback on the liquidity of the Company's shares. This authority shall expire at the next AGM, when a resolution to renew the authority will be proposed.

Resolution 14 – Notice period for general meetings

Resolution 14 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 14 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.

Notice of Annual General Meeting cont'd

Notes

(1) To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at close of business on 27 January 2025 ('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 27 January 2025. Attendance by non-shareholders will be at the discretion of the Company.

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

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

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

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

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

(7) Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.15 pm on 27 January 2025 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

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

(9) 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.

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

(11) As at close of business on 12 November 2024, the Company's issued share capital comprised 31,413,663 ordinary shares of 25p each of which 7,958,397 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 12 November 2024 is 23,455,266.

(12) Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his/her 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.

(13) 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.

(14) 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 Annual Report, including the Auditor's Report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the sender's full name and address and be sent to the Company's registered address at 28 Walker Street, Edinburgh EH3 7HR.

(15) 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.

(16) 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).

(17) 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).

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

Information for Investors

Financial Diary

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

Capital Gains Tax

An individual tax payer is currently entitled to an annual total tax-free gain, presently £3,000 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 can also be found on the London Stock Exchange website by using the Trust's TIDM code 'SST' within the price search facility.

The Internet

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

Data Protection

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

Regulatory Status

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

Further Information

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

Shareholder Enquiries

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

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

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

Comparative Indices

Since 1 September 2021 the Directors have used the Morgan Stanley Capital International All Company Asia ex Japan Small Cap Index as its primary comparator. This Index is made up of companies with a free float-adjusted market capitalisation of between US$18m and US$5,833m. The range does not exactly match that of the Company, which has no lower limit and which invests mainly in companies with a market capitalisation of under US$5,000m at the time of first investment. Nevertheless, it gives a useful indication of the performance of smaller listed companies in Asia over recent years.

For comparison purposes, we are also displaying the Morgan Stanley Capital International AC Asia ex Japan Index to measure the Company's performance, which covers the relevant markets with the exception of Bangladesh, Sri Lanka and Vietnam. This index which is dominated by larger companies has the dual merit of being the most widely recognised regional index and of pre-dating the inception of the Company in March 1995.

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

Company Information

Registered Office
28 Walker Street
Edinburgh EH3 7HR

Company Number
SC156108

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

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

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

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

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

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

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

Corporate Broker (appointed 30 September 2024)
Investec Bank Plc
30 Gresham Street
London EC2V 7QN

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The Association of
Investment Companies

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

The Scottish Oriental
Smaller Companies Trust plc