



The Scottish Oriental  
Smaller Companies Trust plc

# 2016

The **Scottish Oriental** Smaller Companies Trust plc

Interim Report  
and Accounts  
29 February 2016

Contents	Page
Corporate Objective	1
Principal Risks and Uncertainties	1
Going Concern	1
Directors' Responsibility Statement	1
Total Return Performance (Unaudited)	3
Summary Data (Unaudited)	3
Benchmark and Comparative Indices	3
Interim Management Report	4
List of Quoted Equity Investments	6
Ten Largest Equity Holdings	8
Sector Allocation	8
Income Statement	9
Statement of Financial Position	10
Cash Flow Statement	11
Statement of Changes in Equity	12
Changes in Equity Investments	13
Notes to Accounts	14
Information for Investors	16
Company Information	IBC

## Corporate Objective

The investment objective of The Scottish Oriental Smaller Companies Trust plc (“Scottish Oriental”, “the Company” or “the Trust”) is to achieve long-term capital growth by investing in mainly smaller Asian quoted companies with market capitalisations of below US\$1,500m, or the equivalent thereof, at the time of investment. For investment purposes, this includes the Indian sub-continent but excludes Japan and Australasia.

This is an abridged version of Scottish Oriental’s investment policy and objective. A full statement of Scottish Oriental’s investment policy can be found on page 19 of the Annual Report and Accounts for the year ending 31 August 2015 (“the Annual Report and Accounts”).

## Principal Risks and Uncertainties

Given the nature of its investment activities, the principal risks that Scottish Oriental faces from its financial instruments are market risk (comprising interest rate, currency and share price risks) and credit risk. The principal risks and uncertainties have not changed since the publication of the Annual Report and Accounts. A detailed explanation of these risks and how they are managed is set out in Note 15 on pages 47 to 51 of the Annual Report and Accounts. As Scottish Oriental’s assets mainly comprise readily realisable securities, other than in exceptional circumstances there should be no significant liquidity risk. Scottish Oriental’s investment portfolio is exposed to market price fluctuations and currency fluctuations which are monitored by the Investment Manager. Movements in interest rates, to the extent that they affect the fair value of the Company’s fixed rate borrowings, may also affect the amount by which the Company’s share price is at a discount or a premium to the net asset value (assuming that the Company’s share price is unaffected by movements in interest rates). The Company is also exposed to minimal interest rate risk on interest receivable from bank deposits and interest payable on bank overdraft positions.

## Going Concern

After making inquiries, and bearing in mind the nature of the Company’s business and assets, which are considered to be readily realisable if required, the Directors believe that there are no material uncertainties and that the Company has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## Directors’ Responsibility Statement

The Directors are responsible for preparing the half-yearly financial report in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- (a) the condensed set of financial statements within the half-yearly financial report, prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting), gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

- (b) the Interim Management Report includes a fair review of the information required by 4.2.7R of the Financial Conduct Authority's Disclosure and Transparency Rules (important events that have occurred in the first six months of the Company's financial year, together with their effect on the half-yearly financial statements to 29 February 2016 and a description of the principal risks and uncertainties for the remaining six months of the financial year). Rule 4.2.8R requires information on related party transactions. No related party transactions have taken place during the first six months of the financial year that have materially affected the financial position of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Accounts that could do so.

The half-yearly report for the six months to 29 February 2016 comprises the Interim Management Report, the Directors' Responsibility Statement and a condensed set of financial statements and has not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

By order of the Board

James Ferguson  
Chairman

13 April 2016

## Total Return\* Performance (Unaudited)

for the six months to 29 February 2016

Net Asset Value	5.9%	MSCI AC Asia ex Japan Index (£)	3.1%
Share Price	2.0%	MSCI AC Asia ex Japan Small Cap Index (£)	5.4%
		FTSE All-Share Index (£)	-1.2%

\*Total return (capital return with dividends reinvested).

## Summary Data (Unaudited)

at 29 February 2016

Shares in issue	31,139,663	Shareholders' Funds	£259.76m
Net Asset Value per share	834.17p	Market Capitalisation	£225.76m
Share Price	725.00p	Share Price Discount to Net Asset Value	13.1%

## Benchmark and Comparative Indices

Since 2003 the Directors have used the Morgan Stanley Capital International AC Asia ex Japan Index as the Trust's benchmark. This Index, being dominated by larger companies, is far from ideal as a performance measurement tool. It has, however, the dual merit of being the most widely recognised regional index and of pre-dating the inception of the Trust in March 1995.

For comparison purposes, the Trust is also displaying the Morgan Stanley Capital International AC Asia ex Japan Small Cap Index, which covers the relevant markets with the exception of Pakistan and Sri Lanka. This Index is made up of companies with a market capitalisation of between US\$15m and US\$1,884m. The range is not an exact match to that of the Trust, which has no lower limit and which invests mainly in companies with a market capitalisation of under US\$1,500m. Nevertheless, it gives a useful indication of the performance of smaller companies in Asia over recent years.

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

## Interim Management Report

### Investment performance

In the six months ending 29 February 2016, Scottish Oriental's Net Asset Value ("NAV") per share increased by 5.9 per cent in total return terms, while the MSCI AC Asia ex Japan Index recorded a sterling adjusted increase of 3.1 per cent and the MSCI AC Asia ex Japan Small Cap Index a rise of 5.4 per cent on the same basis. The Trust outperformed the FTSE All-Share Index, which fell by 1.2 per cent in total return terms over the six month period.

The Trust's shares traded at a discount ranging from 6.6 per cent to 16.1 per cent during the period and traded at a discount to NAV of 13.1 per cent on 29 February 2016. The Trust bought back 355,000 shares during the six months under review, at an average discount to NAV of 13.8 per cent.

Scottish Oriental has borrowings of £20 million, equivalent to 7.7 per cent of NAV, as of 29 February 2016. The Trust's cash level declined to £31.2 million at the end of the period. Its cash position represented 12.0 per cent of net assets. The Manager will seek to invest this money gradually once suitable long-term investment opportunities have been identified.

### Review

Asian stock markets performed poorly in the six months ending 29 February 2016. However, significant sterling weakness over the period resulted in positive returns for the Trust. Investor sentiment continued to be influenced by the outlook for the global economy, and specifically by monetary policies in China, the West, and Japan. While the US raised interest rates in December, other developed market policymakers continued to ease with negative interest rates an increasingly common phenomenon.

Indonesia registered a strong performance over the period with interest rate cuts and government stimulus boosting sentiment. Malaysia was the next best performing market with its economy performing robustly despite the weakness in hydrocarbon prices and political uncertainty. Both China and India performed poorly. India was the worst performing stock market with earnings growth failing to meet market expectations. China was the second worst performing market with the slowdown in its economy seeing reduced investment activity and significant capital outflows.

Asian smaller companies outperformed their larger counterparts. This was especially notable in China, Malaysia, Singapore and Taiwan.

### Outlook

The outlook for Asian markets remains uncertain. 2015 was a year of disappointing corporate earnings caused by the weak global economy and there seems little evidence that 2016 will be any different. The fact that one argument being made for better prospects in 2016 is that emerging market economies could not possibly perform any worse than they did in 2015 shows that there is not much to be positive about.

Asia remains relatively dependent upon exports for economic growth and export conditions are challenging. Although weaker Asian currencies should help exporters, these companies are all chasing the same customers so the benefit across the region is marginal. And weak currencies do nothing to bolster long-term export competitiveness and hinder the growth of domestic economies. Low interest rates have made borrowing, particularly in US dollars, an apparently attractive proposition and there is a sizeable segment of Asian companies that are vulnerable to interest rate rises.

The Trust continues to have an emphasis on well-managed consumer companies with strong franchises. In the long-run these businesses should continue to grow given Asia's demographics. The Trust has significant exposure to both India and Singapore where some of the best management teams in Asia can be found. Growth is scarce and where it exists valuations are full. Accordingly, the Trust will remain conservatively positioned and continue to look for sustainable franchises at reasonable valuations for the benefit of longer term returns.

### Dividend

A dividend of 11.5p per share was paid on 22 January 2016 for the year ending 31 August 2015 (31 August 2015: 11.5p per share). It is too early to make a forecast of the distribution for the current financial year.

## List of Quoted Equity Investments

as at 29 February 2016

	% of Shareholders' Funds		% of Shareholders' Funds		% of Shareholders' Funds
<b>CHINA (15.7%)</b>		<b>INDIA (22.2%)</b>		<b>INDONESIA (3.5%)</b>	
<b>Consumer Discretionary (6.7%)</b>		<b>Consumer Discretionary (0.5%)</b>		<b>Consumer Discretionary (0.8%)</b>	
Asia Satellite Telecom	0.8	Suprajit Engineering	0.5	Selamat Sempurna	0.8
Luthai Textile	2.3	<b>Consumer Staples (4.8%)</b>		<b>Consumer Staples (0.8%)</b>	
Minth	2.2	Marico	3.0	Hero Supermarket	0.8
Sitoy	0.5	Tata Global Beverages	1.8	<b>Financials (0.9%)</b>	
Trinity	0.9	<b>Financials (2.8%)</b>		Bank OCBC Nisp	0.9
<b>Consumer Staples (1.0%)</b>		Godrej Properties	1.3	<b>Telecommunication Services (1.0%)</b>	
Yashili	1.0	IDFC	0.7	XL Axiata	1.0
<b>Healthcare (3.0%)</b>		Mahindra Lifespace	0.8	<b>MALAYSIA (2.7%)</b>	
Tong Ren Tang	3.0	<b>Healthcare (1.4%)</b>		<b>Consumer Discretionary (1.6%)</b>	
<b>Industrials (0.5%)</b>		Indoco Remedies	1.4	Aeon Company	1.0
Singamas Container	0.5	<b>Industrials (4.9%)</b>		APM Automotive	0.6
<b>Information Technology (1.2%)</b>		Blue Dart Express	1.0	<b>Industrials (1.1%)</b>	
Sunny Optical	1.2	Blue Star	0.9	IJM Corporation	1.1
<b>Materials (1.1%)</b>		Container Corp of India	1.0	<b>PHILIPPINES (2.1%)</b>	
China BlueChemical	1.1	SKF India	0.5	<b>Financials (0.8%)</b>	
<b>Utilities (2.2%)</b>		Tube Investments of India	1.5	China Banking	0.8
Towngas China	2.2	<b>Information Technology (3.6%)</b>		<b>Utilities (1.3%)</b>	
<b>HONG KONG (6.9%)</b>		Blue Star Infotech	0.2	Manila Water Company	1.3
<b>Consumer Discretionary (0.7%)</b>		Hexaware Technologies	1.0		
Tao Heung Holdings	0.7	Mphasis	1.0		
<b>Consumer Staples (1.8%)</b>		Tata Consultancy	1.4		
Vitasoy International	1.8	<b>Materials (4.2%)</b>			
<b>Financials (3.8%)</b>		Godrej Industries	0.9		
Aeon Credit Service	0.5	Kansai Nerolac Paints	2.1		
Keck Seng Investments	0.9	Linde India	1.2		
Public Financial	1.7				
Tai Cheung Holdings	0.7				
<b>Industrials (0.6%)</b>					
Pacific Basin Shipping	0.6				



## List of Quoted Equity Investments – Continued

as at 29 February 2016

	% of Shareholders' Funds		% of Shareholders' Funds		% of Shareholders' Funds	
<b>SINGAPORE (18.2%)</b>		<b>SOUTH KOREA (3.4%)</b>		<b>THAILAND (4.4%)</b>		
<b>Consumer Discretionary (0.5%)</b>		<b>Consumer Discretionary (0.8%)</b>		<b>Consumer Discretionary (1.5%)</b>		
Tan Chong International	0.5	Hana Tour Service	0.8	MC Group	0.6	
<b>Consumer Staples (5.2%)</b>		<b>Consumer Staples (2.6%)</b>		Somboon Advance Technology		
Haw Par	1.3	Amorepacific Group	2.6	0.9		
Petra Foods	2.7	<b>SRI LANKA (2.1%)</b>		<b>Financials (1.2%)</b>		
Sheng Siong Group	1.2	<b>Industrials (1.2%)</b>		Aeon Thana Sinsap		
<b>Energy (0.7%)</b>		Hemas Holdings		1.2	<b>Industrials (1.7%)</b>	
Ezion Holdings	0.7	<b>Telecommunication Services (0.9%)</b>		Delta Electronics		
<b>Financials (2.3%)</b>		Dialog Axiata		0.9		
Bukit Sembawang Estates	1.0	<b>TAIWAN (14.5%)</b>				
Hong Leong Finance	1.3	<b>Consumer Discretionary (3.0%)</b>		Taiwan Familymart		
<b>Healthcare (3.6%)</b>		Taiwan Familymart		3.0		
Eu Yan Sang International	0.6	<b>Consumer Staples (2.9%)</b>		Standard Foods		
Raffles Medical Group	3.0	Standard Foods		2.9		
<b>Industrials (3.9%)</b>		<b>Industrials (1.3%)</b>		Airtac International		
Interplex Holdings	2.4	Airtac International		1.3		
Singapore Post	1.0	<b>Information Technology (7.3%)</b>		Axiomtek		
Tat Hong	0.5	Axiomtek		1.1	Chroma ATE	
<b>Information Technology (0.2%)</b>		Chroma ATE		1.6	GoDEX International	
iFAST	0.2	GoDEX International		0.5	Lumax International	
<b>Telecommunication Services (1.8%)</b>		Lumax International		0.8	Posiflex Technologies	
M1	1.8	Posiflex Technologies		1.4	TSC Auto ID Technology	
		TSC Auto ID Technology		1.2	Wah Lee Industrial	
		Wah Lee Industrial		0.7		

## Ten Largest Equity Holdings

as at 29 February 2016

Company	Country	Market Valuation £'000	% of Shareholders' Funds
Marico	India	7,894	3.0
Tong Ren Tang	China	7,795	3.0
Raffles Medical Group	Singapore	7,733	3.0
Taiwan Familymart	Taiwan	7,707	3.0
Standard Foods	Taiwan	7,463	2.9
Petra Foods	Singapore	6,971	2.7
Amorepacific Group	South Korea	6,649	2.6
Interplex Holdings	Singapore	6,364	2.4
Luthai Textile	China	5,938	2.3
Towngas China	China	5,721	2.2
Total		<u>70,235</u>	<u>27.1</u>

## Sector Allocation

as at 29 February 2016

Sector	% of Shareholders' Funds
Consumer Staples	19.1
Consumer Discretionary	16.1
Industrials	15.2
Information Technology	12.3
Financials	11.8
Healthcare	8.0
Materials	5.3
Telecommunication Services	3.7
Utilities	3.5
Energy	0.7
Net current assets	95.7
Loan	(7.7)
<b>Net Assets</b>	<u>100.0</u>

## Income Statement

for the six months to 29 February 2016

	Six months to 29 February 2016 (unaudited)			Six months to 28 February 2015 (unaudited)		
	Revenue £000	Capital £000	Total* £000	Revenue £000	Capital £000	Total* £000
Gains on investments	–	<b>8,041</b>	<b>8,041</b>	–	8,447	8,447
Income from investments	<b>1,133</b>	–	<b>1,133</b>	1,776	–	1,776
Other income	<b>43</b>	–	<b>43</b>	45	–	45
Investment management fee	<b>(989)</b>	–	<b>(989)</b>	(1,086)	(188)	(1,274)
Currency gains	–	<b>1,102</b>	<b>1,102</b>	–	1,152	1,152
Other administrative expenses	<b>(299)</b>	–	<b>(299)</b>	(347)	–	(347)
<b>Net return before finance costs and taxation</b>	<b>(112)</b>	<b>9,143</b>	<b>9,031</b>	388	9,411	9,799
Finance costs of borrowing	<b>(313)</b>	–	<b>(313)</b>	(313)	–	(313)
<b>Net return on ordinary activities before taxation</b>	<b>(425)</b>	<b>9,143</b>	<b>8,718</b>	75	9,411	9,486
Tax on ordinary activities	<b>(26)</b>	–	<b>(26)</b>	(35)	–	(35)
<b>Net return attributable to equity shareholders</b>	<b>(451)</b>	<b>9,143</b>	<b>8,692</b>	40	9,411	9,451
<b>Net return per ordinary share</b>	<b>(1.43p)</b>	<b>29.02p</b>	<b>27.59p</b>	0.13p	29.74p	29.87p

\* 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.

All revenue and capital items derive from continuing operations.

All of the return for the period is attributable to the owners of the Company.

## Statement of Financial Position

as at 29 February 2016

	At 29 February 2016 £000 (unaudited)	At 31 August 2015 £000 (audited)
EQUITY INVESTMENTS		
China	40,805	37,841
Hong Kong	17,838	21,255
India	57,779	59,322
Indonesia	9,145	8,531
Malaysia	6,888	5,339
Philippines	5,446	3,300
Singapore	47,170	42,895
South Korea	8,899	12,629
Sri Lanka	5,555	9,745
Taiwan	37,580	31,637
Thailand	11,460	10,676
Total equities	<u>248,565</u>	243,170
<b>Net Current Assets</b>	<u>31,192</u>	34,005
<b>Total Assets less Current Liabilities</b>	<u>279,757</u>	277,175
CREDITORS (due after one year)		
Loan	<u>(20,000)</u>	(20,000)
<b>Equity Shareholders' Funds</b>	<u>259,757</u>	257,175
CAPITAL AND RESERVES		
Ordinary share capital	7,853	7,874
Share premium account	34,259	32,940
Capital redemption reserve	58	37
Warrant reserve exercised	—	1,319
Capital reserves	210,967	204,321
Revenue reserve	6,620	10,684
	<u>259,757</u>	257,175
<b>Net asset value per share</b>	<b>834.17p</b>	816.57p

## Cash Flow Statement

for the six months to 29 February 2016

	Note	Six months to 29 February 2016 £000 (unaudited)	Six months to 28 February 2015 £000 (unaudited)
<b>Net cash outflow from operations before dividends, interest, purchases and sales</b>	8	<b>(1,462)</b>	(2,273)
Dividends received from investments		1,857	2,077
Interest received from deposits		43	59
Purchases of investments		<b>(30,954)</b>	(22,333)
Sales of investments		<b>35,490</b>	19,235
Cash from operations		<b>4,974</b>	(3,235)
Taxation		<b>(39)</b>	(48)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>4,935</b>	(3,283)
<b>Financing activities</b>			
Interest paid on borrowings		<b>(318)</b>	(320)
Equity dividend paid		<b>(3,613)</b>	(3,639)
Buyback of ordinary shares		<b>(2,502)</b>	–
<b>Net cash outflow from financing activities</b>		<b>(6,433)</b>	(3,959)
Decrease in cash and cash equivalents		<b>(1,498)</b>	(7,242)
Cash and cash equivalents at the start of the period		<b>31,974</b>	40,656
Effect of currency gains		<b>1,102</b>	1,152
<b>Cash and cash equivalents at the end of the period*</b>		<b>31,578</b>	34,566

\*Cash and cash equivalents represents cash at bank

## Statement of Changes in Equity

for the six months ended 29 February 2016

	Share Capital £000	Share Premium Account £000	Capital Redem- ption Reserve £000	Warrant Reserve Exercised £000	Capital Reserves £000	Revenue Reserve £000	Total £000
Balance at 31 August 2015	7,874	32,940	37	1,319	204,321	10,684	257,175
Return for the period	–	–	–	–	9,143	(451)	8,692
Buyback of ordinary shares	(21)	–	21	–	(2,497)	–	(2,497)
Dividend paid in the period	–	–	–	–	–	(3,613)	(3,613)
Transfer of Warrant Reserve*	–	1,319	–	(1,319)	–	–	–
Balance at 29 February 2016	7,853	34,259	58	–	210,967	6,620	259,757

\* As approved by the Board on 15 December 2015

for the six months ended 28 February 2015

	Share Capital £000	Share Premium Account £000	Capital Redem- ption Reserve £000	Warrant Reserve Exercised £000	Capital Reserves £000	Revenue Reserve £000	Total £000
Balance at 31 August 2014	7,911	32,940	–	1,319	232,257	9,394	283,821
Return for the period	–	–	–	–	9,411	40	9,451
Dividend paid in the period	–	–	–	–	–	(3,639)	(3,639)
Balance at 28 February 2015	7,911	32,940	–	1,319	241,668	5,795	289,633

## Changes in Equity Investments

	Valuation at 31 August 2015 £000	Purchases £000	Sales £000	Appreciation £000	Valuation at 29 February 2016 £000
China	37,841	4,587	(4,886)	3,263	<b>40,805</b>
Hong Kong	21,255	1,442	(2,647)	(2,212)	<b>17,838</b>
India	59,322	22,853	(22,858)	(1,538)	<b>57,779</b>
Indonesia	8,531	1,154	(1,748)	1,208	<b>9,145</b>
Malaysia	5,339	1,673	(715)	591	<b>6,888</b>
Philippines	3,300	1,519	–	627	<b>5,446</b>
Singapore	42,895	2,710	(348)	1,913	<b>47,170</b>
South Korea	12,629	–	(1,446)	(2,284)	<b>8,899</b>
Sri Lanka	9,745	5,429	(3,283)	(6,336)	<b>5,555</b>
Taiwan	31,637	189	(6,130)	11,884	<b>37,580</b>
Thailand	10,676	49	(190)	925	<b>11,460</b>
	<u>243,170</u>	<u>41,605</u>	<u>(44,251)</u>	<u>8,041</u>	<u><b>248,565</b></u>

## Notes to Accounts

- 1 The condensed Financial Statements for the six months to 29 February 2016 comprise the Income Statement, Statement of Financial Position, Cash Flow Statement and Statement of Changes in Equity, together with the notes set out below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 ('New SORP').

The Company has adopted FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' for its financial year ending 31 August 2016, transitioning to this new financial reporting framework on 1 September 2015. Following the adoption of FRS 102 and the New SORP, there have been no changes to the Company's accounting policies and no restatement of the Company's Income Statement, Statement of Financial Position (previously called the Balance Sheet), Cash Flow Statement, or Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders Funds) for periods previously reported.

- 2 The position as at 31 August 2015 on page 10 is an abridged version of that contained in the Annual Report and Accounts, which received an unqualified audit report and which have been filed with the Registrar of Companies. This Interim Report has been prepared under the same accounting policies adopted for the year to 31 August 2015.
- 3 The return per ordinary share figure is based on the net return for the six months of £8,692,000 (six months ended 28 February 2015: net return of £9,451,000) and on 31,506,312 (six months ended 28 February 2015: 31,643,650) ordinary shares, being the weighted average number of ordinary shares in issue during the respective periods.
- 4 At 29 February 2016 there were 31,139,663 ordinary shares in issue (31 August 2015: 31,494,663). During the six months ended 29 February 2016, the Company bought back 355,000 ordinary shares, of which 81,000 were cancelled and 274,000 ordinary shares have been held in Treasury for future re-issue.

- |  | At 29<br>February<br>2016<br>£000 | At 28<br>February<br>2015<br>£000 |
|--|-----------------------------------|-----------------------------------|
| 5 Amounts recognised as distributions in the period:<br>Dividend for the year ending 31 August 2015 of 11.5p<br>(2014 – 11.5p), paid 22 January 2016   | <u>3,613</u>                      | <u>3,639</u>                      |
| 6 Under the terms of the Investment Management Agreement, an annual performance fee may be payable to the Investment Manager at the end of the year. A detailed explanation of the performance fee computation is set out on page 42 of the Annual Report and Accounts. The total fee payable to the Investment Manager is capped at 1.5% per annum of the Company's net assets. |                                   |                                   |

Assuming no change in share price, MSCI AC Asia Free ex Japan Index Total Return and shares in issue between 29 February and 31 August 2016, the estimated performance fee for the year ending 31 August 2016 would amount to £nil. No performance fee has been accrued in the six months to 29 February 2016.



- 7 Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 and FRS 104, the tables below provide an analysis of these investments based on the fair value hierarchy described below. Short term balances are excluded from the tables as their carrying value at the reporting date approximates to their fair value.

The fair value hierarchy used to analyse the fair values of financial assets is described below. The Company has early adopted 'Amendments to FRS102. The Financial Reporting Standard applicable in the UK and Republic of Ireland. Fair Value Hierarchy Disclosures', issued by the Financial Reporting Council in March 2016, for the purpose of this fair value hierarchy disclosure.

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

**Level 1** – Investments with prices quoted in an active market;

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

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

#### Financial Instruments Measured at Fair Value

As at 29 February 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed Equities	248,565	–	–	248,565
Loan	–	(20,000)	–	(20,000)
Total financial instruments	248,565	(20,000)	–	228,565

- 8 Reconciliation of total return on ordinary activities before finance costs and tax to net cash outflow before dividends, interest, purchases and sales

	Six months to 29 February 2016 £000	Six months to 28 February 2015 £000
Net return on activities before finance costs and taxation	9,031	9,799
Net gains on investments	(8,041)	(8,447)
Currency gains	(1,102)	(1,152)
Dividend income	(1,133)	(1,776)
Interest income	(43)	(45)
Decrease in creditors	(174)	(652)
<b>Net cash outflow from operations before dividends, interest, purchases and sales</b>	<b>(1,462)</b>	<b>(2,273)</b>

## Information for Investors

### Financial Diary

The Company's financial year ends on 31 August. The preliminary results are announced in October and the Annual Report and Accounts are published in November. Any dividend payable on the ordinary shares will be paid in January, on shareholdings registered approximately one month before the payment date.

### Capital Gains Tax

An individual tax payer is currently entitled to an annual total tax free gain (£11,100 for tax year 2016/17) 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 is 92.59p per ordinary share and 37.05p per warrant.

### Where to find Scottish Oriental's Share Price

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

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

### The Internet

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

### Regulatory Status

Since Scottish Oriental is an investment trust pursuant to section 1158 of the Corporation Taxes 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 Personal Assets Trust Administration Company Limited at the address on the page opposite, by telephone on +44 (0)131 538 6610 or by fax on +44 (0)131 538 6607.

For registry queries contact Computershare by telephone on +44 (0)870 707 1307.

## Company Information

### Board of Directors

James Ferguson  
Alexandra Mackesy  
Dr Janet Morgan  
Anne West

### Secretary

Steven K Davidson ACIS  
Personal Assets Trust  
Administration Company Limited  
10 St Colme Street  
Edinburgh EH3 6AA

### Registered Office

10 St Colme Street  
Edinburgh EH3 6AA

### Custodian

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

### Auditor

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ

### Company Number

SC 156108

### Investment Manager

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

### Alternative Investment Fund Manager

First State Investments (UK) Limited  
15 Finsbury Circus  
London EC2M 7EB

### Registrar

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

### Depository

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

### Company Website

[www.scottishoriental.com](http://www.scottishoriental.com)

**aic**  
The Association of  
Investment Companies

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



**First State**  
Stewart