



The Scottish Oriental
Smaller Companies Trust plc

2019

The **Scottish Oriental** Smaller Companies Trust plc

Interim Report
and Accounts
28 February 2019

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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 market capitalisation of between US\$45m and US\$2,597m. The range does not exactly match that of the Company, which has no lower limit and which invests mainly in companies with a market capitalisation of under US\$3,000m at the time of first investment. Nevertheless, it gives a useful indication of the performance of smaller companies in Asia over recent years.

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

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\$3,000m, 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, which was amended following shareholder approval at the Annual General Meeting on 18 December 2018. A full statement of Scottish Oriental’s amended investment policy can be found on page 66 of the Annual Report and Accounts* for the year ending 31 August 2018 (“the Annual Report and Accounts”).

* The Company’s Annual Report and Accounts for the year ending 31 August 2018 can be found on the Company’s website at www.scottishoriental.com

Financial Highlights

Total Return Performance (Unaudited) for the six months to 28 February 2019

| | | | |
|--|--------|---|--------|
| Net Asset Value (capital return with dividends reinvested) | (3.8)% | MSCI AC Asia ex Japan Index (£) | (3.5)% |
| Share Price | (3.7)% | MSCI AC Asia ex Japan Small Cap Index (£) | (8.6)% |
| | | FTSE All-Share Index (£) | (3.7)% |

Summary Data (Unaudited) at 28 February 2019

| | | | |
|---------------------------|------------|---|----------|
| Shares in issue | 29,873,784 | Shareholders’ Funds | £325.77m |
| Net Asset Value per share | 1,090.49p | Market Capitalisation | £289.78m |
| Share Price | 970.00p | Share Price Discount to Net Asset Value | 11.1% |

Interim Management Report

Investment performance

Over the six months ending 28 February 2019, Scottish Oriental's net asset value ("NAV") per share decreased by 3.8 per cent in total return terms, while the MSCI AC Asia ex Japan Index recorded a sterling adjusted decrease of 3.5 per cent and the MSCI AC Asia ex Japan Small Cap Index a decrease of 8.6 per cent on the same basis. The Company's share price fell by 3.7 per cent in total return terms over the period. The Company performed in line with the FTSE All-Share Index, which fell by 3.7 per cent in total return terms over the six month period.

The biggest detractor from investment performance was Scottish Oriental's large exposure to Indian companies. Poor returns from the Company's investments in the Philippines and Sri Lanka also hurt performance. Scottish Oriental benefited from its holdings in Hong Kong and Indonesia.

The Company's shares traded at a discount ranging from 8.1 per cent to 16.5 per cent during the period, reflecting the volatility in Asian markets and continued investor caution, and stood at a discount to NAV of 11.1 per cent on 28 February 2019.

The Company's cash level was £23.8 million at the end of the period, representing 7.3 per cent of net assets. We will seek to invest this money gradually once suitable long term investment opportunities have been identified.

Dividend

A dividend of 11.5p per share was paid on 18 January 2019 for the year ending 31 August 2018 (31 August 2017: 11.5p per share). It is too early to make a forecast of the distribution for the current financial year.

Review

Asian stock markets fell over the six months ending 28 February 2019. Investor sentiment was initially negative caused by US-China trade tensions, rising interest rates, a strong US dollar and evidence of weakening growth in China. However, as the period progressed, concerns eased as both the US and China became more conciliatory, a number of central banks adopted more dovish stances and China announced supportive economic and monetary policies.

The Pakistani stock market performed worst over the period reflecting the country's ongoing economic issues. The Indian stock market was weak with a liquidity crisis amongst some of its non-banking financial corporations impacting market sentiment. Taiwan also fell sharply with its large technology sector hurt by a lack of demand for smartphones. South East Asian stock markets outperformed with the Indonesian market the strongest. The Hong Kong market also rose albeit driven by its large capitalisation financial sector.

Asian smaller companies underperformed their larger counterparts. Returns were considerably worse for smaller companies in Hong Kong, India, Indonesia and Sri Lanka.

During the period the number of portfolio holdings increased from 57 to 59 stocks. Diagnostic and testing service provider **Dr Lal Pathlabs** and industrial gas producer **Linde India** were sold because of high valuations. Cement producer **Lafarge Malaysia**, utility **Manila Water**, cosmetics company **AmorePacific Group** and courier company **Blue Dart Express** were sold as earnings prospects deteriorated.

Eight new positions were initiated. Market weakness allowed us to buy apparel brands **JNBY Design** and **Li Ning** in China and **Great Eastern Shipping** in India. India's **PVR**, an operator of multiplex cinemas, and consumer goods company **Colgate-Palmolive** and Pizza Hut franchisee **Sarimelati Kencana** of Indonesia should benefit from continued consumption growth in these countries. **Zensar Technologies** has many of the characteristics that we saw in **Mphasis**, a fellow information technology outsourcing company, when we originally purchased it. **Oberoi Realty** is in a strong position to benefit from the increased regulation in India's real estate sector.

As a result of this, Scottish Oriental's exposure to China rose and Malaysia, South Korea and Taiwan fell. The Company's Indian weighting fell despite funds being deployed into this market. At the sector level, exposure to Consumer Discretionary, Information Technology and Real Estate rose whereas Consumer Staples, Healthcare and Materials fell. However, the changes made to the Company's portfolio were not significant overall as we are happy with its focus on companies which, we believe, have the potential to deliver multi-year growth and emerge as winners in their respective industries.

Outlook

The last six months have echoed other recent periods for Asian stock markets – a sell-off caused by concerns about falling growth and rising interest rates has been mitigated by governments and central bankers making soothing noises. What did become apparent throughout 2018 is that normalisation of interest rates and withdrawal of the excess liquidity that was injected into the system by the world's central bankers over the last decade will not be straightforward. We believe that the current economic climate offers a backdrop of considerable risk for investors and increasingly less flexibility for policymakers. Interest rates are probably too low and the levels of liquidity remaining from printing money are too high.

We try to avoid cyclical companies when investing apart from taking advantage, in moderation, of weakness in quality cyclical stocks when markets do turn. Therefore, Scottish Oriental's portfolio remains heavily tilted towards the domestically focused stock markets of India, Indonesia and the Philippines. The companies Scottish Oriental owns in these markets are more expensive than we would prefer but we can, at least, see long term prospects for growth. Some of our favourite companies could be much larger holdings for Scottish Oriental but not at current valuations. We will remain patient in investing the Company's cash balance.

In conclusion, we are nervous about economies and stock markets, but are optimistic about the long term prospects for the Company's portfolio holdings. Scottish Oriental's companies are growing, and we believe that they will become larger businesses in the years to come.

Audit Committee

The Company announced on 16 January 2019 that Jeremy Whitley had been appointed as Chairman of the Audit Committee.

List of Quoted Equity Investments

as at 28 February 2019

| | % of Shareholders' Funds | | % of Shareholders' Funds | | % of Shareholders' Funds |
|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| BANGLADESH (1.9%) | | INDIA (27.7%) | | INDONESIA (9.6%) | |
| Financials (1.9%) | | Consumer Discretionary (4.4%) | | Consumer Discretionary (7.0%) | |
| Delta Brac | 1.9 | Mahindra CIE | | Astra Otoparts | 2.1 |
| CHINA (9.5%) | | Automotive | 2.0 | Mitra Adiperkasa | 1.9 |
| Consumer Discretionary (3.8%) | | PVR | 0.1 | Sarimelati Kencana | 0.2 |
| JNBY Design | 2.6 | Shopper's Stop | 1.4 | Selamat Sempurna | 2.8 |
| Li Ning | 0.6 | SP Apparels | 0.3 | Consumer Staples (1.1%) | |
| Minth | 0.6 | Suprajit Engineering | 0.6 | Hero Supermarket | 1.1 |
| Consumer Staples (1.4%) | | Consumer Staples (3.2%) | | Financials (1.5%) | |
| Uni-President China | 1.4 | Colgate-Palmolive India | 1.0 | Bank OCBC NISP | 1.5 |
| Healthcare (1.2%) | | Jyothy Laboratories | 2.2 | MALAYSIA (1.1%) | |
| Tong Ren Tang | 1.2 | Financials (1.0%) | | Consumer Discretionary (1.1%) | |
| Utilities (3.1%) | | Federal Bank | 1.0 | APM Automotive | |
| Towngas China | 3.1 | Healthcare (1.6%) | | 1.1 | |
| HONG KONG (5.9%) | | Healthcare Global Enterprises | 1.6 | PAKISTAN (1.7%) | |
| Consumer Discretionary (2.1%) | | Industrials (6.8%) | | Consumer Discretionary (1.7%) | |
| Fairwood Holdings | 2.1 | Blue Star | 3.0 | Indus Motor Company | |
| Consumer Staples (3.1%) | | Great Eastern Shipping | 0.2 | 0.9 | |
| Vitasoy International | 3.1 | SKF India | 3.6 | Pak Suzuki Motor | |
| Industrials (0.7%) | | Information Technology (3.1%) | | 0.8 | |
| Kwoon Chung Bus Holding | 0.7 | Mphasis | 2.1 | PHILIPPINES (9.4%) | |
| | | Zensar Technologies | 1.0 | Consumer Discretionary (1.2%) | |
| | | Materials (3.1%) | | Max's Group | |
| | | Godrej Industries | 1.5 | 1.2 | |
| | | HeidelbergCement India | 1.6 | Consumer Staples (1.5%) | |
| | | Real Estate (2.7%) | | Century Pacific Food | |
| | | Mahindra Lifespace | 1.9 | 1.5 | |
| | | Oberoi Realty | 0.8 | Financials (1.9%) | |
| | | Utilities (1.8%) | | China Banking | |
| | | Gujarat Gas | 1.8 | 1.9 | |
| | | | | Industrials (3.8%) | |
| | | | | Concepcion Industrial | |
| | | | | 3.8 | |
| | | | | Materials (1.0%) | |
| | | | | Cemex Holdings | |
| | | | | 1.0 | |

List of Quoted Equity Investments – Continued

as at 28 February 2019

| | % of Shareholders' Funds | | % of Shareholders' Funds | | % of Shareholders' Funds |
|--|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| SINGAPORE (5.8%) | | TAIWAN (10.3%) | | THAILAND (2.9%) | |
| Consumer Staples (3.1%) | | Consumer Discretionary (2.4%) | | Industrials (2.9%) | |
| Haw Par | 3.1 | Nien Made Enterprise | 1.0 | Delta Electronics | 2.9 |
| Healthcare (2.7%) | | Taiwan Familymart | 1.4 | VIETNAM (1.9%) | |
| Raffles Medical Group | 2.7 | Industrials (1.4%) | | Industrials (1.1%) | |
| SOUTH KOREA (1.0%) | | Voltronic Power | 1.4 | REE Corp | 1.1 |
| Healthcare (1.0%) | | Information Technology (6.5%) | | Information Technology (0.8%) | |
| Vieworks | 1.0 | Silergy | 1.5 | FPT | 0.8 |
| SRI LANKA (3.7%) | | Sinbon Electronics | 3.0 | | |
| Financials (1.2%) | | Wistron NeWeb | 2.0 | | |
| Hatton National Bank | 1.2 | | | | |
| Industrials (1.5%) | | | | | |
| Hemas Holdings | 0.2 | | | | |
| John Keells Holdings | 1.3 | | | | |
| Telecommunication Services (1.0%) | | | | | |
| Dialog Axiata | 1.0 | | | | |

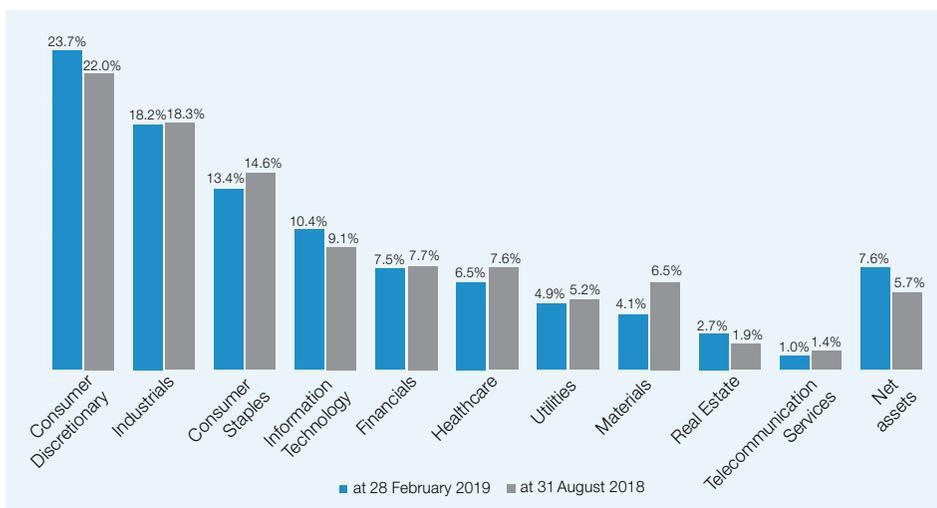
Ten Largest Equity Holdings

as at 28 February 2019

| Company | Country | Sector | Market Valuation £'000 | % of Shareholders' Funds |
|-----------------------|-------------|------------------------|---------------------------|--------------------------|
| Concepcion Industrial | Philippines | Industrials | 12,380 | 3.8 |
| SKF India | India | Industrials | 11,817 | 3.6 |
| Towngas China | China | Utilities | 10,171 | 3.1 |
| Haw Par | Singapore | Consumer Staples | 9,971 | 3.1 |
| Vitasoy International | Hong Kong | Consumer Staples | 9,968 | 3.1 |
| Blue Star | India | Industrials | 9,854 | 3.0 |
| Sinbon Electronics | Taiwan | Information Technology | 9,818 | 3.0 |
| Delta Electronics | Thailand | Industrials | 9,578 | 2.9 |
| Selamat Sempurna | Indonesia | Consumer Discretionary | 9,007 | 2.8 |
| Raffles Medical Group | Singapore | Healthcare | 9,005 | 2.7 |
| Total | | | 101,569 | 31.1 |

Sector Allocation (% of Shareholders' Funds)

as at 28 February 2019



Income Statement

for the six months to 28 February 2019

| | Six months to 28 February 2019 (unaudited) | | | Six months to 28 February 2018 (unaudited) | | |
|--|--|-----------------|-----------------|--|-----------------|-----------------|
| | Revenue £000 | Capital £000 | Total* £000 | Revenue £000 | Capital £000 | Total* £000 |
| Losses on investments | – | (15,317) | (15,317) | – | (8,076) | (8,076) |
| Income from investments | 1,454 | – | 1,454 | 1,740 | – | 1,740 |
| Other income | 33 | – | 33 | 10 | – | 10 |
| Investment management fee | (1,231) | – | (1,231) | (1,375) | – | (1,375) |
| Currency losses | – | (659) | (659) | – | (1,497) | (1,497) |
| Other administrative expenses | (376) | – | (376) | (490) | – | (490) |
| Net return on ordinary activities before taxation | (120) | (15,976) | (16,096) | (115) | (9,573) | (9,688) |
| Tax on ordinary activities | (59) | (39) | (98) | (121) | (758) | (879) |
| Net return attributable to equity shareholders | (179) | (16,015) | (16,194) | (236) | (10,331) | (10,567) |
| Net return per ordinary share | (0.60p) | (53.61p) | (54.21p) | (0.76p) | (33.38p) | (34.14p) |

* 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.

Statement of Financial Position

as at 28 February 2019

| | At 28 February 2019 £000 (unaudited) | At 31 August 2018 £000 (audited) |
|--|--|--|
| FIXED ASSETS – EQUITY INVESTMENTS | | |
| Bangladesh | 6,274 | 6,003 |
| China | 31,004 | 29,892 |
| Hong Kong | 19,371 | 20,752 |
| India | 90,208 | 100,283 |
| Indonesia | 31,237 | 26,268 |
| Malaysia | 3,505 | 7,138 |
| Pakistan | 5,511 | 5,811 |
| Philippines | 30,537 | 32,032 |
| Singapore | 18,976 | 19,371 |
| South Korea | 3,114 | 6,619 |
| Sri Lanka | 12,130 | 14,915 |
| Taiwan | 33,469 | 41,064 |
| Thailand | 9,578 | 9,083 |
| Vietnam | 6,080 | 6,497 |
| Total Equities | 300,994 | 325,728 |
| Net Current Assets | 24,777 | 19,672 |
| Total Assets less Current Liabilities | 325,771 | 345,400 |
| CAPITAL AND RESERVES | | |
| Ordinary share capital | 7,853 | 7,853 |
| Share premium account | 34,259 | 34,259 |
| Capital redemption reserve | 58 | 58 |
| Capital reserves | 279,374 | 295,389 |
| Revenue reserve | 4,227 | 7,841 |
| Equity Shareholders' Funds | 325,771 | 345,400 |
| Net asset value per share | 1,090.49p | 1,156.20p |

Cash Flow Statement

for the six months to 28 February 2019

| | Note | Six months to 28 February 2019 £000 (unaudited) | Six months to 28 February 2018 £000 (unaudited) |
|---|------|---|---|
| Net cash outflow from operations before dividends, interest, purchases and sales | 8 | (1,743) | (1,810) |
| Dividends received from investments | | 1,758 | 2,156 |
| Interest received from deposits | | 33 | 10 |
| Purchases of investments | | (39,962) | (75,320) |
| Sales of investments | | 48,914 | 80,093 |
| | | <hr/> | <hr/> |
| Cash from operations | | 9,000 | 5,129 |
| Taxation | | (134) | (892) |
| | | <hr/> | <hr/> |
| Net cash inflow from operating activities | | 8,866 | 4,237 |
| Financing activities | | | |
| Equity dividend paid | | (3,435) | (3,559) |
| Buyback of ordinary shares | | (1) | (123) |
| | | <hr/> | <hr/> |
| Net cash outflow from financing activities | | (3,436) | (3,682) |
| Increase in cash and cash equivalents | | 5,430 | 555 |
| Cash and cash equivalents at the start of the period | | 19,046 | 32,816 |
| Effect of currency losses | | (659) | (1,497) |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period* | | 23,817 | 31,874 |

*Cash and cash equivalents represents cash at bank

Statement of Changes in Equity

for the six months ended 28 February 2019

| | Share Capital £000 | Share Premium Account £000 | Capital Redem- ption Reserve £000 | Capital Reserves £000 | Revenue Reserve £000 | Total £000 |
|--|--------------------------|-------------------------------------|---|-----------------------------|----------------------------|----------------|
| Balance at 31 August 2018 | 7,853 | 34,259 | 58 | 295,389 | 7,841 | 345,400 |
| Total comprehensive income: | | | | | | |
| Return for the period | – | – | – | (16,015) | (179) | (16,194) |
| Transactions with owners recognised directly in equity: | | | | | | |
| Dividend paid in the period | – | – | – | – | (3,435) | (3,435) |
| Balance at 28 February 2019 | 7,853 | 34,259 | 58 | 279,374 | 4,227 | 325,771 |

for the six months ended 28 February 2018

| | Share Capital £000 | Share Premium Account £000 | Capital Redem- ption Reserve £000 | Capital Reserves £000 | Revenue Reserve £000 | Total £000 |
|--|--------------------------|-------------------------------------|---|-----------------------------|----------------------------|----------------|
| Balance at 31 August 2017 | 7,853 | 34,259 | 58 | 318,511 | 8,575 | 369,256 |
| Total comprehensive income: | | | | | | |
| Return for the period | – | – | – | (10,331) | (236) | (10,567) |
| Transactions with owners recognised directly in equity: | | | | | | |
| Buyback of ordinary shares | – | – | – | (123) | – | (123) |
| Dividend paid in the period | – | – | – | – | (3,559) | (3,559) |
| Balance at 28 February 2018 | 7,853 | 34,259 | 58 | 308,057 | 4,780 | 355,007 |

Changes in Equity Investments

| | Valuation at 31 August 2018 £000 | Purchases £000 | Sales £000 | Appreciation/ (depreciation) £000 | Valuation at 28 February 2019 £000 |
|-------------|---|-------------------|-----------------|---|---|
| Bangladesh | 6,003 | – | – | 271 | 6,274 |
| China | 29,892 | 10,768 | (8,526) | (1,130) | 31,004 |
| Hong Kong | 20,752 | 834 | (5,012) | 2,797 | 19,371 |
| India | 100,283 | 18,313 | (15,054) | (13,334) | 90,208 |
| Indonesia | 26,268 | 1,333 | – | 3,636 | 31,237 |
| Malaysia | 7,138 | – | (2,892) | (741) | 3,505 |
| Pakistan | 5,811 | 1,832 | (510) | (1,622) | 5,511 |
| Philippines | 32,032 | 4,520 | (3,457) | (2,558) | 30,537 |
| Singapore | 19,371 | – | – | (395) | 18,976 |
| South Korea | 6,619 | – | (2,199) | (1,306) | 3,114 |
| Sri Lanka | 14,915 | 1,329 | (1,324) | (2,790) | 12,130 |
| Taiwan | 41,064 | 1,167 | (10,539) | 1,777 | 33,469 |
| Thailand | 9,083 | – | – | 495 | 9,578 |
| Vietnam | 6,497 | – | – | (417) | 6,080 |
| | <u>325,728</u> | <u>40,096</u> | <u>(49,513)</u> | <u>(15,317)</u> | <u>300,994</u> |

Notes to Accounts

- The condensed Financial Statements for the six months to 28 February 2019 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 AICs Statement of Recommended Practice issued in November 2014 and updated in February 2018 with consequential amendments.
- The position as at 31 August 2018 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 2018.
- The return per ordinary share figure is based on the net loss for the six months ended 28 February 2019 of £16,194,000 (six months ended 28 February 2018: net loss of £10,567,000) and on 29,873,784 (six months ended 28 February 2018: 30,954,196) ordinary shares, being the weighted average number of ordinary shares in issue during the respective periods.
- At 28 February 2019 there were 29,873,784 ordinary shares in issue and 1,539,879 ordinary shares held in Treasury (31 August 2018: 29,873,784 in issue and 1,539,879 held in Treasury).
- Amounts recognised as distributions in the period:

| | At 28 February 2019 £000 | At 28 February 2018 £000 |
|--|-----------------------------------|-----------------------------------|
| Dividend for the year ending 31 August 2018 of 11.5p (2017 – 11.5p), paid 18 January 2019 | 3,435 | 3,559 |

- 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 51 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 and 31 August 2019, the estimated performance fee for the year ending 31 August 2019 would amount to £nil. No performance fee has been accrued in the six months to 28 February 2019.
- 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 2019.

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

| | Six months to 28 February 2019 £000 | Six months to 28 February 2018 £000 |
|---|--|--|
| Net return on activities before taxation | (16,096) | (9,688) |
| Net losses on investments | 15,317 | 8,076 |
| Currency losses | 659 | 1,497 |
| Dividend income | (1,454) | (1,740) |
| Interest income | (33) | (10) |
| Decrease in creditors | (125) | (3) |
| (Increase)/decrease in debtors | (11) | 58 |
| Net cash outflow from operations before dividends, interest, purchases and sales | <u>(1,743)</u> | <u>(1,810)</u> |

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 other 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 56 to 59 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. 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 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 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 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 2019 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 2019 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

29 March 2019

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 £11,700 (2018/19 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

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 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. Investor Centre from Computershare (Scottish Oriental's registrar) enables you to manage and update your shareholder information. For this purpose you can register free with Investor Centre at www-uk.computershare.com/investor.

Data Protection

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

Regulatory Status

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

Further Information

If you require any further information please contact PATAC Limited at the address on page 16 or by telephone on +44 (0)131 538 6610.

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

Company Information

Board of Directors

James Ferguson
Andrew Baird
Alexandra Mackesy
Anne West
Jeremy Whitley

Secretary

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

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
Atria One
144 Morrison Street
Edinburgh EH3 8EX

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



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

