



The Scottish Oriental  
Smaller Companies Trust plc

# 2021

The **Scottish Oriental** Smaller Companies Trust plc

Interim Report  
and Accounts  
28 February 2021

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\* Inside front cover

## Comparative Indices

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

For comparison purposes, we are also displaying the Morgan Stanley Capital International AC Asia ex Japan Small Cap Index. This Index is made up of companies with a free float-adjusted market capitalisation of between US\$7m and US\$6,900m. 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.

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.

## 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\$5,000m, or the equivalent thereof, at the time of investment. For investment purposes, this includes Australasia, the Indian sub-continent and Japan.

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 80 of the Annual Report and Accounts\* for the year ending 31 August 2020 (“the Annual Report and Accounts”).

\* The Company’s Annual Report and Accounts for the year ending 31 August 2020 can be found on the Company’s website at [www.scottishoriental.com](http://www.scottishoriental.com)

## Financial Highlights

### Total Return Performance (Unaudited) for the six months to 28 February 2021

Net Asset Value	14.1%	MSCI AC Asia ex Japan Index (£)	18.0%
Share Price	15.4%	MSCI AC Asia ex Japan Small Cap Index (£)	22.5%
		FTSE All-Share Index (£)	12.0%

### Summary Data (Unaudited) at 28 February 2021

Shares in issue	28,156,097	Shareholders’ Funds	£318.79m
Net Asset Value per share	1,132.23p	Market Capitalisation	£274.80m
Share Price	976.00p	Share Price Discount to Net Asset Value	13.8%

## Interim Management Report

### Investment Performance

Over the six months ending 28 February 2021, Scottish Oriental's net asset value ("NAV") per share increased by 14.1 per cent in total return terms, while the MSCI AC Asia ex Japan Index recorded a sterling adjusted increase of 18.0 per cent and the MSCI AC Asia ex Japan Small Cap Index an increase of 22.5 per cent on the same basis. The Company's share price rose by 15.4 per cent in total return terms over the period. The Company's NAV outperformed the FTSE All-Share Index, which rose by 12.0 per cent in total return terms over the six month period.

The biggest contributor to performance was Scottish Oriental's large exposure to Indian companies. The Company also benefited from strong share price performance from its investments in China, Malaysia and Vietnam. The Company was negatively impacted by poor performance from its investments in South Korea, Hong Kong, Pakistan and the Philippines.

The Company's shares traded at a discount ranging from 11.4 per cent to 18.2 per cent, reflecting the volatility in Asian markets and continued investor caution, and stood at a discount to NAV of 13.8 per cent on 28 February 2021.

The Company's cash level was £9.8 million at the end of the period, representing 3.1 per cent of net assets. The impact of Covid-19 on some stocks has offered the opportunity to acquire a number of companies at reasonable valuations resulting in a notably reduced cash balance.

Subsequent to the period end, the Company raised £30m of debt at an interest rate of 2.75% fixed for 20 years. We will seek to invest this money steadily, as we believe the outlook for Asian equities over a 20 year time frame to be very strong.

### Dividend

A dividend of 11.5p per share was paid on 15 January 2021 for the year ending 31 August 2020 (31 August 2019: 11.5p per share). It is too early to make a forecast of the distribution for the current financial year. The Company has never sought to pay high dividends instead focusing on finding growing companies, which tend to have lower yields. We expect that any reduced dividend should be compensated for by higher capital growth from the Company's investments.

### Review

Asian stock markets were strong over the six months ending 28 February 2021. Investor sentiment was positive for most of the period on expectations of a strong recovery from the impact Covid-19 has had on the global economy. Stock markets further benefited from significant fiscal support from policymakers.

South Korea and Taiwan were the best performing major markets over the period, driven by strong performance by their large technology companies which have benefited from increased demand for semiconductor chips over the past year. The Indian market also produced strong returns on evidence of an improving economy. Most other markets rose with only Malaysia and Pakistan producing sterling losses.

Asian smaller companies outperformed their larger counterparts.

13 new positions were initiated. **Beijing Capital International Airport** and property developer **China Overseas Grand Ocean** were purchased on attractive valuations. In India we bought **IIFL Wealth Management** for its leading position in the country's growing wealth management industry; cable manufacturer **Kei Industries** which has many growth opportunities; city gas distributor **Mahanagar Gas** which has seen its franchise solidified by a recent regulatory review; temporary staffing provider **Quess Corp** where a new chief executive has made many positive changes; and engineering company **Thermax** which is seeing demand return after a long fallow period and strong interest from customers

in its clean energy business. In South East Asia we purchased leading nappy and feminine hygiene brand owner **Uni-Charm Indonesia**; **Mr DIY**, Malaysia's leading home improvement store; Singapore's **Credit Bureau Asia** which has a near monopoly on credit reference services in its home market and further growth opportunities in Cambodia and Myanmar; and **TISCO Financial**, a leading auto finance company in Thailand. We also purchased South Korea's **Zinus** an innovator in mattress and furniture retailing and Taiwan's **Parade Technologies** which is benefiting from rising demand for its integrated circuits which facilitate high speed data transmission.

13 positions were sold. Several Indian holdings were sold following strong share price performance being cement companies **ACC Limited** and **Ambuja Cements**; chemicals company **BASF India**; **Great Eastern Shipping**; IT outsourcer **Zensar Technologies**; and **Tata Global Beverages**. Hong Kong's **Nexteer Automotive Group**; Korean technology firm **Leeno Industrial**; and Vietnamese conglomerate **REE Corp** were also sold following strong share price appreciation. We sold city gas distributor **Towngas China**; Chinese online recruitment platform **51jobs**; and Malaysian auto components manufacturer **APM Automotive** on disappointing capital allocation. **Hatton National Bank** was sold as the Sri Lankan economy looks likely to remain depressed.

As a result of this, Scottish Oriental's exposure to China, Indonesia, Taiwan and Singapore rose, whereas exposure to Hong Kong, India and the Philippines fell. At a sector level, exposure to Consumer Discretionary and Financials rose, with Materials falling. Although the number of transactions was high this period, the bulk of this activity was as a result of profit taking with proceeds reinvested in companies which we believe have similar growth potential to those sold but at more reasonable valuations.

## Outlook

The impact that Covid-19 has had on Asia's economies, companies and people has been significant. This impact has been less severe in North Asia where governments have performed better at containing the virus than in South and South East Asia. North Asia's economies are also more export focused with exports proving more resilient than domestic consumption. As Asia's economies open up again we expect consumption to return to normal gradually. One of the key drivers of exports has been fiscal and monetary stimulus in the West. This stimulus should not be sustainable but recent activity by policymakers shows an intent to support economic activity and markets in the short term at almost any cost.

Expectations are for strong growth in corporate earnings in 2021. Looking at Scottish Oriental's portfolio, many of its investments are attractively valued, particularly when based upon measures such as market capitalisation per capita. This is most obvious in Indonesia and the Philippines where sentiment is currently poor and smaller companies have lagged over the last few years. As these economies normalise we expect to see the dominant franchises the Company owns benefit from significantly improved levels of profitability which will in turn be reflected in their share prices. The last year has been tough for many of Scottish Oriental's holdings but we have been impressed at the actions taken by their management teams to rein in costs and adapt business models. As a result we have every confidence in their future prospects, particularly as the crisis has not been as kind to weaker competitors.

In the past year there has been much interest by market participants in the technology and healthcare sectors where growth potential is believed to be the highest, and excess liquidity has led to large sums of money bidding up valuations. Many companies in more traditional sectors with proven business models and high returns on capital have been left behind despite having strong competitive positions and there still being much growth to come. Recently we have seen indications of a broadening in the market rebound to include such proven but less fashionable companies. We have not chased valuations in companies that have rallied the hardest and continue to focus on increasing the quality of the portfolio by identifying companies that are growing, have strong competitive positions, and are already highly profitable. We believe the growth and high returns on capital enjoyed by the companies in Scottish Oriental's portfolio offers a compelling proposition.

## List of Quoted Equity Investments

as at 28 February 2021

	% of Shareholders' Funds		% of Shareholders' Funds		% of Shareholders' Funds
<b>BANGLADESH (1.5%)</b>		<b>INDIA (36.9%)</b>		<b>INDONESIA (16.5%)</b>	
<b>Financials (1.5%)</b>		<b>Consumer Discretionary (6.3%)</b>		<b>Consumer Discretionary (12.0%)</b>	
Delta Brac	1.5	Bosch	1.0	Ace Hardware Indonesia	2.0
<b>CHINA (10.9%)</b>		Mahindra CIE		Astra Otoparts	1.1
<b>Consumer Discretionary (3.1%)</b>		Automotive	2.9	Mitra Adiperkasa	3.3
Hisense Home Appliances	1.6	Qess Corp	1.4	Sarimelati Kencana	2.5
JNBY Design	1.5	Voltas	1.0	Selamat Sempurna	3.1
<b>Consumer Staples (3.8%)</b>		<b>Consumer Staples (7.3%)</b>		<b>Consumer Staples (3.3%)</b>	
Uni-President China	3.8	Colgate-Palmolive India	3.1	Hero Supermarket	1.4
<b>Industrials (1.4%)</b>		Emami	2.6	Uni-Charm Indonesia	1.9
Beijing Capital International Airport	1.4	United Breweries	1.6	<b>Financials (1.2%)</b>	
<b>Materials (2.0%)</b>		<b>Financials (1.6%)</b>		Bank OCBC Nisp	
Zhejiang Weixin New Building Materials	2.0	IIFL Wealth Management	1.6	<b>MALAYSIA (1.0%)</b>	
<b>Real Estate (0.6%)</b>		<b>Healthcare (1.1%)</b>		<b>Consumer Discretionary (1.0%)</b>	
China Overseas		Metropolis Healthcare	1.1	Mr DIY	
Grand Ocean	0.6	<b>Industrials (5.9%)</b>		1.0	
<b>HONG KONG (5.3%)</b>		Blue Star	3.0	<b>PAKISTAN (1.2%)</b>	
<b>Consumer Discretionary (1.5%)</b>		Eicher Motors	0.1	<b>Consumer Discretionary (1.2%)</b>	
Fairwood Holdings	1.5	Kei Industries	0.8	Indus Motor Company	
<b>Consumer Staples (3.8%)</b>		SKF India	1.8	1.2	
Nissin Foods	1.2	Thermax	0.2		
Vitasoy International	2.6	<b>Materials (7.3%)</b>			
		Castrol India	1.1		
		Godrej Industries	3.2		
		HeidelbergCement India	1.6		
		Kansai Nerolac Paints	1.4		
		<b>Real Estate (4.3%)</b>			
		Mahindra Lifespace	2.2		
		Oberoi Realty	2.1		
		<b>Technology (1.8%)</b>			
		Mphasis	1.8		
		<b>Utilities (1.3%)</b>			
		Mahanagar Gas	1.3		

	% of Shareholders' Funds		% of Shareholders' Funds		% of Shareholders' Funds
<b>PHILIPPINES (10.2%)</b>		<b>SOUTH KOREA (2.4%)</b>		<b>THAILAND (1.2%)</b>	
<b>Consumer Discretionary (1.9%)</b>		<b>Consumer Discretionary (1.2%)</b>		<b>Financials (1.2%)</b>	
Max's Group	1.9	Zinus	1.2	TISCO Financial	1.2
<b>Consumer Staples (6.3%)</b>		<b>Financials (1.2%)</b>		<b>VIETNAM (1.7%)</b>	
Century Pacific Food	2.4	NHN KCP	1.2	<b>Technology (1.7%)</b>	
Philippine Seven	2.3	<b>TAIWAN (6.1%)</b>		FPT	1.7
Universal Robina	1.6	<b>Consumer Discretionary (1.3%)</b>			
<b>Industrials (2.0%)</b>		Poya International	1.3		
Concepcion Industrial	2.0	<b>Industrials (1.0%)</b>			
<b>SINGAPORE (2.8%)</b>		Voltronic Power	1.0		
<b>Consumer Staples (1.8%)</b>		<b>Technology (3.8%)</b>			
Haw Par	1.8	Parade Technologies	1.2		
<b>Financials (1.0%)</b>		Sinbon Electronics	2.6		
Credit Bureau Asia	1.0				

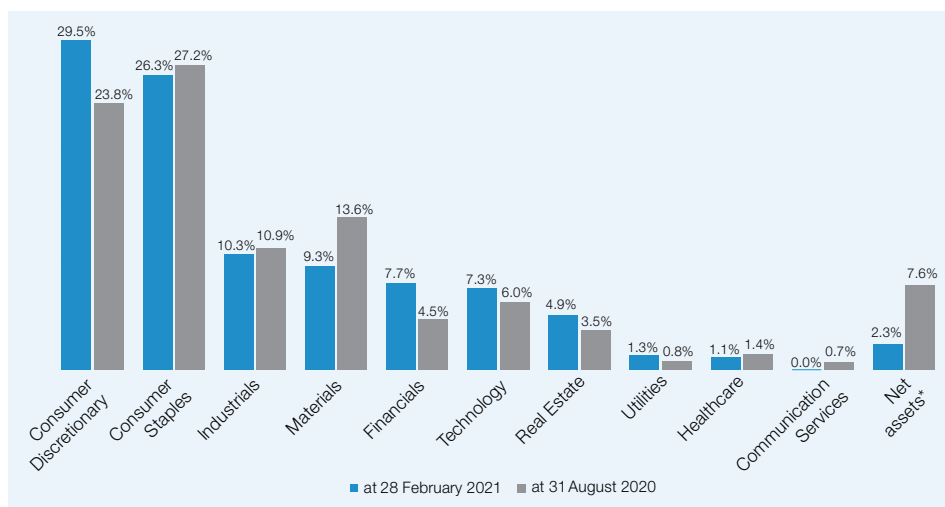
## Ten Largest Equity Holdings

as at 28 February 2021

Company	Country	Sector	Market Valuation £'000	% of Shareholders' Funds
Uni-President China	China	Consumer Staples	12,260	3.8%
Mitra Adiperkasa	Indonesia	Consumer Discretionary	10,669	3.3%
Godrej Industries	India	Materials	10,296	3.2%
Selamat Sempurna	Indonesia	Consumer Discretionary	9,843	3.1%
Colgate-Palmolive India	India	Consumer Staples	9,820	3.1%
Blue Star	India	Industrials	9,706	3.0%
Mahindra CIE Automotive	India	Consumer Discretionary	9,402	2.9%
Sinbon Electronics	Taiwan	Technology	8,234	2.6%
Emami	India	Consumer Staples	8,223	2.6%
Vitasoy International	Hong Kong	Consumer Staples	8,132	2.6%
Total			96,585	30.2%

## Sector Allocation (% of Shareholders' Funds)

as at 28 February 2021



\* Includes non-current liabilities



## Income Statement

for the six months to 28 February 2021

	Six months to 28 February 2021 (unaudited)			Six months to 29 February 2020 (unaudited)		
	Revenue £000	Capital £000	Total* £000	Revenue £000	Capital £000	Total* £000
Gains/(losses) on investments	–	46,158	46,158	–	(24,954)	(24,954)
Income from investments	1,820	–	1,820	1,448	–	1,448
Other income	–	–	–	33	–	33
Investment management fee	(1,158)	–	(1,158)	(1,232)	–	(1,232)
Currency losses	–	(98)	(98)	–	(1,888)	(1,888)
Other administrative expenses	(426)	–	(426)	(416)	–	(416)
<b>Net return on ordinary activities before taxation</b>	<b>236</b>	<b>46,060</b>	<b>46,296</b>	<b>(167)</b>	<b>(26,842)</b>	<b>(27,009)</b>
Tax on ordinary activities (note 3)	(273)	(3,770)	(4,043)	(77)	(256)	(333)
<b>Net return attributable to equity shareholders</b>	<b>(37)</b>	<b>42,290</b>	<b>42,253</b>	<b>(244)</b>	<b>(27,098)</b>	<b>(27,342)</b>
<b>Net return per ordinary share</b>	<b>(0.13p)</b>	<b>147.56p</b>	<b>147.43p</b>	<b>(0.82p)</b>	<b>(90.71p)</b>	<b>(91.53p)</b>

\* 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. This statement is, therefore, the single statement of comprehensive income of the Company.

All revenue and capital items derive from continuing operations.

## Statement of Financial Position

as at 28 February 2021

	At 28 February 2021 £000 (unaudited)	At 31 August 2020 £000 (audited)
<b>FIXED ASSETS – EQUITY INVESTMENTS</b>		
Bangladesh	4,732	4,952
China	34,744	21,950
Hong Kong	17,002	22,349
India	117,410	113,874
Indonesia	52,910	36,558
Malaysia	3,209	127
Pakistan	3,821	3,317
Philippines	32,460	36,190
Singapore	9,128	3,369
South Korea	7,579	4,422
Sri Lanka	–	1,615
Taiwan	19,337	11,367
Thailand	3,841	–
Vietnam	5,368	7,236
<b>Total Equities</b>	<b>311,541</b>	<b>267,326</b>
<b>Net Current Assets</b>	<b>9,572</b>	<b>22,122</b>
<b>Non-Current Liabilities (note 3)</b>	<b>(2,320)</b>	<b>–</b>
<b>Total Assets less Liabilities</b>	<b>318,793</b>	<b>289,448</b>
<b>CAPITAL AND RESERVES</b>		
Ordinary share capital	7,853	7,853
Share premium account	34,259	34,259
Capital redemption reserve	58	58
Capital reserves	272,800	240,134
Revenue reserve	3,823	7,144
<b>Equity Shareholders' Funds</b>	<b>318,793</b>	<b>289,448</b>
<b>Net asset value per share</b>	<b>1,132.23p</b>	<b>992.14p</b>

## Cash Flow Statement

for the six months to 28 February 2021

	Note	Six months to 28 February 2021 £000 (unaudited)	Six months to 29 February 2020 £000 (unaudited)
<b>Net cash outflow from operations before dividends, interest, purchases and sales of investments</b>	9	(1,589)	(1,691)
Dividends received from investments		1,900	1,777
Interest received from deposits		–	33
Purchases of investments		(83,169)	(72,415)
Sales of investments		85,028	58,408
		<hr/>	<hr/>
Cash inflow/(outflow) from operations		2,170	(13,888)
Taxation		(1,733)	(345)
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>		437	(14,233)
<b>Financing activities</b>			
Equity dividend paid		(3,284)	(3,435)
Buyback of ordinary shares		(9,720)	–
		<hr/>	<hr/>
<b>Net cash outflow from financing activities</b>		(13,004)	(3,435)
Decrease in cash and cash equivalents		(12,567)	(17,668)
Cash and cash equivalents at the start of the period		22,459	40,949
Effect of currency losses		(98)	(1,888)
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period*</b>		9,794	21,393

\*Cash and cash equivalents represents cash at bank

## Statement of Changes in Equity

for the six months ended 28 February 2021

	Share Capital £000	Share Premium Account £000	Capital Redem- ption Reserve £000	Capital Reserves £000	Revenue Reserve £000	Total £000
Balance at 31 August 2020	7,853	34,259	58	240,134	7,144	289,448
<b>Total comprehensive income:</b>						
Return for the period	-	-	-	42,290	(37)	42,253
<b>Transactions with owners recognised directly in equity:</b>						
Dividend paid in the period	-	-	-	-	(3,284)	(3,284)
Buyback of Ordinary shares	-	-	-	(9,624)	-	(9,624)
<b>Balance at 28 February 2021</b>	<b>7,853</b>	<b>34,259</b>	<b>58</b>	<b>272,800</b>	<b>3,823</b>	<b>318,793</b>

for the six months ended 29 February 2020

	Share Capital £000	Share Premium Account £000	Capital Redem- ption Reserve £000	Capital Reserves £000	Revenue Reserve £000	Total £000
Balance at 31 August 2019	7,853	34,259	58	295,754	8,140	346,064
<b>Total comprehensive income:</b>						
Return for the period	-	-	-	(27,098)	(244)	(27,342)
<b>Transactions with owners recognised directly in equity:</b>						
Dividend paid in the period	-	-	-	-	(3,435)	(3,435)
<b>Balance at 29 February 2020</b>	<b>7,853</b>	<b>34,259</b>	<b>58</b>	<b>268,656</b>	<b>4,461</b>	<b>315,287</b>

## Changes in Equity Investments

	Valuation at 31 August 2020 £000	Purchases £000	Sales £000	Appreciation/ (depreciation) £000	Valuation at 28 February 2021 £000
Bangladesh	4,952	–	–	(220)	4,732
China	21,950	13,586	(8,055)	7,263	34,744
Hong Kong	22,349	3,825	(8,054)	(1,118)	17,002
India	113,874	26,054	(47,682)	25,164	117,410
Indonesia	36,558	13,235	(793)	3,910	52,910
Malaysia	127	3,302	(3,882)	3,662	3,209
Pakistan	3,317	1,326	(221)	(601)	3,821
Philippines	36,190	–	(3,449)	(281)	32,460
Singapore	3,369	4,338	–	1,421	9,128
South Korea	4,422	7,199	(1,798)	(2,244)	7,579
Sri Lanka	1,615	–	(1,724)	109	–
Taiwan	11,367	4,871	–	3,099	19,337
Thailand	–	2,903	–	938	3,841
Vietnam	7,236	149	(5,623)	3,606	5,368
	<u>267,326</u>	<u>80,788</u>	<u>(81,281)</u>	<u>44,708</u>	<u>311,541</u>

## Notes to Accounts

- The condensed Financial Statements for the six months to 28 February 2021 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', UK Generally Accepted Accounting Principles ("UK GAAP") and the AIC's Statement of Recommended Practice issued in October 2019.
- The position as at 31 August 2020 on page 8 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 2020.
- On 1 April 2018, the Indian Government withdrew an exemption from capital gains tax on investments held for 12 months or longer. Indian capital gains tax is now charged on sales of investments at 15% where the investment has been held for less than 12 months, this is reduced to 10% if the investment has been held for longer than 12 months.

The Company has incurred £1,450,000 of capital gains tax on the sale of investments in the six months to 28 February 2021 (six months to 29 February 2020: £256,000).

The Company has recognised a deferred tax liability of £2,320,000 (31 August 2020: £nil) on capital gains which may arise if Indian investments are sold.

- The return per ordinary share figure is based on the net return for the six months ended 28 February 2021 of £42,253,000 (six months ended 29 February 2020: net loss of £27,342,000) and on 28,659,615 (six months ended 29 February 2020: 29,873,784) ordinary shares, being the weighted average number of ordinary shares in issue during the respective periods.
- At 28 February 2021 there were 28,156,097 ordinary shares in issue and 3,257,566 ordinary shares held in Treasury (31 August 2020: 29,174,030 in issue and 2,239,633 held in Treasury). During the six months ended 28 February 2021, the Company bought back 1,017,933 ordinary shares (year to 31 August 2020; the Company bought back 699,754 ordinary shares).
- Amounts recognised as distributions in the period:

	At 28 February 2021 £000	At 29 February 2020 £000
Dividend for the year ending 31 August 2020 of 11.5p (2019 – 11.5p), paid 15 January 2021	<u>3,284</u>	<u>3,435</u>

- 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 63 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 ex Japan Index Total Return and shares in issue between 28 February 2021 and 31 August 2021, the estimated performance fee for the year ending 31 August 2020 would amount to £nil. No performance fee has been accrued in the six months to 28 February 2021.

- 8 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, 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 to their fair value.

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

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

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

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

All of the Company's investments were categorised as Level 1 for the six month period to 28 February 2021.

- 9 Reconciliation of total return on ordinary activities before taxation to net cash outflow before dividends, interest, purchases and sales

	Six months to 28 February 2021 £000	Six months to 29 February 2020 £000
Net return on activities before taxation	46,296	(27,009)
Net (gains)/losses on investments	(46,158)	24,954
Currency losses	98	1,888
Dividend income	(1,820)	(1,448)
Interest income	–	(33)
Decrease in creditors	(1)	(31)
Increase in debtors	(4)	(12)
<b>Net cash outflow from operations before dividends, interest, purchases and sales of investments</b>	<b>(1,589)</b>	<b>(1,691)</b>

- 10 On 23 March 2021 the Company agreed to issue £30 million of long-term, fixed rate, senior, unsecured privately placed notes providing the Company with long-term financing.

The new privately placed notes are being issued in one tranche: £30 million with a fixed coupon of 2.75% to be repaid 24 March 2041. The coupon will be payable semi-annually. The funding date was 24 March 2021.

## Principal Risks and Uncertainties

The principal and emerging risks faced by the Company are; investment objective and strategy, investment performance, financial and economic, operational and regulatory. These risks have not changed since the publication of the Annual Report and Accounts. The principal and emerging risks and uncertainties facing the Company, together with a summary of the mitigating action the Board takes to manage these risks, are set on pages 28 and 29 of the Annual Report and Accounts. Scottish Oriental's assets mainly comprise listed equities though the significant market volatility resulting from the outbreak of Covid-19 may impact liquidity in the underlying portfolio. The Investment Manager monitors portfolio liquidity and manages this to ensure the Company maintains sufficient levels of liquidity to operate effectively. Scottish Oriental's investment portfolio is exposed to market price fluctuations and currency fluctuations which are monitored by the Investment Manager. 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, the Directors believe that the Company has adequate resources to continue operating for at least twelve months from the date of approval of the condensed financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## 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 Guidance 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 28 February 2021 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 28 February 2021 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

12 April 2021



## Information for Investors

### Financial Diary

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

### Capital Gains Tax

An individual tax payer is currently entitled to an annual total tax free gain of £12,300 (2021/22 tax year) 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

The share price can be found on the London Stock Exchange website by using the Company'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 Company'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).

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

### Regulatory Status

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

### Further Information

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

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

## Company Information

### Board of Directors

James Ferguson  
Andrew Baird  
Michelle Paisley  
Anne West  
Jeremy Whitley

### Secretary

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28 Walker Street  
Edinburgh EH3 7HR  
Email: cosec@patplc.co.uk  
Tel: +44 (0)131 378 0500

### Registered Office

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Edinburgh EH3 7HR

### Custodian

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

### Auditor

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

### Company Number

SC 156108

### Investment Manager

First Sentier Investors (UK) Funds 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 Sentier Investors (UK) Funds 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)



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

