



The Scottish Oriental
Smaller Companies Trust plc



2012

The **Scottish Oriental** Smaller Companies Trust plc

Interim Report
and Accounts
29th February 2012

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Interim Report and Accounts **2012**

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker, solicitor, accountant or other independent professional adviser authorised under The Financial Services and Markets Act 2000 immediately. If you have sold or otherwise transferred all of your shares in The Scottish Oriental Smaller Companies Trust plc, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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\$1,000m, or the equivalent thereof, at the time of investment. For investment purposes, the Region 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 3 of the Annual Report and Accounts for the year ending 31st August 2011 (“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 prices (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 16 on pages 43–45 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. Scottish Oriental does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

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 the Accounting Standards Board’s statement ‘Half-Yearly Financial Reports’, 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 Services 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 29th February 2012 and a description of the principal risks and uncertainties for the remaining six months of the financial year). 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 that could do so.

The half-yearly report, for the six months to 29th February 2012, 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

28th March 2012

Performance (Unaudited)

for the six months to 29th February 2012

| | | | |
|-----------------|------|---|-------|
| Net Asset Value | 4.7% | MSCI AC Asia ex Japan Index (£)*† | 7.4% |
| Share Price | 5.8% | MSCI AC Asia ex Japan Small Cap Index (£)*† | 1.7% |
| | | FTSE All-Share Index (£)*† | 10.3% |

†Total return (capital return with dividends reinvested).

*An explanation of the Trust's benchmark and comparative indices is given on page 12.

Summary Data (Unaudited)

at 29th February 2012

| | | | |
|---------------------------|------------|---|---------|
| Shares in issue | 30,213,650 | Shareholders' Funds | £195.7m |
| Net Asset Value per share | 647.8p | Market Capitalisation | £191.9m |
| Share Price | 635.0p | Share Price Discount to Net Asset Value | 2.0% |

Interim Management Report

Investment Performance

In the six months ending 29th February 2012, Scottish Oriental's net asset value per share rose by 4.7 per cent to 647.8p. This compares with a sterling-adjusted increase of 7.4 per cent in the MSCI AC Asia Free (ex Japan) Index and a rise of 1.7 per cent in the MSCI AC Asia (ex Japan) Small Cap Index. The Trust's share price also increased by 5.8 per cent over the period and the discount to net asset value was 2.0 per cent on 29th February 2012. The Trust underperformed the FTSE All-Share Index, which rose by 10.3 per cent over the six month period.

Scottish Oriental had borrowings of \$32.5 million (£20.4 million), equivalent to 10.4 per cent of net asset value, as at the 29th February 2012. In addition, the Trust had cash of £22.7 million resulting in a net cash position which represented 1.2% of net assets at the end of the period. The Manager will continue to invest this money gradually once suitable long term investment opportunities have been identified.

Review

Asian stockmarkets experienced a period of volatile performance in the six months ending 29th February 2012. The market declines that took place towards the end of 2011 were offset by the strong rally which followed in January and February. The key negative remained the on-going debt crisis in Europe and the potential insolvency of its banking sector. However, this was partially offset by evidence of a modest recovery in the US economy. Unfortunately this was insufficient to avoid a slowdown in Asia's economic growth rates and a decline in expectations for corporate earnings.

Indonesia was the worst performing market in the Region, failing to participate in the recent rally owing to concerns over the impact on inflation from the forthcoming rise in subsidised fuel prices. The Philippines achieved strong returns supported by signs that the much needed investment in the Country's infrastructure was finally taking place. Thailand also performed well owing to expectations of strong economic recovery and an increase in private sector investment following last year's devastating floods.

Asian smaller companies generally underperformed their larger counterparts with declines in a number of markets including India and South Korea.

Outlook

The short term outlook for Asia remains uncertain as economic growth is expected to slow owing to weak external demand from Europe and the US while growth in domestic consumption is likely to be curtailed by the higher cost of living. A sustained rise in oil prices is generally bad news for Asia resulting in either higher inflation or greater Government expenditures depending on a country's policy towards fuel subsidies. Most Central Banks would be forced to tighten monetary policy in the event of a sustained rise in inflation. Higher interest rates at a time of slowing economic growth could result in lower than expected corporate earnings and a further downward revision to analysts' forecasts.

However, the longer term prospects for the Region's equity markets remain encouraging supported by improvements in corporate governance and the emergence of a dividend culture. Scottish Oriental's investment philosophy is well suited to the current stockmarket volatility given its focus on well managed, financially sound companies.

Dividend

A dividend of 9.0p per share was paid on 10th February 2012 for the year ending 31st August 2011 (31st August 2010: 8.5p per share). It is too early to make a forecast of the distribution for the current financial year.

List of Quoted Equity Investments

at 29th February 2012 (percentage of shareholders' funds excluding net income)

| | % of Shareholders' Funds | | % of Shareholders' Funds | | % of Shareholders' Funds |
|---------------------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| CHINA (16.1%) | | INDIA (1.3%) | | PHILIPPINES (4.3%) | |
| Consumer Discretionary (13.3%) | | Consumer Staples (0.7%) | | Consumer Discretionary (0.7%) | |
| Asia Satellite | 1.4 | Marico | 0.7 | Pancake House | 0.7 |
| Beijing Jingkelong | 1.0 | Materials (0.6%) | | Financial (3.6%) | |
| Glorious Sun Enterprises | 1.1 | Castrol (India) | 0.6 | Century Properties | 0.6 |
| Minth Group | 1.2 | INDONESIA (5.0%) | | SM Development | 1.4 |
| Pacific Textiles | 1.5 | Consumer Discretionary (2.8%) | | Security Bank | 1.6 |
| Pou Sheng International | 1.0 | Ace Hardware Indonesia | 0.8 | SINGAPORE (17.0%) | |
| Samson | 1.4 | Pembangunan Jaya Ancol | 1.0 | Consumer Discretionary (0.7%) | |
| Shirble Department Store | 1.3 | Sumber Alfaria Trijaya | 1.0 | Tan Chong International | 0.7 |
| Sun Hing Vision | 0.9 | Energy (1.4%) | | Consumer Staples (2.2%) | |
| Texwinca | 1.7 | Salamander Energy | 1.4 | Petra Foods | 1.3 |
| YGM Trading | 0.8 | Financial (0.8%) | | Supergroup | 0.9 |
| Industrial (1.3%) | | Jaya Real Property | 0.8 | Energy (2.1%) | |
| Greens Holdings | 0.4 | MALAYSIA (9.3%) | | Ezion Holdings | 2.1 |
| Lung Kee Holdings | 0.9 | Consumer Discretionary (3.7%) | | Financial (3.5%) | |
| Information Technology (0.2%) | | Aeon Company | 1.9 | Bukit Sembawang Estates | 1.2 |
| Sinocom Software | 0.2 | Media Prima | 1.8 | Hong Leong Finance | 1.3 |
| Utilities (1.3%) | | Financial (2.7%) | | Sabana REIT | 1.0 |
| Towngas China | 1.3 | Aeon Credit Service | 1.7 | Healthcare (1.2%) | |
| HONG KONG (10.3%) | | Quill Capita Trust | 1.0 | Raffles Medical | 1.2 |
| Consumer Discretionary (3.5%) | | Healthcare (1.5%) | | Industrial (2.5%) | |
| Aeon Stores | 1.0 | Supermax | 1.5 | Amtek Engineering | 1.5 |
| Dickson Concepts | 1.4 | Industrial (1.4%) | | Yongnam Holdings | 1.0 |
| Next Media | 0.7 | IJM Corporation | 1.4 | Information Technology (4.8%) | |
| Tai Ping Carpets | 0.4 | Consumer Staples (1.2%) | | CSE Global | 1.6 |
| Consumer Staples (1.2%) | | Four Seas Mercantile | 0.3 | euNetworks | 0.6 |
| Four Seas Mercantile | 0.3 | Vitasoy International | 0.9 | Nera Telecommunications | 1.0 |
| Vitasoy International | 0.9 | Financial (5.6%) | | Venture Corporation | 1.6 |
| Financial (5.6%) | | Aeon Credit Service (Asia) | 0.8 | | |
| Aeon Credit Service (Asia) | 0.8 | Dah Sing Financial | 1.8 | | |
| Dah Sing Financial | 1.8 | Keck Seng Investment | 0.6 | | |
| Keck Seng Investment | 0.6 | Public Financial | 1.2 | | |
| Public Financial | 1.2 | Tai Cheung Holdings | 1.2 | | |
| Tai Cheung Holdings | 1.2 | | | | |

| | % of Shareholders' Funds | | % of Shareholders' Funds | | % of Shareholders' Funds |
|--|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| SOUTH KOREA (11.4%) | | TAIWAN (13.7%) | | THAILAND (7.4%) | |
| Consumer Discretionary (1.5%) | | Consumer Discretionary (4.1%) | | Consumer Discretionary (2.0%) | |
| Hana Tour Service | 1.5 | E-Life Mall | 1.4 | Amarin Printing | 0.7 |
| | | Taiwan Familymart | 1.1 | Erawan Group | 1.3 |
| Consumer Staples (1.4%) | | Johnson Health Tech. | | Financial (3.1%) | |
| Amorepacific Group | 1.4 | | 1.6 | Aeon Thana Sinsap | 1.3 |
| Financial (1.6%) | | Healthcare (2.5%) | | Lalin Property | |
| DGB Financial | 1.6 | St Shine Optical | 1.2 | Tisco Financial | 1.2 |
| | | Pacific Hospital Supply | 1.3 | | |
| Healthcare (3.5%) | | Industrial (2.9%) | | Industrial (1.2%) | |
| JVM Co. | 1.6 | 104 Corp | 0.9 | Ticon Industrial | |
| LG Life Sciences | 0.8 | KD Holding | 1.0 | Connection | 1.2 |
| Yuhan Corp | 1.1 | Yungtay Engineering | 1.0 | | |
| Industrial (3.4%) | | Information Technology (4.2%) | | Information Technology (1.1%) | |
| Cosmax | 1.1 | Chroma Ate | 0.8 | Hana Microelectronic | 1.1 |
| TK Corp | 2.3 | Lumax International | 1.1 | | |
| SRI LANKA (1.7%) | | Taiflex Scientific | | VIETNAM (1.7%) | |
| | | Wah Lee Industrial | 1.1 | Financial (1.7%) | |
| Consumer Discretionary (0.4%) | | | | Vietnam Enterprise Investments | |
| Aitken Spence Hotel Holdings | 0.4 | | | | 1.7 |
| Industrial (0.7%) | | | | | |
| Expolanka Holdings | 0.7 | | | | |
| Telecommunication Services (0.6%) | | | | | |
| Dialog Axiata | 0.6 | | | | |

Ten Largest Equity Holdings

as at 29th February 2012 (percentage of shareholders' funds excluding net income)

| Company | Country | Valuation £'000 | % of Shareholders' Funds |
|--------------------------------|-------------|--------------------|--------------------------------|
| TK Corp | South Korea | 4,430 | 2.3 |
| Ezion Holdings | Singapore | 4,158 | 2.1 |
| Aeon Company | Malaysia | 3,765 | 1.9 |
| Media Prima | Malaysia | 3,412 | 1.8 |
| Dah Sing Financial | Hong Kong | 3,396 | 1.8 |
| Aeon Credit Service | Malaysia | 3,365 | 1.7 |
| Texwinca | China | 3,293 | 1.7 |
| Vietnam Enterprise Investments | Vietnam | 3,290 | 1.7 |
| Johnson Health Tech. | Taiwan | 3,184 | 1.6 |
| Venture Corporation | Singapore | 3,175 | 1.6 |
| Total | | 35,468 | 18.2 |

Sector Allocation

as at 29th February 2012 (percentage of shareholders' funds excluding net income)

| Sector | % of Shareholders' Funds |
|----------------------------|--------------------------------|
| Consumer Discretionary | 32.7 |
| Financial | 22.6 |
| Industrial | 13.4 |
| Information Technology | 10.3 |
| Healthcare | 8.7 |
| Consumer Staples | 5.5 |
| Energy | 3.5 |
| Utilities | 1.3 |
| Materials | 0.6 |
| Telecommunication Services | 0.6 |
| Net current assets | 99.2 |
| Loan | (10.5) |
| Net Assets | 100.0 |

Income Statement

for the six months to 29th February 2012

| | Six months to 29th February 2012 (unaudited) | | | Six months to 28th February 2011 (unaudited) | | | Year ended 31st August 2011 (audited) | | |
|--|--|-----------------|----------------|--|-----------------|----------------|---|-----------------|----------------|
| | Revenue £000 | Capital £000 | Total* £000 | Revenue £000 | Capital £000 | Total* £000 | Revenue £000 | Capital £000 | Total* £000 |
| Gains on investments | - | 11,981 | 11,981 | - | 12,450 | 12,450 | - | 20,237 | 20,237 |
| Income from investments | 1,889 | - | 1,889 | 1,086 | - | 1,086 | 5,696 | - | 5,696 |
| Other income | 1 | - | 1 | 20 | - | 20 | 30 | - | 30 |
| Investment management fee | (694) | (904) | (1,598) | (723) | - | (723) | (1,452) | (2,405) | (3,857) |
| Currency (losses)/gains | - | (219) | (219) | - | 74 | 74 | - | 470 | 470 |
| Other administrative expenses | (213) | - | (213) | (225) | - | (225) | (461) | - | (461) |
| Net return before finance costs and taxation | 983 | 10,858 | 11,841 | 158 | 12,524 | 12,682 | 3,813 | 18,302 | 22,115 |
| Finance costs of borrowing | (230) | - | (230) | (1) | - | (1) | (18) | (54) | (72) |
| Net return on ordinary activities before taxation | 753 | 10,858 | 11,611 | 157 | 12,524 | 12,681 | 3,795 | 18,248 | 22,043 |
| Tax on ordinary activities | (62) | - | (62) | (51) | - | (51) | (352) | - | (352) |
| Net return attributable to equity shareholders | 691 | 10,858 | 11,549 | 106 | 12,524 | 12,630 | 3,443 | 18,248 | 21,691 |
| Net return per ordinary share (p) | 2.29 | 35.94 | 38.23 | 0.35 | 41.45 | 41.80 | 11.39 | 60.40 | 71.79 |

*The total column of this statement is the Profit & Loss Account of the Company.

A Statement of Total Recognised Gains or Losses has not been prepared as any gains or losses are recognised in the Income Statement.

All revenue and capital items derive from continuing operations.

Balance Sheet

as at 29th February 2012

| | At 29th February 2012 £000 (unaudited) | At 28th February 2011 £000 (unaudited) | At 31st August 2011 £000 (audited) |
|--|--|--|--|
| EQUITY INVESTMENTS | | | |
| China | 31,359 | 25,252 | 29,021 |
| Hong Kong | 19,889 | 19,135 | 16,691 |
| India | 2,642 | 2,198 | 2,764 |
| Indonesia | 9,640 | 13,365 | 10,147 |
| Malaysia | 18,136 | 15,986 | 15,724 |
| Philippines | 8,477 | 6,612 | 7,701 |
| Singapore | 33,039 | 23,626 | 26,843 |
| South Korea | 22,206 | 17,245 | 24,727 |
| Sri Lanka | 3,309 | 1,429 | 2,871 |
| Taiwan | 26,890 | 25,799 | 23,434 |
| Thailand | 14,572 | 16,700 | 15,691 |
| Vietnam | 3,290 | 2,103 | 1,935 |
| Total equities | 193,449 | 169,450 | 177,549 |
| Net Current Assets | 22,689 | 8,377 | 29,299 |
| Total Assets less Current Liabilities | 216,138 | 177,827 | 206,848 |
| CREDITORS (due after one year) | | | |
| Loan | (20,420) | – | (19,960) |
| Equity Shareholders' Funds | 195,718 | 177,827 | 186,888 |
| CAPITAL AND RESERVES | | | |
| Ordinary share capital | 7,554 | 7,554 | 7,554 |
| Share premium account | 21,337 | 21,337 | 21,337 |
| Warrant reserve – exercised | 1,319 | 1,319 | 1,319 |
| Capital reserves | 160,361 | 143,779 | 149,503 |
| Revenue reserve | 5,147 | 3,838 | 7,175 |
| | 195,718 | 177,827 | 186,888 |
| Net asset value per share | 647.78p | 588.57p | 618.56p |

Cash Flow Statement

for the six months to 29th February 2012

| | Six months to 29th February 2012 £000 (unaudited) | Six months to 28th February 2011 £000 (unaudited) | Six months to 31st August 2011 £000 (audited) |
|--|--|--|--|
| OPERATING ACTIVITIES | | | |
| Dividends received from investments | 2,504 | 1,589 | 5,594 |
| Other income | 1 | 10 | 64 |
| | <u>2,505</u> | <u>1,599</u> | <u>5,658</u> |
| Investment management fee | (681) | (710) | (1,305) |
| Secretarial fee | (49) | (26) | (84) |
| Directors' fees | (37) | (46) | (79) |
| Other expenses paid | (132) | (196) | (344) |
| | <u>1,606</u> | <u>621</u> | <u>3,846</u> |
| Net cash inflow from operating activities | | | |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Loan drawn down | – | – | 19,813 |
| Arrangement fees | (20) | – | (34) |
| Interest paid on borrowings | (228) | (1) | – |
| | <u>(248)</u> | <u>(1)</u> | <u>19,779</u> |
| Net cash (outflow)/inflow from investments and servicing of finance | | | |
| TAXATION | | | |
| Total tax paid | (68) | (44) | (453) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Purchases of investments | (24,198) | (26,383) | (58,354) |
| Sales of investments | 20,524 | 24,899 | 56,742 |
| Currency gains | 241 | 74 | 623 |
| Performance fee | (2,405) | – | (937) |
| | <u>(5,838)</u> | <u>(1,410)</u> | <u>(1,926)</u> |
| Net cash outflow from capital expenditure and financial investment | | | |
| EQUITY DIVIDEND PAID | (2,719) | (2,568) | (2,568) |
| (Decrease)/increase in cash | (7,267) | (3,402) | 18,678 |

Reconciliation of Movements in Shareholders' Funds

for the six months ended 29th February 2012

| | Share Capital £000 | Share Premium Account £000 | Warrant Reserve Exercised £000 | Capital Reserves £000 | Revenue Reserve £000 | Total £000 |
|---|--------------------------|-------------------------------------|---|-----------------------------|----------------------------|---------------|
| Balance at 31st August 2011 | 7,554 | 21,337 | 1,319 | 149,503 | 7,175 | 186,888 |
| Realised gain on investments | – | – | – | 6,844 | – | 6,844 |
| Currency loss | – | – | – | (219) | – | (219) |
| Unrealised appreciation on investments in the period | – | – | – | 5,137 | – | 5,137 |
| Performance fee | – | – | – | (904) | – | (904) |
| Income retained in the period | – | – | – | – | 691 | 691 |
| Dividend paid in the period | – | – | – | – | (2,719) | (2,719) |
| Balance at 29th February 2012 | 7,554 | 21,337 | 1,319 | 160,361 | 5,147 | 195,718 |

for the year ended 31st August 2011

| | Share Capital £000 | Share Premium Account £000 | Warrant Reserve Exercised £000 | Capital Reserves £000 | Revenue Reserve £000 | Total £000 |
|---|--------------------------|-------------------------------------|---|-----------------------------|----------------------------|---------------|
| Balance at 31st August 2010 | 7,554 | 21,337 | 1,319 | 131,255 | 6,300 | 167,765 |
| Realised gain on investments | – | – | – | 30,867 | – | 30,867 |
| Currency gain | – | – | – | 470 | – | 470 |
| Unrealised depreciation on investments in the year | – | – | – | (10,630) | – | (10,630) |
| Performance fee | – | – | – | (2,405) | – | (2,405) |
| Finance costs of borrowing | – | – | – | (54) | – | (54) |
| Income retained in the year | – | – | – | – | 3,443 | 3,443 |
| Dividend paid in the year | – | – | – | – | (2,568) | (2,568) |
| Balance at 31st August 2011 | 7,554 | 21,337 | 1,319 | 149,503 | 7,175 | 186,888 |

Changes in Equity Investments

| | Valuation at 31st August 2011 £000 | Purchases £000 | Sales £000 | Appreciation/ (depreciation) £000 | Valuation at 29th February 2012 £000 |
|-------------|---|-------------------|-----------------|---|---|
| China | 29,021 | 2,812 | (1,713) | 1,239 | 31,359 |
| Hong Kong | 16,691 | 2,425 | – | 773 | 19,889 |
| India | 2,764 | – | – | (122) | 2,642 |
| Indonesia | 10,147 | 221 | (2,025) | 1,297 | 9,640 |
| Malaysia | 15,724 | – | (1,384) | 3,796 | 18,136 |
| Philippines | 7,701 | 1,310 | (1,501) | 967 | 8,477 |
| Singapore | 26,843 | 3,791 | (1,116) | 3,521 | 33,039 |
| South Korea | 24,727 | 2,592 | (6,484) | 1,371 | 22,206 |
| Sri Lanka | 2,871 | 1,829 | – | (1,391) | 3,309 |
| Taiwan | 23,434 | 3,889 | (1,052) | 619 | 26,890 |
| Thailand | 15,691 | 4,450 | (5,305) | (264) | 14,572 |
| Vietnam | 1,935 | 1,180 | – | 175 | 3,290 |
| | <u>177,549</u> | <u>24,499</u> | <u>(20,580)</u> | <u>11,981</u> | <u>193,449</u> |

Notes to Accounts

- 1 The position as at 31st August 2011 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 31st August 2011.

| | At 29th February 2012 £000 | At 28th February 2011 £000 | At 31st August 2011 £000 |
|--|-------------------------------------|-------------------------------------|-----------------------------------|
| 2 DIVIDENDS | | | |
| Amounts recognised as distributions in the period: | | | |
| Dividend for the year ending 31st August 2011 of 9.0p (2010 – 8.5p), paid 10th February 2012 | <u>2,719</u> | <u>2,568</u> | <u>2,568</u> |

3 PERFORMANCE FEE

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 21 of the Annual Report and Accounts.

Assuming no change in share price, MSCI AC Asia Free ex Japan Index Total Return and shares in issue between 29th February and 31st August 2012, the estimated performance fee for the year ending 31st August 2012 would amount to £1,808,000. An amount of £904,000 has been accrued in the six months to 29th February 2012.

Information for Investors

Financial Diary

The Company's financial year ends on 31st 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, (£10,600 as at 29th February 2012) 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.

Benchmark and Comparative Indices

From inception in March 1995 until October 1999, the Trust adopted the Morgan Stanley Capital International AC Asia ex Japan Index ("MSCI") as its benchmark. No suitable regional smaller companies index was available at that time.

In October 1999 the Directors agreed to the replacement of the MSCI with the SG Asian (ex Japan) Smaller Companies Index, following its reconstitution to cover previously excluded countries. Unfortunately, this Index ceased to be available from the end of 2002.

In 2003 the Directors agreed to revert to the MSCI 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.

For comparison purposes, the Trust is also displaying the MSCI 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\$200m and US\$800m. The range does not match exactly that of the Trust, which has no lower limit and which mainly invests in companies with a market capitalisation of under US\$1,000m. 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.

Company Information

Board of Directors

James Ferguson
Alexandra Mackesy
Dr Janet Morgan
Anne West

Investment Manager

First State Investment Management (UK) Limited
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Fund Management

Susie Rippingall
Angus Tulloch
Scott McNab

Secretary

Steven K Davidson
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Registered Office

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Edinburgh EH3 6AA

Registrar

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

Company Number

SC 156108

Further Information

If you require any further information please contact Personal Assets Trust Administration Company Limited at the above address, 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.

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