Standard Life UK Smaller Companies Trust plc

Annual Report and Financial Statements 30 June 2015

Contents

Financial Calendar

1 September 2015	Announcement of results for year ended 30 June 2015
22 October 2015	Annual General Meeting
29 October 2015	Payment of final dividend on Ordinary shares
February 2016	Announcement of Half-Yearly Financial Report for six months ending 31 December 2015
April 2016	Payment of interim dividend on Ordinary shares

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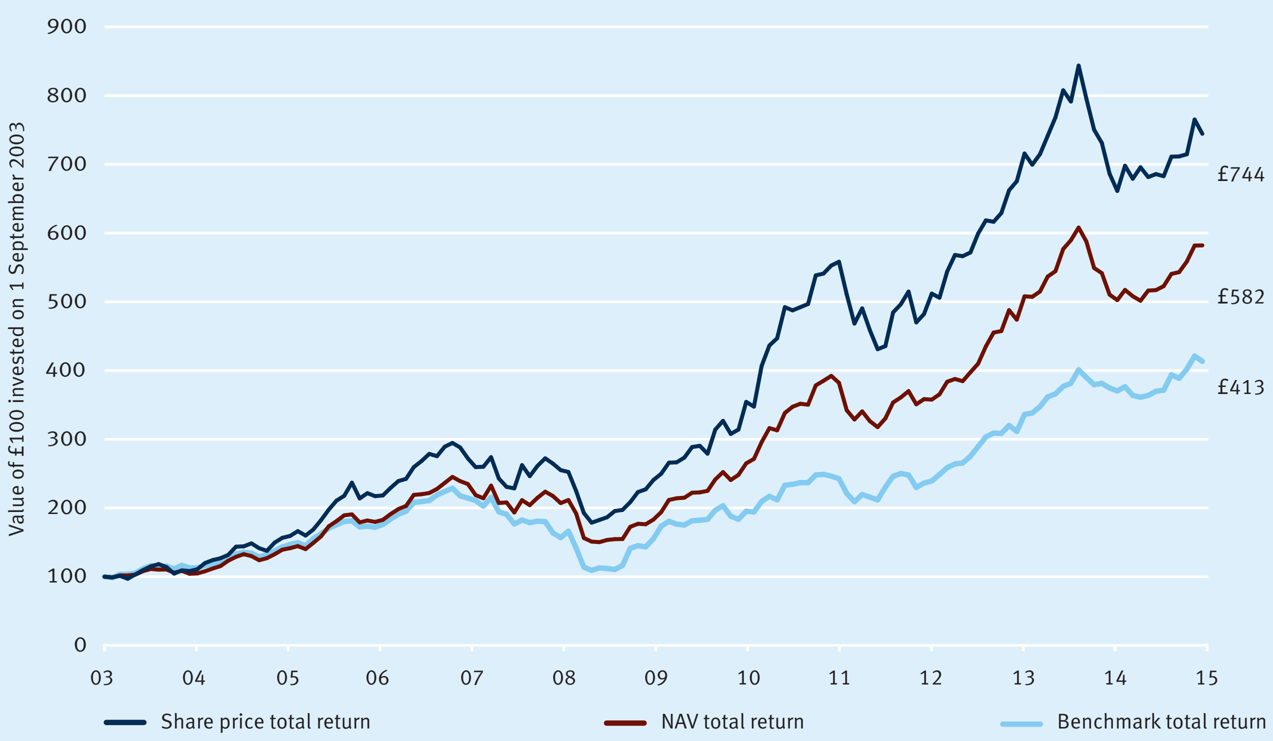
Investment objective	**To achieve long-term capital growth by investment in UK quoted smaller companies.**
Investment policy	The Company intends to achieve its investment objective by investing in a diversified portfolio consisting mainly of UK quoted smaller companies. The portfolio will normally comprise around 60 individual holdings representing the Investment Manager's highest conviction investment ideas. In order to reduce risk in the Company without compromising flexibility, no holding within the portfolio should exceed 5 per cent of total assets at the time of acquisition. The Company may use derivatives for portfolio hedging purposes (i.e. only for the purpose of reducing, transferring or eliminating the investment risks in its investments in order to protect the Company's portfolio). Within the Company's Articles of Association, the maximum level of gearing is 100% of net assets. The Directors have set parameters of between 5% net cash and 25% net gearing (at time of drawdown) for the level of gearing that can be employed in normal market conditions. The Directors have delegated responsibility to the Investment Manager, Standard Life Investments (Corporate Funds) Limited ("Investment Manager"), for the operation of the gearing level within the above parameters. The Investment Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management, and dealing. The investment process is research intensive and is driven by the Investment Manager's distinctive "focus on change" which recognises that different factors drive individual stocks and markets at different times in the cycle. This flexible, but disciplined, process ensures that the Investment Manager has the opportunity to perform in different market conditions.
Benchmark	Numis Smaller Companies Index (excluding Investment Companies)
Peer Group	UK Smaller Companies
Investment Manager	Standard Life Investments (Corporate Funds) Limited Portfolio Manager: Harry Nimmo Head of Investment Companies: Gordon Humphries
Equity shareholders' funds	£242.8 million at 30 June 2015
Market capitalisation	£208.3 million at 30 June 2015
Capital structure	The Company's issued share capital, as at 30 June 2015, consisted of 69,418,600 Ordinary shares of 25 pence each and £19,772,582 nominal amount of Convertible Unsecured Loan Stock 2018. As at 30 June 2015, there were 2,208,575 Ordinary shares held in treasury. Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.
Management fee	The management fee is calculated at 0.85% per annum of the Company's total assets and there is no performance fee. The Investment Management Agreement is currently terminable by either party on not less than one year's notice. In the event of termination on less than the agreed notice period, compensation is payable in lieu of the unexpired notice period.
ISA status	The Company's Ordinary shares are eligible for ISAs and ISA transfers.
AIC membership	The Company is a member of The Association of Investment Companies.
Website	The Company's website may be accessed from the Investment Manager's Investment Trust website, www.standardlifeinvestments.com/its The website offers investors comprehensive information on the Company and its related products. Some of the available features are: • the latest share price and net asset value • performance figures, charts and commentary • product information • strategic and economic reviews by the Investment Manager.

Financial Highlights

	Year to 30 June 2015
Diluted net asset value total return	14.2%
Share price total return	8.5%
Benchmark total return	10.4%
Increase in total dividends	28.9%

Note: total return assumes that dividends paid to shareholders are re-invested in shares at the time the shares are quoted ex-dividend.

Over a Decade of Strong Performance



Ten Largest Positions Relative to the Benchmark as at 30 June 2015							
Overweight Stocks	Company %	B'mark %	Relative %	Overweight Stocks	Company %	B'mark %	Relative %
Ted Baker	4.4	0.7	3.7	Abcam	2.6	0.0	2.6
Emis Group	2.9	0.0	2.9	CVS Group	2.6	0.0	2.6
Workspace	3.7	0.9	2.8	Moneysupermarket.com	3.4	0.9	2.5
Victrex	2.6	0.0	2.6	Telecom Plus	2.9	0.5	2.4
Rightmove	2.6	0.0	2.6	Restaurant Group	2.4	0.0	2.4

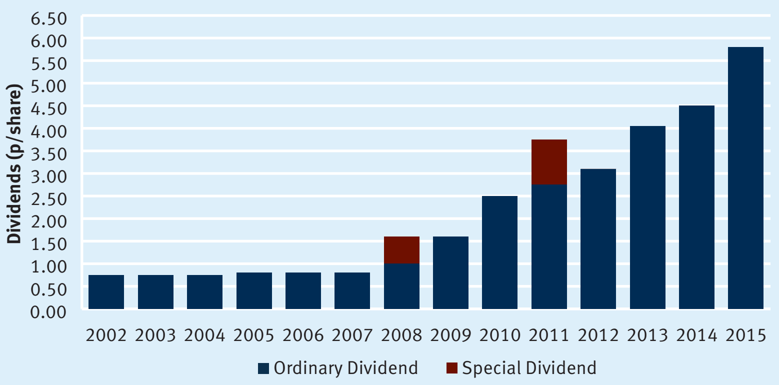
Source: Standard Life Investments and Thomson Datastream

Financial Highlights

	30 June 2015	30 June 2014	% change
Capital			
Net asset value per Ordinary share (statutory)			
Basic	349.73p	307.38p	13.8%
Diluted	336.89p	298.92p	12.7%
Share price	300.00p	281.25p	6.7%
Benchmark capital return	6,930.22	6,476.55	7.0%
Discount of Ordinary share price to net asset value			
Basic	14.2%	8.5%	
Diluted	10.9%	5.9%	
Total assets (£m)[1]	261.94	239.14	9.5%
Shareholders' funds (£m)	242.78	219.42	10.6%
Ordinary shares in issue	69,418,600	71,383,586	(2.8%)
Gearing			
Gearing[2]	4.1%	-4.6%	
CULS			
CULS in issue	£19,772,582	£20,584,450	(3.9%)
CULS yield	2.8%	2.9%	
CULS price	125.00p	122.00p	2.5%
Earnings and Dividends			
Revenue return per Ordinary share			
Basic	6.76p	5.05p	33.9%
Diluted	6.25p	4.66p	34.1%
Interim dividend paid for the year	1.40p	1.27p	10.2%
Proposed final Ordinary dividend for the year	4.40p	3.23p	36.2%
Total dividends for the year	5.80p	4.50p	28.9%
Dividend yield	1.9%	1.6%	
Expenses			
Ongoing charges[3]	1.19%	1.19%	

[1]Total assets less current liabilities, after excluding short-term debt of nil (2014 - nil).
[2] Net gearing ratio calculated as the total liability component of £19.1m of the Convertible Unsecured Loan Stock less the cash invested in AAA money market funds and cash and short term deposits, divided by net assets.
[3] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.

Dividend record and real growth of income



David Woods

Performance

For the year ended 30 June 2015, the Company's diluted net asset value total return was 14.2%, compared with a total return of 10.4% for the Company's benchmark. The Company's long term performance remains strong. Indeed, since Standard Life Investments' appointment on 1 September 2003, the Company has delivered a diluted net asset value total return of 482.2%, representing an annualised return of 16.2% and outperforming the Company's benchmark, the Numis Smaller Companies Index (excluding investment companies), by 4.2% per annum.

The Company continues to compare well against its peer group, as reflected in the table below:

	1 year	5 years	11+ years (since SLI appointment)
Diluted net asset value total return	14.2%	135.5%	482.2%
Share price total return	8.5%	137.0%	644.4%
Benchmark total return	10.4%	123.9%	321.0%
Peer group ranking	4/12	8/12	1/9

Sources: Thomson Datastream and JP Morgan Cazenove

The Investment Manager's Report on pages 6 to 9 provides further information on stock performance and portfolio activity during the year, as well as the Investment Manager's outlook for smaller companies. The Board agrees with the Manager's view that steady growth stocks should outperform cyclical stocks over the long term.

Earnings and Dividend

The undiluted (or basic) revenue return per share for the year ended 30 June 2015 was 6.76p (2014 – 5.05p). Basic earnings per share have increased by 33.9% this year as dividend growth from the portfolio remained strong. Income from investments increased by 26.5% in the period. The Company has, again, benefitted from high levels of special dividends, which totalled £1,428,000 (2014 – £874,000) for the year or 2.05p per share (2014 – 1.26p per share).

The Board is recommending a final dividend of 4.40p per share, an increase on last year's final dividend of 36.2%. If approved, the final dividend, together with the interim dividend of 1.40p paid in April, will give a total dividend for the year of 5.80p and will represent an increase of 28.9% on last year.

Subject to shareholder approval at the Annual General Meeting on 22 October 2015, the final dividend will be paid on 29 October 2015 to shareholders on the register as at 9 October 2015 with an associated ex-dividend date of 8 October 2015.

Investment Manager

The Board believes that the appointment of Standard Life Investments continues to be in the long-term interests of shareholders. Harry Nimmo, Head of Smaller Companies at Standard Life Investments, has been the lead investment manager of the Company's investment portfolio since 2003 and his strong performance record gives the Board confidence in the ability of the Investment Manager to continue to deliver attractive long term returns for shareholders. The Company was one of the first investment companies to simplify its investment management fee arrangements ahead of the implementation of the Retail Distribution Review. The performance fee was removed from 1 July 2012 and the investment management fee now comprises a basic fee of 0.85% of total assets.

Gearing

The Board has given the Investment Manager discretion to vary the level of gearing between a net cash position of 5% and net gearing of 25% of net assets, depending on the Investment Manager's view of the outlook for smaller companies.

The Company currently has £19.8 million 3.5% Convertible Unsecured Loan Stock 2018 (CULS) in issue and the Investment Manager is able to vary net gearing by adjusting the level of cash held by the Company. At 30 June 2015, the net gearing or borrowing level was 4.1%.

As a reminder to holders of the CULS, these can be converted into Ordinary shares on 30 September and 31 March of each year up to March 2018, at a fixed price per Ordinary share of 237.2542p.

Issue of Shares

During the period the Company issued 342,169 Ordinary shares as a result of CULS conversions.

Discount

The discount at which the Company's shares trade relative to the diluted statutory net asset value was 10.9% at 30 June 2015. The Company's shares have traded at an average discount to its capital only net asset value of 6.9% over the year ended 30 June 2015 (source: Winterflood Securities) and the Board will continue to monitor the discount level closely going forward. This compares with the average peer group discount of 11.9% for the year to 30 June 2015.

Regular Tender Offers and Share Buy Backs

The Board exercised its discretion and did not conduct a tender offer at 31 December 2014. The Board announced on 2 June 2015 a tender offer for up to 5% of the Company's shares. On 24 July 2015 the Company reported that the tender offer was oversubscribed with 8.38% of the Company's shares being tendered. The basic entitlement was accepted in full and excess tenders satisfied to the extent of 47.78% of the shares tendered. The tender price was 322.66p per share.

Including the tender offers of 2007, 2010 and the latest one announced in June 2015, together with all market share buy backs since the appointment of Standard Life Investments in 2003, the Company has bought back 44.8 million shares returning £65.3 million to shareholders. The Company bought back shares into treasury over the reporting period representing 2,307,155 shares at an average discount of 8.5%. Market buy backs enhance the NAV for all ongoing shareholders whereas the tender offers provide a marginal benefit to NAV and reduce the size of the Company. As stated on 2 June 2015, the Company intends to continue to buy back shares in the market at discounts above 10% where it is in the interests of the Company as a whole to do so. The Board has the additional power to implement tender offers and will continue to do so in circumstances where it believes share buy backs are not sufficient to maintain the discount at an acceptable level.

Board Succession Planning

Immediate past Chairman, Donald MacDonald, will retire from the Board in February 2016 and Lynn Ruddick will also retire from the Board after the conclusion of the October 2016 AGM. The Nomination Committee will be carrying out a search for new directors in due course and will continue to focus on the Company's ongoing succession planning.

AGM and London Presentation

The Annual General Meeting of the Company will be held at the offices of the Investment Manager, Standard Life Investments, 1 George Street, Edinburgh EH2 2LL on Thursday, 22 October 2015. The meeting will start at 12 noon and will include a presentation from the Investment Manager.

In addition, there will be a presentation in London on 27 November 2015 at 11.30am. Shareholders will be sent further details in due course.

Outlook

The Board remains confident in the outlook for the Company over the long term. The Investment Managers' investment process has delivered excellent returns for shareholders. We expect the portfolio to continue to deliver strong earnings and dividend growth. The emphasis on risk aversion, quality and resilience, growth and momentum remains intact.

David Woods
Chairman

28 August 2015

Investment Manager's Report

The UK smaller companies sector as represented by the Numis Smaller Companies Index (excluding Investment Trusts) rose by 7.0% over the year. This compares with a rise in the diluted net asset value for the Trust of 12.7%, while the share price rose by 6.7%. Over the same period the FTSE 100 Index of the largest UK listed companies fell by 3.3%. Standard Life Investments has managed the Trust since 1 September 2003. The Trust share price at that time was 47.75p. The Trust share price has risen by 528% from then to the current year end compared with our benchmark which was up 195%.

Harry Nimmo

Equity markets

The year in question started badly for markets. It's not unusual for markets to exhibit pessimism in the Autumn and 2014 was no exception. There was a crescendo of worrying geo-political and economic malaise such as Islamic State actions in Syria and Iraq and increased tension in the Ukraine following the downing of a civilian airliner. Chinese and European economies struggled and even the rise of Ebola in West Africa was seen as a kind of divine retribution. Deliverance came in the shape of the Japanese Central Bank which announced an unexpected increase in the size of their quantitative easing (QE) intervention to 80 trillion Yen. Another helpful change from out of the blue was the collapse in the oil price following Saudi Arabia letting it be known that it would no longer be the "swing producer". This was a direct challenge to the rise of the extraction of oil & gas by "fracking" in North America. More good news arrived with Mario Draghi of the European Central Bank announcing an aggressive QE programme. Strong corporate results and benign economies in the UK and USA were then enough to set the positive tone of markets through to the start of June 2015. The surprise outright win for the Conservatives in the May UK general election sent markets still higher.

Markets then became transfixed by the unedifying turmoil that was the Greek/EU negotiations on their debt burden. On 8 December markets were badly spooked by Greek Prime Minister Antonis Samaras calling a snap election. This was a spectacularly misjudged attempt in his words to "prevent the opposition (Syrizia party) from undermining Greece's economy and directing messages of political uncertainty to financial markets". The unedifying spectacle of chaotic brinkmanship by all parties to the negotiation caused a sharp selloff in June until the final cobbled together eleventh hour agreement was announced.

Bid activity has been mounting steadily as economic confidence continues to grow. The scene was set by the Shell bid for BG. Within mid sized companies "built environment company" Mouchel was taken out by Kier and there was the disappearance of set top box specialist Pace Micro Technologies. New Issues markets remained busy particularly into 2015 but without the frenetic behaviour that characterised the Spring of 2014.

Normal service was resumed for small companies in the shape of the Numis UK Smaller Companies Index (excluding Trusts) out-distancing large companies FTSE 100 index by more than 10%. The mid sized companies FTSE 250 index did even better. The key to this being two things:- first, small companies are growing more quickly, and secondly, they have greater exposure to the UK economy which is currently a positive. The United Kingdom is seen as a veritable safe haven of political stability, economic vibrancy and the sound financial management of the economy.

Performance

The year in question has been characterised by steady if unspectacular out-performance, clawing back the bulk of the under-performance from the difficult calendar second quarter 2014. Markets were characterised by more normalised investment patterns based on the earnings prospects for companies rather than pure valuation.

The weak Autumn saw the start of a resurgence of a number of our larger holdings that had been weak in the previous quarter such as **Workspace, Ted Baker, Rightmove** and **PaddyPower.** In terms of sector exposure the Trust was helped by overweight positions in healthcare, retail and software and a decent position in the large real estate sector. It was also helpful that the Trust was generally light in oil & gas, mining and engineering sectors. Falling oil & gas and commodity prices has wrought havoc for those companies most directly exposed to the exploration end of these sectors. End demand for engineers has also been found to be somewhat dependent on extractive industries. The Trust suffered from being light in housebuilders, building materials and other stocks that have benefitted from the buoyancy of the UK housing market.

A couple of individual stock names caused problems for the Trust namely **Telecom Plus** and **Paypoint**. These two companies have rather idiosyncratic business models that are seen by many investors to be outdated and indeed a bit last century. It is pleasing that both these stocks rallied significantly following reasonable results thus confounding the short sellers.

The Trust received cash for a couple of bids during the year in question namely **Kentz Corp** the oil services specialist and **Cambridge Silicon Radio (CSR)** the Cambridge based semiconductor designer.

Our five leading performers in the year have been as follows:-

Ted Baker plc, has continued to trade strongly throughout the year as they develop their clothing brand into an international success story. This is a tightly managed business that guards the provenance of the brand from the founder & chief executive downwards.

Workspace plc, is a real estate company that owns and operates over a hundred managed work centres in central London. Their flexible all service value for money leases attract small vibrant growth businesses to their centres. Redevelopment potential is also catching the eye of the valuers providing strong net asset value growth.

CVS Group, is a chain of veterinary surgeries that is consolidating the sector and benefiting from derived economies of scale. Results have continued to beat expectations.

Paddy Power, performed strongly during the year in question with particular strength in Australia. They also paid a massive special dividend, underlining the quality of the business.

Clinigen, recovered from a difficult previous period to round off the year with a strategically very sound acquisition of the biggest competitor in the ethical distribution of unlicensed medicine worldwide.

New Issues **Sanne Group** (asset administration), **Gamma Communications** and **Fevertree Drinks**, the premium mixers company, all performed well, especially the latter which rose by 106% from the 139p listing price. The company's maiden set of results were well ahead of expectations. Fevertree tonic in particular is the leader in the new market for premium mixers which goes along with the growth of the premium gin & vodka markets worldwide. A mixer for the discerning drinker who has tired of established brands of dubious provenance.

The poorest performer in the Trust was **Telecom Plus**. This multi-utility vendor was hit by sharply falling gas prices alongside political concern about a utility price freeze if Labour won the UK general election. Their independent distributor model, eschewing of price comparison sites but delivering everyday low prices to loyal customers rather than promiscuous switchers, set them apart from current wisdom on the direction of their markets. The Trust's policy of holding on to this long term holding has been rewarded since the announcement of recent results which have reassured investors.

Other weak performers include **Pressure Technologies** in oil services equipment which has since been sold. Colombian oil & gas producer **Amerisur Resources** and the fabricator and operator of self-propelled jack up barges **Gulf Marine Services** were weak as the oil price collapsed. **Esure** continued weak as the insurance pricing cycle moved against them. This holding has been sold.

Dealing and Activity

The most significant new additions to the portfolio were as follows:-

The Trust bought back into **Restaurant Group** which is still rolling out its successful formats Frankie & Bennys, Chiquito's and Coast to Coast. Another repurchase was **Greggs** the value for money "food to go" company, which under the influence of a new CEO is revamping its offering and reinvigorating its brand. **NMC Health**, the Abu Dhabi based hospital group was added. This company has performed very strongly since purchase as Dubai has changed its insurance rules in favour of providing universal healthcare. A holding was taken in **First Derivatives**, the Newry based specialist in software related to the regulation of financial markets. **Clarkson,** the world leading ship broker has been added to the Trust and has performed well as they continue to take market share. **Sprue Aegis**, the designer and manufacturer of smoke and CO2 alarms was purchased. They have benefitted from health and safety trends within France and Germany. **Skyepharma**, the specialist pharmaceutical development company was acquired following their capital reorganisation. **Avon Rubber** is also a new holding. They now specialise in gas masks and rubber milking equipment. They have a world leading position in these two niches. **Dominos Pizza** was bought back. The company, like **Greggs**, has been reinvigorated by a new Chief Executive and is benefitting from mobile apps for ordering and updates that ward against pizza delivery angst among hungry customers.

Our key sales were:-

Profits were taken in **Supergroup** following a partial rehabilitation of the brand. After a long and successful holding period **Hargreaves Lansdown**, now a FTSE 100 company was sold. The Trust made more than four times its money in the UK's leading fund supermarket. Profits were taken in **BTG**, the leading emerging pharmaceutical stock which had become too big a business for the Trust. Profits were taken in **Aveva** which was judged to have too high an exposure to oil & gas markets. **Keller** was sold; likewise there was a significant exposure to Canadian oil & gas markets here. Profits were taken in **Optimal Payments** following the sharp upward price move that occurred on the announcement of the leveraged acquisition of competitor Skrill. Other holdings sold completely include **Xaar** (electronics), **Rotork** (engineering), **Vectura** (pharmaceuticals), **Pressure Technologies** in oil services, **Utilitywise** (support services) and small positions in **Boohoo, Poundland and Mysale** in retailing.

In general terms the key sector changes include increased exposure to high quality growth businesses with genuine earnings visibility particularly in the **healthcare, software** and **leisure** sectors. Exposure to high growth or more speculative growth businesses was reduced. Oil & gas and engineering stocks with oil & gas orientated businesses were sold.

The overall risk profile of the Trust is now lower than it was one and two years ago. The Trust remains overweight in retailers and in general has a higher exposure to businesses deriving the bulk of their profits from the UK. Currently around 70% of the underlying profits of the holdings in the portfolio come from the UK. Given the comparative vibrancy of the UK business environment this is no bad thing.

Outlook

The recent severe correction in Chinese markets reflects further slowing in the rate of growth of that economy. This should really come as no surprise given that China is moving to a new stage in its development. This is a less energy, infrastructure and commodity intensive phase where there will be greater emphasis on domestic consumer markets and quality of life issues such as education and the environment. In the short term there will be dislocations impacting the oil price, commodities such as copper and iron ore and their associated industrial sectors. Furthermore, anti-corruption initiatives have put the brakes on spending at the luxury end of the market. The medium to longer term outlook for China still looks strong but with a different emphasis than before.

The Governor of the Bank of England recently signalled the likelihood of interest rates moving upwards from current record low levels by the start of 2016, increasing in quarter point increments over the next three years. This is the sharpest yet statement of intent by monetary authorities that the slow recovery from the banking crisis is over and that "special measures" are being unwound. He has picked that point a year on from the inflation busting falls in the crude oil price.

While certainly not the end of the world it is fair to say that many borrowers have become rather used to the delights of ultra low interest rates and may find the percentage increase somewhat painful. There is also no doubt in my mind that ultra low interest rates have inflated the value of real assets of late which may unwind somewhat. Chinese turmoil however, may delay the point where interest rates are increased.

In the meantime though, the UK & USA economies are in pretty good shape and are growing steadily representing a benign environment for UK small and medium sized listed companies. Europe as well, especially the northern half, is responding to recent quantitative easing initiatives. The constituents of the Trust portfolio derive around 70% of their profits from the "safe haven" UK economy.

The outlook for corporate profits is still very positive although those companies in more cyclical sectors are showing profit margins at or near cyclical peaks, hence our preference for businesses demonstrating organic growth. This also supports our view that we are very much in the later stages of the current economic cycle which, after all, started its upward move from the nadir in 2009, which is six years ago. Corporate activity is increasing with gradually increasing numbers of mergers, acquisitions, share issuance and new listings. All this is again symptomatic of a mature economic cycle. Valuations for smaller companies remain toward the upper end of the spectrum leaving the market open to the threat of correction.

Geopolitics remains murky with plenty to worry about from Isis to Ukraine and Greece. The latter looks destined to cause further trouble in future. The quantum of Greek debt has not been reduced which, to me, means a lasting solution has not yet been achieved. The US/Iran deal, coupled with China weakness looks positive for low oil prices being in place for longer which is a good thing for world economies, including the UK.

To this end nothing has changed with our process. It has generally worked well over the past twelve years and I see no reason for this to change. The vast majority of our companies have net cash positions and can grow from internally generated cash-flows in a predictable way. Dividend growth is strong and special dividends are quite plentiful without compromising growth prospects. **This all gives me great confidence in the long term outlook for the Trust.** Our aim is to be exposed to predictable growth, but in a lower risk way as there is always risk out there particularly in this inter-dependent global financial system. Given that uncertainty remains behind every corner, our emphasis on risk aversion, resilience, growth and momentum still feels right for the future.

Harry Nimmo
Standard Life Investments, Investment Manager

28 August 2015

Strategy
Portfolio Investments

As at 30 June 2015

Stock	Key Sector	Valuation as at 30 June 2015 £'000	Weight %	Valuation as at 30 June 2014 £'000
Ted Baker	General Retailers	11,033	4.4	6,852
Workspace	Real Estate Investment Trusts	9,445	3.7	6,270
Moneysupermarket.com	Media	8,485	3.4	3,608
Telecom Plus	Fixed Line Telecommunications	7,346	2.9	9,920
Emis Group	Software & Computer Services	7,270	2.9	5,406
Computacenter	Software & Computer Services	7,021	2.8	4,864
Victrex	Chemicals	6,590	2.6	2,577
Rightmove	Media	6,554	2.6	5,789
Abcam	Pharmaceuticals & Biotechnology	6,486	2.6	4,758
CVS Group	General Retailers	6,455	2.6	1,635
Top ten investments		**76,685**	**30.5**	
Dechra Pharmaceuticals	Health Care Equipment & Services	6,114	2.4	2,170
Restaurant Group	Travel & Leisure	6,079	2.4	–
Paragon	Financial Services	6,059	2.4	4,270
Paypoint	Support Services	5,946	2.4	6,594
Greggs	Food & Drug Retailers	5,915	2.3	–
Avon Rubber	Aerospace & Defence	5,463	2.2	1,881
GB Group	Software & Computer Services	5,293	2.1	3,907
Cranswick	Food Producers	5,267	2.1	2,150
Dunelm Group	Household Goods & Home Construction	5,138	2.0	5,991
Big Yellow	Real Estate Investment Trusts	5,051	2.0	3,930
Top twenty investments		**133,010**	**52.8**	
Lookers	General Retailers	4,825	1.9	4,064
Diploma	Support Services	4,813	1.9	3,818
Clarkson	Industrial Transportation	4,667	1.8	657
NMC Health	Health Care Equipment & Services	4,531	1.8	–
Nichols	Beverages	4,516	1.8	3,350
Mattioli Woods	Financial Services	4,457	1.8	2,789
First Derivatives	Software & Computer Services	4,401	1.7	–
Halma	Industrial Engineering	4,191	1.7	2,063
XP Power	Electronic & Electrical Equipment	4,187	1.7	3,893
Clinigen Group	Pharmaceuticals & Biotechnology	4,175	1.7	1,585

Portfolio Investments

As at 30 June 2015

Stock	Key Sector	Valuation as at 30 June 2015 £'000	Weight %	Valuation as at 30 June 2014 £'000
Top thirty investments		**177,773**	**70.6**	
Paddy Power	Travel & Leisure	3,940	1.6	3,084
Dominos Pizza	Travel & Leisure	3,885	1.5	—
4Imprint Group	Media	3,752	1.5	2,261
Secure Trust Bank	Banks	3,735	1.5	—
Sprue Aegis	Electronic & Electrical Equipment	3,519	1.4	725
Quintain Estates	Real Estate Investment & Services	3,445	1.4	3,098
Barr	Beverages	3,423	1.4	3,540
Gamma Communication	Mobile Communications	3,306	1.3	—
Shaftesbury	Real Estate Investment Trusts	3,284	1.3	2,482
Accesso Technology	Software & Computer Services	3,270	1.3	2,600
Top forty investments		**213,332**	**84.8**	
Safestyle UK	General Retailers	3,162	1.3	2,663
Smart Metering Systems	Electronic & Electrical Equipment	3,144	1.2	3,989
Fisher (J) & Sons	Industrial Transportation	3,113	1.1	5,306
Fusionex International	Software & Computer Services	2,624	1.0	3,658
Fevertree Drinks	Beverages	2,620	1.0	—
Staffline Group	Support Services	2,549	1.0	1,498
FDM Group	Software & Computer Services	2,229	0.9	1,374
Boot (Henry)	Construction & Materials	2,166	0.9	1,175
Skyepharma	Pharmaceuticals & Biotechnology	2,153	0.8	—
Cambian Group	Health Care Equipment & Services	2,141	0.8	1,413
Sanne Group	Support Services	2,042	0.8	—
Harvey Nash Group	Support Services	2,030	0.8	2,131
Moss Bros Group	General Retailers	1,960	0.8	2,875
JD Sports Fashion	General Retailers	1,768	0.7	—
Gulf Marine Services	Oil Equipment & Services	1,335	0.5	2,408
Hilton Food	Food Producers	1,116	0.4	1,971
Globo	Software & Computer Services	776	0.3	1,115
BTG	Support Services	701	0.3	3,059
Amerisur Resources	Oil & Gas Producers	637	0.3	2,784
Latchways	Support Services	620	0.2	1,070
Marshalls	Construction & Materials	299	0.1	—
Total Portfolio		**252,517**	**100.0**	

All investments are equity investments.

Strategy
Sector Distribution of Investments

At 30 June 2015

	Portfolio weighting 2015 %	Numis Smaller Companies (excluding Investment Trusts) Index weightings 2015 %	Portfolio weighting 2014 %
Oil & Gas			
Oil & Gas Producers	0.3	3.4	1.3
Oil Equipment Services & Distribution	0.5	1.3	3.7
Alternative Energy	—	0.1	—
Basic Materials			
Chemicals	2.6	2.2	1.2
Industrial Metals	—	0.2	—
Mining	—	3.2	—
Industrials			
Construction & Materials	1.0	3.2	1.9
Aerospace & Defence	2.2	2.7	0.9
General Industrials	—	1.8	—
Electronic & Electrical Equipment	4.3	2.3	5.1
Industrial Engineering	1.7	2.1	3.3
Industrial Transportation	2.9	1.7	2.8
Support Services	7.4	10.1	11.7
Health Care			
Health Care Equipment & Service	5.0	3.5	1.7
Pharmaceuticals & Biotechnology	5.1	3.1	3.4
Consumer Goods			
Beverages	4.2	0.7	3.3
Food Producers	2.5	2.6	1.9
Household Goods & Home Construction	2.0	4.1	6.0
Leisure Goods	—	0.4	—
Personal Goods	—	1.7	—
Consumer Services			
Food & Drug Retailers	2.3	0.9	—
General Retailers	11.7	7.9	10.4
Media	7.5	3.9	5.5
Travel & Leisure	5.5	7.3	1.5
Telecommunications			
Fixed Line Telecommunications	2.9	1.8	4.7
Mobile Communications	1.3	—	—
Utilities			
Electricity	—	0.4	—
Financials			
Banks	1.5	0.5	—
Non-life Insurance	—	1.6	1.6
Life Insurance	—	1.2	—
Real Estate Investment & Services	1.4	7.2	1.5
Real Estate Investment Trusts	7.0	4.8	5.9
Financial Services	4.2	6.6	7.0
Technology			
Software & Computer Services	13.0	3.3	12.7
Technology Hardware & Equipment	—	2.2	1.0
	100.0	**100.0**	**100.0**

This Strategic Report has been prepared by the Directors in accordance with Section 414 of the Companies Act 2006, as amended. The Company's Auditor is required to confirm that this report is consistent with the Financial Statements. The Independent Auditor's Report can be found on pages 38 to 40.

The Board

The Board is responsible for setting and monitoring the Company's strategy. As at 30 June 2015, the Board consisted of five non-executive Directors, three men and two women. The names and biographies of the Directors, as set out in the section on the Board of Directors on page 17, indicate their range of investment, commercial and professional experience. Further details are also provided in the Directors' Report on page 18 and the Statement of Corporate Governance on page 27.

Investment Objective

The Company aims to achieve long term capital growth by investment in UK quoted smaller companies.

Business Model and Investment Policy

The Company is an investment trust which invests in accordance with the objective stated above. It has no employees and outsources its management function to its Investment Manager, Standard Life Investments (Corporate Funds) Limited ('the Manager').

To achieve its investment objective the Company invests in a diversified portfolio consisting mainly of UK quoted smaller companies. The portfolio will normally comprise around 60 individual holdings representing the Manager's highest conviction investment ideas. In order to reduce risk in the Company without compromising flexibility, no holding within the portfolio should exceed 5 per cent of total assets at the time of acquisition.

The Company may use derivatives for portfolio hedging purposes (i.e. only for the purpose of reducing risk in its investments in order to protect the Company's portfolio).

The Company is adhering to its stated investment policy and is managing the risks arising from it. This is illustrated in various tables and charts throughout this Annual Report, and from the information provided in the Chairman's Statement and the Investment Manager's Report.

Gearing Policy

Within the Company's Articles of Association, the maximum level of gearing is 100% of net assets. The Directors' policy is that gearing will be between 5% net cash and 25% net gearing (at the time of drawdown) in normal market conditions. The Directors have delegated responsibility to the Manager for the operation of the gearing level within the above parameters.

The Board regularly reviews gearing which was a net geared position of 4.1% as at 30 June 2015. This compared to a net cash position of 4.6% as at 30 June 2014. Gearing is calculated as the liability component of the Convertible Unsecured Loan Stock 2018 ("CULS") less cash balances, as a proportion of net assets.

Manager's investment process

The Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management, and dealing. The investment process is research-intensive and is driven by the Manager's distinctive "focus on change" which recognises that different factors drive individual stocks and markets at different times in the business cycle. This flexible, but disciplined process ensures that the Manager has the opportunity to out-perform in different market conditions. The Portfolio Investments are set out on pages 10 and 11 with further sector analysis on page 12.

Results and Dividend

The Company's results and performance for the year are detailed in the Financial Highlights on pages 2 and 3.

The total revenue return attributable to shareholders for the year ended 30 June 2015 amounted to £4,784,000 (2014: £3,500,000).

An interim dividend of 1.40 pence per share (2014 – 1.27 pence) was paid on 7 April 2015 to shareholders on the register as at 13 March 2015. The ex-dividend date was 12 March 2015.

The Directors are recommending to shareholders that a final Ordinary dividend of 4.40 pence per share (2014– 3.23 pence) be paid on 29 October 2015 to shareholders on the share register as at the close of business on 9 October 2015. The ex-dividend date is 8 October 2015.

If approved, the final dividend together with the interim dividend paid in April will give a total dividend for the year of 5.80 pence per share (2014 – 4.50 pence).

Details of the final Ordinary and Interim dividends paid during the year ended 30 June 2015 are disclosed in Note 7 to the Financial Statements.

Review of Performance

For the year ended 30 June 2015, the Company's diluted net asset value total return was 14.2%, compared to a total return of 10.4% for the Company's benchmark, the Numis Smaller Companies Index (excluding Investment Companies).

The Board considers performance with the Manager at every meeting. As well as carrying out the matters reserved to the Board as set out in the Statement of Corporate Governance (pages 27 to 33), the Board receives a detailed portfolio report for each meeting, sets the overall strategy for the Company and establishes the extent to which the Company is successful in achieving its objectives, as measured by key performance indicators.

Key Performance Indicators (KPIs)

The three KPIs by which performance is measured are as follows:

- diluted net asset value total return relative to the Company's benchmark with particular attention to long-term performance, which is considered by the Board to be over a period of five years;
- Ordinary share price (total return); and
- discount or premium of the Ordinary share price to underlying net asset value.

A record of these KPIs, for the year under review, is included in the financial highlights on pages 2 and 3. The five year performance is shown on page 25 and the ten year record is included on page 16.

A review of the Company's performance, market background, investment activity and portfolio strategy during the year under review, as well as the Manager's investment outlook, is provided in the Investment Manager's Report which can be found on pages 6 to 9.

Principal Risks and Uncertainties

The Board regularly reviews the principal risks and uncertainties facing the Company which the Board and the Manager have identified and the Board sets out delegated controls designed to manage those risks and uncertainties. Key risks within investment strategy, including inappropriate stock selection and gearing, are managed by the Board through a defined investment policy, with guidelines and restrictions, and by the process of oversight at each Board meeting. Operational disruption, accounting and legal risks are also covered at least annually and regulatory compliance is reviewed at each Board meeting.

The Directors have adopted a robust framework of internal controls which is designed to monitor the principal risks and uncertainties facing the Company and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible. A description of the Directors' system of internal controls is set out in the Statement of Corporate Governance on pages 27 to 33.

The major risks associated with the Company are:

- **Investment and market risk:** The Company is exposed to the effect of variations in share prices due to the nature of its business. A fall in the value of its investment portfolio will have an adverse effect on the value of shareholders' funds.
- **Capital structure and gearing risk:** The Company's capital structure, as at 30 June 2015, consisted of equity share capital comprising 69,418,600 Ordinary shares and £19,772,582 nominal amount of CULS. The Company also held 2,208,575 Ordinary shares in treasury.

  The effect of gearing should be beneficial in rising markets but could adversely affect returns to shareholders in falling markets. The Manager is able to increase or decrease the Company's level of net gearing by holding a lower or higher cash balance subject to the Company's investment policy which requires that gearing should remain between 5% net cash and 25% net gearing at the time of drawdown.
- **Revenue and dividend risk:** In view of the Company's investment objective, which is to generate long-term capital growth by investment in UK quoted smaller companies, the Manager is required to strike a balance more in favour of capital growth than revenue return. In normal circumstances, the Board intends to pay a dividend commensurate with the year's income. The Board receives regular updates as to the progress made by the Manager in generating a revenue return and the consequent level of the Company's anticipated dividend.

- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including the Companies Act 2006, the UKLA Listing Rules, the UKLA Disclosure and Transparency Rules or the Alternative Investment Fund Managers Directive, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers to the Company could also lead to reputational damage or loss.

  There is also a further regulatory risk in ensuring compliance with the Alternative Investment Fund Managers Directive ("AIFMD") which was fully implemented with effect from 22 July 2014. The AIFMD introduces a new authorisation and supervisory regime for all investment trust fund managers and investment companies in the European Union. In accordance with the requirements of the Alternative Investment Fund Managers ("AIFM") Directive, the Company has appointed Standard Life Investments (Corporate Funds) Limited as its AIFM and BNP Paribas Securities Services as its Depositary. The Board has put in place controls in the form of regular reporting from the AIFM and the depositary to ensure both are meeting their regulatory responsibilities in relation to the Company.

- **Supplier risk:** In common with most investment trusts, the Company has no employees. The Company therefore relies upon services provided by third parties, including the Manager in particular, to whom responsibility for the management of the Company has been delegated under an Investment Management Agreement, further details of which may be found on pages 19 and 20.

Employee, Environmental and Human Rights Policy

As an investment trust, the Company has no direct employee or environmental responsibilities, nor is it responsible for the emission of greenhouse gases. Its principal responsibility to shareholders is to ensure that the investment portfolio is properly managed and invested. The Company has no employees and, accordingly, has no requirement to report separately on employment matters. The management of the portfolio is undertaken by the Manager. The Manager engages with the Company's underlying investee companies in relation to their corporate governance practices and in developing their policies on social, community and environmental matters and further information may be found in the Statement of Corporate Governance. The Manager's specific policies are outlined in their Corporate Governance UK Guidelines, which may be found on the Manager's website at http://www.standardlifeinvestments.com/CG_Corporate_Governance_Booklet/getLatest.pdf. In light of the nature of the Company's business, there are no relevant human rights issues and, therefore, the Company does not have a human rights policy.

Future Trends

The Company's smaller company portfolio features high quality growth stocks with visible, recurring revenue, which exhibit both earnings and price momentum. Given the availability of high quality companies at sustainable valuations, the Company continues to be positive about the long-term outlook for smaller companies.

Future Strategy

The Board and Manager intend to maintain the strategic policies set out above for the year ending 30 June 2016 as it is believed that these are in the best interests of shareholders.

David Woods
Chairman

28 August 2015

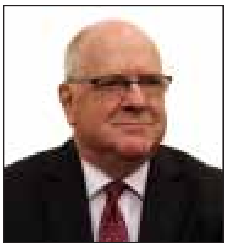
Ten Year Record

Year ended 30 June	Equity shareholders' funds £m	Per ordinary share Diluted net asset value[1] p	Share price p	Ordinary dividends p	Special dividends p	Revenue return p	Discount[1] %	Expenses as a % of average cum income net asset value[2]	Net gearing ratio[3] %
2006	79	117.64	101.50	0.80	—	0.51	13.7	1.50	3.2
2007	52	154.17	131.00	0.80	—	0.10	15.0	1.50	8.3
2008	46	139.14	119.50	1.60	0.60	1.94	14.1	1.30	4.7
2009	70	111.23	100.50	1.60	—	2.56	9.6	1.17	3.7
2010	97	154.04	136.50	2.50	—	2.86	11.4	1.17	1.0
2011	155	240.65	237.00	2.75	1.00	4.35	1.5	1.00	8.8
2012	140	215.61	203.00	3.10	—	3.50	5.8	0.96	5.8
2013	193	281.58	280.50	4.05	—	4.58	0.4	1.28	8.8
2014	219	298.92	281.25	4.50	—	5.05	5.9	1.19	(4.6)
2015	243	336.89	300.00	5.80	—	6.76	10.9	1.19	4.1

[1] Calculated with debt at par value and diluted for the effect of the warrants in issue for the years ended 30 June 2000 to 30 June 2009 and the effect of CULS conversion from 31 March 2011 onwards.

[2] Calculated as an average of shareholders funds throughout the year for the years ended 30 June 2006 to 30 June 2015.

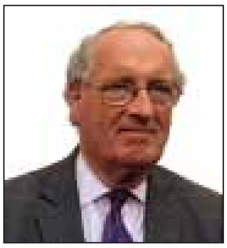
[3] Net gearing ratio calculated as debt less cash invested in AAA money market funds and short term deposits divided by net assets.



David Woods
Chairman
David Woods, appointed a Director on 5 May 2005, and is also the Chairman of the Nomination Commitee. David qualified as a Fellow of the Institute of Actuaries in 1973 and has spent more than 40 years working in the life insurance and investment industries both in the UK and abroad. He is a non-executive director of Murray Income Trust PLC, Phoenix Group Holdings plc and Santander (UK) Group Pension Scheme Trustees Limited. He is also Chairman of the Pension Fund Trustees for all of the UK companies in the Sopra Steria Group.

Lynn Ruddick
Director
Lynn Ruddick, appointed a Director on 4 February 2009, and was Chairman of the Audit and Management Engagement Committee until 1 March 2015 when she was replaced by Allister Langlands. Lynn is a Fellow of the Chartered Association of Certified Accountants. She is Chairman of Fidelity Special Values plc and a non-executive director of BlackRock Income Strategies Trust plc (formerly known as British Assets Trust plc) and BlackRock Frontiers Investment Trust plc. She is also Chairman of the Scottish & Newcastle Pension Plan and of the WPA Pension Fund Trustee Board and a member of the Investment Committee of The Pearson Group Pension Plan.

Carol Ferguson
Senior Independent Director
Carol Ferguson, appointed a Director on 4 February 2009 and is the Company's Senior Independent Director. She is a chartered accountant. She is also Chairman of BlackRock Greater Europe Investment Trust plc and Invesco Asia Trust plc, and is a non-executive director of Monks Investment Trust plc and Vernalis plc.



Donald MacDonald CBE
Director
Donald MacDonald, appointed a Director on 12 July 1993, is a chartered accountant with more than 50 years' experience of corporate finance and venture capital. He is a director of a number of private companies.

Allister Langlands
Director
Allister Langlands, appointed as a Director on 1 July 2014 and appointed Chairman of the Audit and Management Engagement Committee on 1 March 2015. Allister is a chartered accountant and was, until 2014, Chairman of John Wood Group PLC, having served as chief executive from 2007 to 2012 and previously as deputy chief executive from 1999 and as group finance director from 1991. He is also independent non-executive Chairman of Maven Income and Growth VCT 5 plc, the senior independent non-executive director for Exova Group plc and a non-executive director of WS Atkins plc.

All Directors are members of the Nomination Committee and the Audit and Management Engagement Committee.

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2015. Information pertaining to the business review is included in the Strategic Report on pages 13 to 15.

Principal Activity and Status

The Company was incorporated on 9 July 1993 and its Ordinary shares were listed on the London Stock Exchange on 19 August 1993. The Company is registered as a public limited company in Scotland under company number SC145455. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and carries on business as an investment trust. The Company is a member of The Association of Investment Companies.

The Company has applied for and been accepted as an approved investment trust under Sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 July 2012. The Directors are of the opinion, under advice, that the Company has conducted its affairs so as to be able to retain such approval. The Company intends to manage its affairs so that its Ordinary shares continue to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account.

Capital structure

The Company's issued share capital at 30 June 2015, consisted of 69,418,600 Ordinary shares of 25 pence, with voting rights, and £19,772,582 nominal of CULS (2014 – 71,383,586 Ordinary shares and £20,584,450 nominal of CULS). The CULS are listed on the London Stock Exchange and are tradeable assets.

As part of the Company's discount control policy, set out in its prospectus dated 23 December 2008, the Board stated its intention, subject to the Board's discretion being exercised, to conduct periodic tender offers, on a six monthly basis. On 2 June 2015, the Company announced its third periodic tender offer, which was to take place on 30 June 2015, for up to 5% of the Ordinary shares in issue.

Following the tender offer on 30 June 2015, and as at the date of this report, the Company's issued share capital consisted of 65,947,670 Ordinary shares of 25 pence, with voting rights.

During the year 2,307,155 Ordinary shares were bought back by the Company and held in treasury. (2014 - nil).

As at 30 June 2015, there were 2,208,575 shares held in treasury. As at the date of this report, following the tender offer on 30 June 2015, there are 5,679,505 shares held in treasury. (2014 – nil).

During the year the Company issued a total of 342,169 Ordinary shares. This included 243,589 new Ordinary shares issued as a result of the seventh conversion of CULS as at 30 September 2014 and 98,580 Ordinary shares issued from treasury as a result of the eighth conversion of CULS as at 31 March 2015.

Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary share held.

Tender Offers

It is the Board's intention to consider a regular tender at 6 monthly intervals and to offer shareholders the opportunity to tender their shares where it is in shareholders' interest to do so.

Investors should note that the operation of any periodic tender offers will be at the absolute discretion of the Board. The next review by the Board of the operation of the tender offer will be in November 2015. In any event, the Board considers that it is in the best interests of the Company as a whole to restrict any future periodic tender offers to a maximum of 5% in aggregate of the Ordinary shares in issue as at the relevant tender offer calculation date (excluding any ordinary shares held in treasury). The maximum limit of shares which can therefore be tendered in any future six month period would be 5% of the shares in issue.

The price at which shares will be purchased will continue to be an amount equal to 98% of the realisation value of the assets attributable to the shares tendered as at the close of business on the relevant periodic tender offer calculation date. The realisation value will continue to be the Net Asset Value per ordinary share on the relevant tender offer calculation date less the costs of the tender offer which for the avoidance of doubt includes portfolio realisation costs, advisory fees, VAT and stamp duty.

Furthermore, in light of the Company assuming structural gearing through the issue of the CULS, the Board may, after taking into account the outcomes of previous tender offers and the then current rating of the Ordinary shares, amend the provisions of the periodic tender offers to further protect continuing shareholder's interests. For the avoidance of doubt in carrying out any periodic tender offers the Board will give careful consideration to the future cashflows and gearing levels of the Company as well as to the amount the Board resolves to commit to future investment opportunities. In addition, the Board will seek to ensure that the Ordinary shares are only bought back by the Company at prices which are in the best interests of shareholders.

Convertible Unsecured Loan Stock

The Company announced on 28 March 2011 that £25 million nominal of CULS were issued further to a circular published on 2 March 2011 and following shareholder approval at a General Meeting on 28 March 2011.

The Board believes that introducing structural gearing, which replaced the existing debt facility which was repaid in October 2011, further enhances the Manager's ability to increase capital returns. The net proceeds of the issue were used to repay the existing debt facility and the balance is available to be invested by the Manager in accordance with the Company's investment policy without any change in the Company's approach to investing in UK small company opportunities.

Shareholders were given the opportunity to invest in the CULS, which offered a coupon of 3.5% per annum and may be converted into Ordinary shares on 30 September and 31 March each year up to March 2018 at a fixed price per Ordinary share of 237.2542p. Any holder of CULS is entitled to convert part or all of their holding into Ordinary shares. Further information on conversion may be found in the announcement made by the Company on 26 August 2015, a copy of which may be downloaded from the Company's website (see page 61: Key Contacts for details) or by consulting the reverse side of the CULS certificate.

The eighth interest payment to holders of CULS, covering the period from 31 March 2015 to 29 September 2015, shall be made to holders of CULS on 30 September 2015. The payment will be made to holders of CULS on the CULS register as at close of business on 4 September 2015. The ex-dividend date is 3 September 2015.

Directors

Biographies of the current Directors of the Company at the date of this Report, all of whom served throughout the year ended 30 June 2015, are shown on page 17.

The Directors' interests in the Ordinary share capital and CULS of the Company at 30 June 2015 and 30 June 2014, which were unchanged as at the date of this Report, are shown in the table on page 26.

All of the Directors will retire and, being eligible will offer themselves for re-election as Directors at the AGM on 22 October 2015. The Board's policy on tenure may be found in the Statement of Corporate Governance on page 29.

No contract or arrangement subsisted during the period in which any of the Directors was materially interested and no Director had a service contract with the Company.

Directors' and Officers' Liability Insurance

The Company's Articles of Association provide for each of the Directors to be indemnified out of the assets of the Company against any liabilities incurred by them as a Director of the Company in defending proceedings, or in connection with any application to the Court in which relief is granted. Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Investment Management Agreement

Since 1 September 2003, investment management services have been provided to the Company by Standard Life Investments (Corporate Funds) Limited. Up to 7 July 2014, this appointment was under the terms of an Investment Management Agreement ('IMA') dated 15 August 2003, restated on 30 January 2009.

A new IMA was entered into on 7 July 2014, appointing Standard Life Investments (Corporate Funds) Limited as the Company's Alternative Investment Fund Manager ('AIFM'), as required by the Alternative Investment Fund Managers Directive ('AIFMD'). The commercial terms of the IMA remained unchanged and, as previously, the IMA is terminable by either party on not less than one year's notice. Company secretarial and administrative services are provided by Maven Capital Partners UK LLP under a separate agreement with the Manager.

The investment management fees payable to the Manager under the IMA are calculated at 0.85% per annum on the Company's total assets and there is no performance fee.

The Board has reviewed both the terms of the IMA and the performance of the Manager for the year ended 30 June 2015 and is of the opinion that the continuing appointment of the Manager, on the terms set out in the IMA, is in the best interest of shareholders as a whole. The key factors taken into account in reaching this decision were the commitment, investment skills and experience of the Manager's personnel and the long-term record of its performance in managing smaller company equities.

Within the Income Statement, 75% of the investment management fee has been charged to capital for the year ended 30 June 2015. Further details of the fees are shown in Note 3 to the Financial Statements.

Investment Managers' Holdings

	Ordinary Shares held at 30 June		CULS held at 30 June	
	2015	2014	2015	2014
Harry Nimmo[1]	229,120	151,900	38,680	38,680
Gordon Humphries	13,750	10,200	16,055	8,867

[1] Harry Nimmo purchased 39,000 Ordinary shares on 4 August 2015

Substantial Interests

The table below sets out the interests in 3% or more of the issued share capital of the Company, of which the Board was aware, as at the date of this Report.

Name of Shareholder	Number of Ordinary Shares	%
Brewin Dolphin, stockbrokers	6,335,193	9.61
M&G Investment Management	5,129,684	7.78
Hargreaves Lansdown, stockbrokers (Execution only)	5,017,862	7.61
Standard Life Investments	4,184,526	6.35
Alliance Trust Savings	4,043,738	6.13
Transact (Execution only)	2,985,531	4.53
Investec Wealth & Investment	2,654,835	4.03
West Yorkshire Pension Fund	2,059,694	3.12
Brewin Dolphin, stockbrokers (Non-discretionary)	1,998,081	3.03
	34,409,144	**52.19**

Going Concern

The Company's assets consist of equity shares in companies listed on recognised stock exchanges and are considered by the Board to be realisable within a short timescale under normal market conditions. The Board has set overall limits for borrowing and regularly reviews the Company's level of gearing, cash flow projections and compliance with banking covenants, when applicable.

The Company has no bank borrowings at 30 June 2015 (2014: nil).

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 13 to 15 and, having reviewed forecasts detailing revenue and liabilities, the Directors believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

Independent Auditor

The Company's Independent Auditor, Ernst & Young LLP, is willing to continue in office and Resolution 9 will be proposed at the Annual General Meeting to re-appoint the Auditor and to authorise the Directors to fix the Independent Auditor's remuneration.

The Directors who held office at the date of approval of this Report have confirmed that, so far as they are each aware, there is no relevant audit information of which the Company's Independent Auditor was unaware, and that each Director had taken all the steps that they might reasonably be expected to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Independent Auditor was aware of that information.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Additional Information

Where not provided elsewhere in the Directors' Report, the following provides the additional information required to be disclosed by Part 15 of the Companies Act 2006.

There are no restrictions on the transfer of Ordinary shares in the Company or CULS issued by the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law). The Company is not aware of any agreements between shareholders that may result in a transfer of securities and/or voting rights.

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 27 to 33. The Company's Articles of Association may only be amended by a Special Resolution at a General Meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the IMA with the Manager, further details of which are set out on pages 19 and 20, the Company is not aware of any contractual or other agreements which are essential to its business which could reasonably be expected to be disclosed in the Directors' Report.

Annual General Meeting

The Notice of the Annual General Meeting ("AGM"), which will be held on Thursday, 22 October 2015, and related notes may be found on pages 64 to 69 of this Annual Report.

Issue of Ordinary Shares by the Company

Among the Resolutions being put to the AGM as Ordinary Business, Resolution 10, which is an Ordinary Resolution, will, if passed, renew the Directors' authority to allot new Ordinary shares up to a nominal value of £1,648,692. This will allow the Directors to allot up to 6,594,767 Ordinary shares (being approximately 10% of the issued share capital of the Company as at the date of this Notice) (excluding treasury shares).

Resolution 11, which is a Special Resolution, will, if passed, renew the Directors' existing authority to allot new shares or sell treasury shares for cash without the shares first being offered to existing shareholders in proportion to their existing holdings. This will give Directors authority to make limited allotments or sell shares from treasury of up to a nominal value of £1,648,692, being up to 6,594,767 Ordinary shares, representing approximately 10% of the total Ordinary issued share capital, excluding treasury shares. The authority to issue shares on a non pre-emptive basis includes shares held in treasury (if any) which the Company sells or transfers, including pursuant to the authority conferred by Resolution 10. Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them.

New Ordinary shares will only be issued at prices representing a premium to the last published net asset value per share.

As at 30 June 2015, there were 2,208,575 Ordinary shares held in treasury representing approximately 3.2% of the Company's issued capital as at 30 June 2015. As at the date of approval of this report, following the tender offer on 30 June 2015, there were 5,679,505 shares held in treasury representing approximately 8.6% of the Company's current issued capital (2014-nil).

The authorities being sought under Resolutions 10 and 11 shall expire at the conclusion of the next Annual General Meeting in 2016 or, if earlier, on the expiry of 15 months from the date of the passing of the Resolutions, unless such authority is renewed prior to such time. The Directors have no current intention to exercise these authorities and will only do so if they believe it is advantageous and in the best interests of shareholders.

Purchase of the Company's Ordinary Shares

The Company's buy back authority was last renewed at the AGM on 9 October 2014. Special Resolution 12 renews the Board's authority to make market purchases of the Company's Ordinary shares in accordance with the provisions contained in the Companies Act 2006 and the UKLA's Listing Rules. Accordingly, the Company will seek the authority to purchase up to a maximum of 14.99% of the issued share capital (excluding treasury shares) at the date of passing of Resolution 12 (being approximately 9,885,555 Ordinary shares as at the latest practicable date prior to the publication of this document) at a minimum price of not less than 25 pence per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

The Board does not intend to use this authority to purchase the Company's shares, unless to do so would result in an increase in the net asset value per share and would be in the best interests of the shareholders. Any shares purchased shall either be cancelled or held in treasury. The authority being sought shall expire at the conclusion of the AGM in 2016 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 12 unless such authority is renewed prior to such time.

Sale of treasury shares
Subject to the passing of Resolution 11, Ordinary Resolution 13 will give the Directors authority to sell Ordinary shares out of treasury for cash at a price below the then prevailing net asset value of the shares provided always that the shares will only be sold or transferred out of treasury at prices (a) in excess of the average price at which the shares were bought into treasury; and (b) at a narrower discount to the net asset value than the average level of discount the shares were purchased at. Any dilution to the net asset value resulting from (b) above shall be restricted to no more than 0.5% in any financial year.

Regular Tender Offers
The Board intends, on a discretionary basis, to offer shareholders the opportunity to exit some or all of their investment in the Company every 6 months. The initial tender offers were on 30 June 2010 and 31 December 2010. The Board opted to exercise its discretion not to operate a tender offer at 30 June 2011, 31 December 2011, 30 June 2012, 31 December 2012, 30 June 2013, 31 December 2013, 30 June 2014 and 31 December 2014. Investors should note that the operation of the regular tender offer is discretionary.

The latest tender offer was on 30 June 2015.

Subject to certain limitations set out below, the Directors intend to continue to invite shareholders to tender for cash all or part of their holdings of shares. The price at which shares will be purchased will continue to be an amount equal to the realisation value of the assets attributable to the shares tendered as at the close of business on the relevant tender offer calculation date, less an exit charge of 2%.

Subject to the Directors' discretion being exercised on any relevant occasion, the tender offers will be effected such that the tender offer calculation dates will be 30 June and 31 December of each year (or the preceding business day). Each six-monthly tender offer will be restricted to a maximum of 5% of the shares in issue as at the relevant tender offer calculation date (excluding any shares held in treasury). There is no carry forward of any unused tender amount to the next tender offer calculation date. Accordingly, the maximum limit of shares which can be tendered in any calendar year is 10% of the shares in issue.

Therefore, in addition to the authority that is being sought by the Company under Resolution 12 to purchase its own shares of 25 pence each, Special Resolution 14 grants the Board the authority to implement the next tender offers on 31 December 2015 and 30 June 2016 and to repurchase up to a maximum of 5% of the Company's issued share capital as at 31 December 2015 and 30 June 2016 (as appropriate). If Resolution 14 is passed the tender offer will be structured by way of an on market offer by a market maker and the price will be an amount equal to the realisation value of the assets attributable to the shares tendered as at close of business on 31 December 2015, and 30 June 2016, less an exit charge of 2%. The shares will subsequently be bought back by the Company from the market-maker at the same price and cancelled or held in treasury.

If Resolution 14 is passed, such authority will expire at the conclusion of the Company's next AGM in 2016, unless renewed prior to that date. It is expected that a further special resolution will be proposed at the AGM in 2016 in respect of the tender offer dates on 31 December 2016 and 30 June 2017.

Any future tender offer will be conducted in accordance with the UKLA's Listing Rules and the rules of the London Stock Exchange. Shareholders will be notified prior to each tender offer on 31 December 2015 and 30 June 2016 of the full terms and conditions of the tender offer and the procedure for tendering shares.

Notice of Meeting
Under the Companies Act 2006, the notice period for the holding of general meetings of the Company is 21 clear days unless shareholders agreed to a shorter notice period and certain other conditions are met. Resolution 15, which is a Special Resolution, will be proposed to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on not less than 14 clear days' notice, as permitted by the Companies Act 2006 amended by the Companies (Shareholders' Rights) Regulations 2009.

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where considered to be in the interests of all shareholders. If Resolution 15 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the AGM in 2016 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 15, unless renewed prior to such time.

Recommendation

Your Board considers Resolutions 1 to 10 inclusive and Resolution 13, which are all Ordinary resolutions, and Resolutions 11, 12, 14 and 15, all of which are Special Resolutions, to be in the best interests of the Company and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders vote in favour of Resolutions 1 to 15 inclusive to be proposed at the AGM on 22 October 2015.

By order of the Board,
Maven Capital Partners UK LLP
Company Secretary

28 August 2015

Directors' Remuneration Report

This report has been prepared, in accordance with the requirements of Section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. An Ordinary resolution for the approval of this report will be put to the members of the Company at the forthcoming AGM. The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report on pages 38 to 40.

The Directors have not established a Remuneration Committee. Consideration of Directors' fees and remuneration policy is undertaken by the Nomination Committee. As all of the Directors are non-executive, the Company is not required to comply with the Principles of the UK Code on Corporate Governance in respect of executive directors' remuneration.

As at 30 June 2015, the Company had five non-executive Directors and their biographies are shown in the Board of Directors section of this Annual Report on page 17. The names of the Directors who served during the year together with the fees paid during the year are shown in the table on page 26.

Remuneration Policy

The Company's policy is that the remuneration of the Directors, all of whom are non-executive, should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts with a similar capital structure and similar investment objectives. Directors are remunerated exclusively in the form of fees, payable monthly in arrears to the Director personally. The fees for the Directors are determined within the limits set out in the Company's Articles of Association, (the "Articles") which limit the aggregate of the fees payable to the Directors to £150,000 and the approval of shareholders in a General Meeting would be required to change this limit. It is intended that the fees payable to the Directors should reflect their duties, responsibilities, and the value and amount of time committed to the Company's affairs, and should also be sufficient to enable candidates of a high quality to be recruited and retained. There is no performance related remuneration scheme and therefore Directors do not receive bonuses, pension benefits, share options, long-term incentive schemes or other benefits, and the fees are not specifically related to the Directors' performance, either individually or collectively.

At the 2014 AGM, Shareholders approved the Company's Remuneration Policy for the three-year period ending 30 June 2017. It is the Board's intention that the Company's Remuneration Policy be put to a shareholders' vote at least once every three years. An Ordinary resolution for the approval of the Company's Remuneration Policy will be proposed at the AGM in 2017.

During the year ended 30 June 2015, the Board was not provided with advice or services by any person in respect of its consideration of the Directors' remuneration. However, in the application of the Board's policy on Directors' remuneration, the Committee expects, from time to time, to review the fees paid to the directors of other investment trust companies.

During the year ended 30 June 2015, the Board carried out a review of the Remuneration Policy and the level of Directors' fees and recommended that, with effect from 1 July 2015, the rates of remuneration should be revised to: £30,000 for the Chairman (formerly £28,000), £23,000 for the Chairman of the Audit and Management Engagement Committee (formerly £22,500) and £20,000 (formerly £19,500) for each other Director.

Directors' Fees and Total Remuneration

The Company does not have any employees and Directors' remuneration comprises solely of Directors' fees, as stated above.

Directors do not have service contracts, but new Directors are provided with a letter of appointment. The terms of appointment provide that Directors should retire and be subject to election at the first AGM after their appointment. The Company's Articles require all Directors to retire by rotation at least every three years.

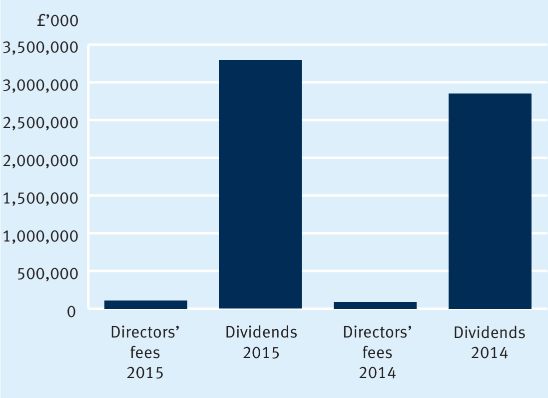
Notwithstanding the Articles, the Board has agreed that all Directors should retire annually and seek re-election at the AGM. There is no notice period and no provision for compensation upon early termination of appointment, save for any arrears of fees which may be due.

During the year ended 30 June 2015, no communication has been received from shareholders regarding Directors' remuneration. The Remuneration Policy and the level of fees payable is reviewed annually by the Board and it is intended that the current policy will continue for the year ended 30 June 2016.

Relative Cost of Directors' Remuneration

To enable shareholders to assess the relative importance of spend on Directors' remuneration, the chart below shows for the years ended 30 June 2014 and 30 June 2015, the cost of Directors' fees compared with the level of dividend distribution.

Relative Cost of Directors' Remuneration (£'000)



As noted in the Strategic Report, all of the Directors are non-executive and, therefore, the Company does not have a chief executive officer, nor does it have any employees. In the absence of a chief executive officer or employees, there is no related information to disclose.

At the AGM held on 9 October 2014, the results in respect of the Ordinary resolutions to approve the Directors' Remuneration Report for the year ended 30 June 2014 and the Directors' Remuneration Policy for the three-year period ended 30 June 2017 were as follows:

	Percentage of votes cast for	Percentage of votes cast against
Directors' Remuneration Report	99.76%	0.24%
Directors' Remuneration Policy	99.73%	0.27%

A Resolution will be put to Shareholders at the 2015 AGM to approve the Directors' Remuneration Report for the year ended 30 June 2015. A resolution to approve the Directors' Remuneration Policy is not required to be put to shareholders at the 2015 AGM as the Remuneration Policy for the three-year period ending 30 June 2017 was previously approved by shareholders at the 2014 AGM.

Directors' and Officers' Liability Insurance

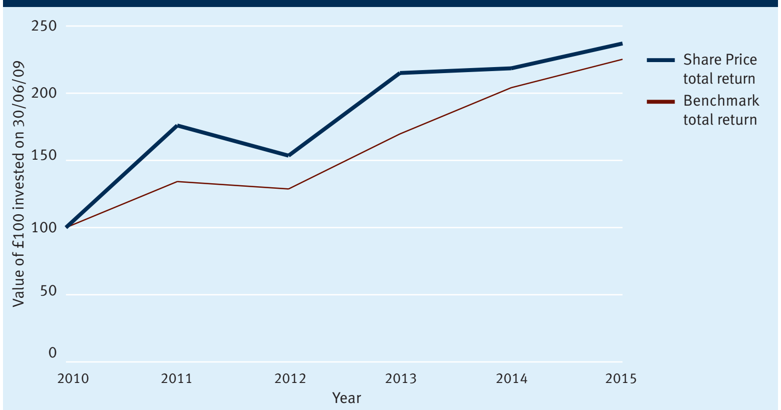
The Company purchases and maintains liability insurance covering the Directors and Officers of the Company. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the Directors' Report.

The graph below compares the total returns on an investment of £100 in the Ordinary shares of the Company for each annual accounting period for the five years to 30 June 2015, assuming all dividends are reinvested, with the total shareholder return on a notional investment of £100 from the Numis Smaller Companies Index (excluding Investment Companies). This index was chosen for comparison purposes as it is the Company's benchmark.

Total cumulative Ordinary share price total return for the five year period ended 30 June 2015 (rebased to 100 at 30 June 2009)



Directors' Remuneration (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	Year ended 30 June 2015 £	Year ended 30 June 2014 £
David Woods	28,000	21,833
Carol Ferguson	19,500	19,000
Allister Langlands	20,500	Nil
Donald MacDonald	19,500	24,667
Lynn Ruddick	21,500	22,000
Total	**109,000**	**87,500**

The above amounts exclude any employers' national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and none of the Directors received any taxable expenses, compensation for loss of office or non-cash benefit for the year ended 30 June 2015 (2014: £nil).

There are no outstanding Directors' fees payable at the year ended 30 June 2015 (2014: £nil).

Directors' Interests (audited)

The Directors' Interests in the Ordinary share capital and CULS of the Company are shown below. There is no requirement for Directors to hold shares in the Company.

	Ordinary shares held at 30 June		CULS held at 30 June	
	2015	2014	2015	2014
David Woods	5,000	5,000	980	980
Carol Ferguson	31,727	31,727	12,446	12,446
Allister Langlands	95,000	45,000	—	—
Donald MacDonald	152,000	152,000	24,911	24,911
Lynn Ruddick	18,027	17,726	6,618	6,618
Total	**301,754**	**251,453**	**44,955**	**44,955**

Approval

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

David Woods
Director

28 August 2015

Introduction

The Board is accountable to the Company's shareholders for high standards of corporate governance and this statement describes how the Company applies the main principles identified in the UK Corporate Governance Code ("the Governance Code") issued in September 2012. The Governance Code is available from the website of the Financial Reporting Council at www.frc.org.uk. The Association of Investment Companies ("the AIC") has published its own Code on Corporate Governance ("the AIC Code"), by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide"), both revised in February 2015, which provide a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest alternative approaches to those set out in the Governance Code. Both the AIC Code and AIC Guide are available from the AIC website at www.theaic.co.uk.

Application of the Main Principles of the Governance Code and the AIC Code

This statement describes how the main principles identified in the Governance Code and the AIC Code ("the Codes") have been applied by the Company throughout the year as is required by the Listing Rules of the UK Listing Authority. In instances where the Governance Code and AIC Code differ, an explanation will be given as to which governance code has been applied, and the reason for that decision.

The Board is of the opinion that the Company has complied fully with the main principles identified in the Codes except as set out below:

- the role of the chief executive – Code provision A2.1;
- executive directors' remuneration – Code provisions D2.1, D2.2 and D2.4; and
- the need for an internal audit function – Code provision C.3.6

For the reasons set out in the AIC Guide, and as explained in the Governance Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board

The Board consists of a non-executive Chairman, David Woods, and four non-executive Directors. The names and biographies of those Directors who held office at 30 June 2015 and at the date of this Report, appear on page 17 and indicate their range of investment, industrial, commercial and professional experience. Carol Ferguson is the Company's Senior Independent Director.

All Directors are considered under the Codes to be independent of Standard Life Investments (Corporate Funds) Limited ("the Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

The Board sets the Company's values and objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to review of quarterly management accounts;
- monitoring Companies Act 2006 requirements such as approval of the Half-Yearly Financial Report and Annual Report and Financial Statements and approval and recommendation of any dividend;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;

- appointment and removal of the Manager and the terms and conditions of the Investment Management Agreement relating thereto; and
- Stock Exchange/UK Listing Authority/Financial Conduct Authority - responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his/her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations which will require authorising by the Board. Authorisations given by the Board will be reviewed at each Board meeting.

Following the implementation of the Bribery Act 2010, the Board adopted appropriate procedures designed to prevent bribery.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. The Directors also have access to the advice and services of the Company Secretary through its appointed representatives who is primarily responsible to the Board:

- for ensuring that Board procedures are complied with;
- under the direction of the Chairman, for ensuring good information flows to the Board and its Committees, as well as facilitating induction and assisting with professional development as required; and
- for advising, through the Chairman, on all corporate governance matters.

The Board meets formally at least five times a year, and more frequently where business needs require.

The Board formally met on five occasions during the year ended 30 June 2015. Details of attendance by each of the Directors and Committee members at Board and other Committee meetings are shown in the table below. Between meetings, the Board maintains regular contact with the Manager.
The primary focus at regular Board meetings is a review of investment performance and associated matters including gearing, marketing and investor relations, peer group information and industry issues.

	Board Meetings	Audit and Management Engagement Committee Meetings	Nomination Committee
David Woods (Chairman)	4 (5)	1 (2)	1 (1)
Carol Ferguson	5 (5)	2 (2)	1 (1)
Allister Langlands	5 (5)	2 (2)	1 (1)
Donald MacDonald	5 (5)	1 (2)	1 (1)
Lynn Ruddick	5 (5)	2 (2)	1 (1)

Table: Directors' attendance at Board and Committee meetings with the number of meetings which they were eligible to attend in brackets.

In addition, members of the Board attended a total of 6 additional meetings in the year including the AGM of the Company and other committee meetings dealing with the approval of the annual and interim results, the issue of Ordinary shares following CULS conversions and the 30 June 2015 Tender Offer.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers including the Investment Manager's report and discussion documents regarding specific matters. Directors have made further enquiries where necessary.

External Agencies

The Board has contractually delegated to external agencies, including the Manager and other service providers, certain services including: the management of the investment portfolio, the depositary services (which include the custody and safeguarding of the assets), the share registration services and the day-to-day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered in so far as they relate to the affairs of the Company. In addition, ad hoc reports and information are supplied to the Board as requested.

Board Committees

The terms of reference for each of the two Board Committees, which are reviewed annually, are available for download from the Company's webpage (www.standardlifeinvestments.com/its).

Audit and Management Engagement Committee

Information regarding the composition, responsibilities and activities of the Audit and Management Engagement Committee are detailed in the Report of the Audit Committee on pages 34 to 36.

Nomination Committee

A Nomination Committee has been established comprising the full Board and whose Chairman is the Chairman of the Company.

The main responsibilities of the Committee include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience, diversity and gender) of the Board;
- undertaking succession planning, taking into account the challenges and opportunities facing the Company and identifying candidates to fill vacancies;
- recruiting new directors, undertaking open advertising or engaging external advisers to facilitate the search, as appropriate, with a view to considering candidates from a wide range of backgrounds, on merit, and with due regard for the benefits of diversity on the Board, including gender, taking care to ensure that appointees have enough time available to devote to the position;
- ensuring that new appointees receive a formal letter of appointment and suitable induction and ongoing training;
- arranging for annual Board performance evaluation to ensure that Directors are able to commit the time required to properly discharge their duties;
- making recommendations to the Board as to the position of Chairman, Senior Independent Director and Chairmen of the Nomination and Audit and Management Engagement Committees;
- assessing, on an annual basis, the independence of each Director; and
- approving the re-appointment of any Director or the re-election, subject to the Governance Code, AIC Code, or the Articles, of any Director at the AGM, having due regard to their performance, ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.

The Committee reviews regularly the composition, experience and commitment of the Directors, particularly in relation to succession planning and recommendations for individual re-election at each AGM. For new appointments, a description of the required role is prepared and an external search consultancy would generally be used to ensure a wide range of candidates are considered. The Committee also ensures that appropriate induction is arranged by the Manager for a newly appointed Director. This involves meetings about the Company, the Manager, legal responsibilities of Directors and investment trust industry matters. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors are also able to participate in training courses run by the AIC.

All non-executive Directors are initially appointed until the first AGM following their date of appointment.

The Board has considered the Governance Code recommendation for the annual re-election of directors and confirms that all Directors are subject to annual re-election at the AGM.

The Board and Committees undertook an annual performance evaluation during the year, using questionnaires and discussion, to ensure that the Directors have all devoted sufficient time and contributed adequately to the work of the Board and Committees and to consider each Director's independence.

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make, and therefore the relevance of individual length of service will be determined on a case by case basis.

David Woods, Carol Ferguson, Allister Langlands, Donald MacDonald and Lynn Ruddick, will retire, and being eligible, will each offer themselves for re-election as a Director at the next AGM.

Donald MacDonald and Lynn Ruddick have notified the Board of their intention to retire from the Board during 2016.

Led by Carol Ferguson as Senior Independent Director, and in the absence of the Chairman, the other Directors have reviewed the skill, experience and commitment of David Woods. The other Directors consider that it is appropriate that David Woods be recommended for re-election as a Director and that he continue to serve as Chairman of the Company. Accordingly shareholders are encouraged to support the relevant AGM resolution.

In their absence, each of Carol Ferguson, Allister Langlands, Donald MacDonald and Lynn Ruddick have been evaluated by their fellow Directors. The Board considers that none of their other commitments (as set out on page 17 of this Annual Report) interfere with the discharge of their responsibilities to the Company and is satisfied that they individually make sufficient time available to serve the Company effectively. There have been no significant changes to the other commitments of each of Carol Ferguson, Allister Langlands, Donald MacDonald and Lynn Ruddick. The outcome of this evaluation was satisfactory in each case. The Board considers that, due to their individual skills, experience and commitment, Carol Ferguson, Allister Langlands, Donald MacDonald and Lynn Ruddick each merit re-election as a Director and shareholders are encouraged to support the relevant AGM resolutions.

As permitted under the UKLA's Listing Rules, which allow the Company to dispense with appointing a separate remuneration committee, the Nomination Committee fulfils the requirement to review regularly the level of Directors' remuneration. The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 24 to 26.

Although the Company does not have a formal policy on diversity, as detailed on page 29, consideration of Board diversity forms part of the responsibilities of the Nomination Committee.

Communication with Shareholders

The Company reports formally to shareholders twice a year by way of the Half-Yearly Financial Report and the Annual Report which each include an analysis of the risks and uncertainties facing the Company. A quarterly factsheet is published on the website of the Manager and is available to all shareholders on request: see Key Contacts (page 61) for details. A monthly factsheet is published via the London Stock Exchange. The Company's net asset value is published each business day. In addition, details of all portfolio investments are published via the London Stock Exchange and the website of the Manager on a monthly basis (monthly in arrears).

Further details of the Company's policy on shareholder communications, including documents to be made available on the website, may be found on page 62.

The Directors are always available to discuss issues of concern or areas of uncertainty with any shareholders and key contacts for the Company may be found on page 61.

The Company has adopted a nominee code, which ensures that, where notification has been received in advance, nominee operators will be provided with copies of shareholder communications for distribution to their customers.

The Company's AGM provides a forum for communication primarily with private shareholders and is attended by the Board. The Manager makes a presentation to the meeting and all shareholders have the opportunity to put questions to both the Board and Manager at the AGM.

Each person attending the AGM as a proxy is entitled to vote on a show of hands. A separate resolution is proposed in respect of each substantially separate issue. The Chairman announces the level of proxies lodged on each resolution, and the balance for and against and votes withheld, where relevant, after the resolution has been put to a show of hands. The result of any poll will subsequently be made available on the Company's website. In order to ensure that detailed discussion of key issues is possible, the Company normally aims to circulate to shareholders the Annual Report and the notice of the AGM not less than 20 working days before the date of the meeting.

The Company places a great deal of importance on communication with its institutional and private client shareholders. The Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.

The Notice of Meeting on pages 64 to 69 sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report on pages 18 to 23. Separate resolutions are proposed for each substantive issue.

Shareholders have direct access to the Company, including the Chairman and the Senior Independent Director by contacting the Company Secretary. See Key Contacts (page 61) for details.

Internal Control and Risk Management

The Board is ultimately responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. In practice, many of the day-to-day measures have been delegated to the Manager and the Company Secretary with an effective process of reporting to the Board for supervision and control.

Following publication by the Financial Reporting Council of "Internal Control: Revised Guidance for Directors on the Combined Code" ("the FRC Guidance"), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements and is regularly reviewed by the Board and accords with the FRC Guidance. The Board has reviewed the effectiveness of the system of internal control and risk management. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are detailed in the Strategic Report on pages 13 to 15:

The key components designed to provide effective internal control and risk management are outlined below:

- the Manager prepares management reports which allow the Board to assess the Company's activities and review its performance;
- the Board and Manager have agreed a defined investment policy and relevant reports, including performance statistics and investment valuations, are submitted to each Board meeting;
- as a matter of course the Manager's internal audit and compliance departments continually review the operations of the Manager and other service providers;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to rely upon the Manager's systems and internal audit procedures; and
- The Board reviews Internal Control reports by BNP Paribas Securities Services as Depositary and Custodian.
- The Board receives and reviews the annual Internal Control Reports published by the Manager and the Administrator.

Statement of Corporate Governance

- twice annually the Audit and Management Engagement Committee formally carries out an assessment of internal control and risk management by considering documentation from the Manager and the Company Secretary, including the internal audit and compliance functions and taking account of risk management problems or compliance breaches identified previously, and reports to the Board on its conclusions. At the conclusion of these reviews, the Board decides whether any changes to the system of internal control are required.

With effect from 7 July 2014, the Company entered into arrangements to comply with the Alternative Investment Fund Managers Directive ("AIFMD"). The Company appointed Standard Life Investments (Corporate Funds) Limited as its AIFM and BNP Paribas Securities Services as its Depositary.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

The AIFM has a permanent risk management function to ensure that effective risk management policies and procedures are in place to monitor compliance with risk limits. The AIFM has a risk policy which covers the risks associated with the management of the portfolio and the adequacy and appropriateness of this policy is reviewed at least annually.

The system of internal control and risk management is designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the system of internal control and risk is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, by its nature, can only provide reasonable and not absolute assurance against mis-statement and loss.

Corporate Governance, Stewardship and Proxy Voting

The Financial Reporting Council ("FRC") first published the UK Stewardship Code ("the Code") for Institutional Shareholders on 2 July 2010. The Code was revised in September 2012. The purpose of the Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and assist institutional investors with the efficient exercise of their governance responsibilities. The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has reviewed the Manager's statement of compliance with the Code, which appears on the Manager's website, at http://www.standardlifeinvestments.com/corporate_ governance_sustainable_and_responsible_investing/the_uk_stewardship_code/index.html.

The Board has delegated responsibility for actively monitoring the activities of portfolio companies to the Manager. The Board has reviewed and accepts the Manager's corporate governance principles and polices ("the Principles and Policies"), which may be found on the Manager's website at http://www.standardlifeinvestments.com/corporate_governance_sustainable_and_responsible_investing/what_is_corporate_governance/principles_and_policies.html. These Principles and Polices set out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing.

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by portfolio companies and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

The Board recognises and supports the Manager's policy of active engagement with investee companies and the voting of all of the shares held by the Company. The Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

The Board is aware of its duty to act in the interests of the Company. The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of corporate governance. The Manager believes that this can best be achieved by entering into a dialogue with company management, where practicable, to encourage them, where necessary, to improve their policies in this area.

Socially Responsible Investment Policy

The Manager undertakes constructive engagement with investee companies on issues of social, community and environmental responsibility in order to influence positively developments in these areas.

The Manager believes that a company run in the long-term interests of its shareholders should manage its relationships with its employees, suppliers and customers and behave responsibly towards the environment and society as a whole. Companies that demonstrate a commitment to environmental and social responsibility are considered by the Manager to be likely to enjoy comparative advantage in the long run.

By order of the Board,
Maven Capital Partners UK LLP
Company Secretary

28 August 2015

Report of the Audit Committee

Audit and Management Engagement Committee

The Directors have established an Audit and Management Engagement Committee.

Membership

The Audit and Management Engagement Committee comprises all five current non-executive Directors. Details of the experience and qualifications of the Directors are set out on page 17. The Board is satisfied that all members of the Committee have a sufficient level of recent and relevant financial experience. The Committee was chaired during part of the year by Lynn Ruddick and then latterly by Allister Langlands, who was appointed Chairman of the Committee from 1 March 2015.

Responsibilities

The main responsibilities of the Committee include:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- reviewing the Company's internal financial controls and the Company's internal control and risk management systems; to assist in this the Committee receives reports from the risk and compliance departments of the Manager;
- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm;
- providing advice on whether the Annual Report and Financial Statements, taken as a whole are, fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance and strategy; and
- reporting to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed, and making recommendations as to the steps to be taken.

Management Engagement matters

In relation to its responsibilities for management engagement, the Audit and Management Engagement Committee annually reviews matters concerning the Investment Management Agreement ("IMA") between the Company and the Manager. Details of the IMA and the annual review performed by the Committee may be found on pages 19 and 20 of the Directors' Report.

Review of Key Risks

As the principal focus of the Company is to generate long term capital growth from investment in UK quoted smaller company equities, the valuation, existence and ownership of the investment portfolio is a key risk that requires the particular attention of the Committee. Similarly, as dividend income is a major source of revenue for the Company and a significant element of the statement of comprehensive income, the recognition of dividend income is a further risk that requires the particular attention of the Committee. For both investments and the dividend income generated, the Committee establishes and monitors the application of appropriate accounting policies.

During its review of the Company's financial statements for the year ended 30 June 2015, the Committee considered the two key risks detailed below:

Valuation, existence and ownership of the investment portfolio

How the risk was addressed – The Company uses the services of an independent custodian (BNP Paribas Securities Services) to hold the assets of the Company. An annual internal control report is received from the custodian and reviewed by the audit committee. This provides details of the custodian's control environment. The investment portfolio is reconciled regularly by the Manager and the year end reconciliation is also reviewed by the Independent Auditor. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts including a full portfolio listing are prepared quarterly and are considered at the quarterly meetings of the Board. The portfolio is reviewed by the Independent Auditor annually at the year end. The valuation of investments is undertaken in accordance with the accounting policies disclosed in notes 1 b) and 1c) to the financial statements on page 45.

The Committee satisfied itself that there were no issues associated with the valuation, existence and ownership of the investments which required to be addressed.

Recognition of dividend income
How the risk was addressed – The recognition of dividend income is undertaken in accordance with accounting policy note 1 (d) to the accounts on page 45. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the specific circumstances. The management accounts are reviewed by the Board on a quarterly basis and discussion takes place with the Manager regarding the allocation of any special dividends that have been received. The allocation of material special dividends is also reviewed by the Independent Auditor.

The Committee concluded that there were no issues associated with the recognition of dividend income which required to be addressed.

Review of Risk Reporting

The Committee met twice during the year under review, on 22 August 2014 and 18 February 2015 and at each Meeting considered the key risks detailed above and the corresponding internal control and risk reports provided by the Manager and the Company Secretary. No significant weaknesses in the control environment were identified and it was also noted that there had not been any adverse comment from the Auditor and that the Auditor had not identified any significant issues in its audit report. The Committee, therefore, concluded that there were no significant issues which required to be reported to the Board.

In February 2015 and again in August 2015, the Committee reviewed the Company's risk framework in light of AIFMD and the related changes to the relationship between the Company, and its appointed AIFM. At its meeting in August 2014, the Committee reviewed the new requirements for the Annual Report in relation to narrative reporting, enhanced audit reporting and the 2012 Corporate Governance Code. In August 2015, the Committee reviewed the performance of the Manager and concluded that this was satisfactory and that the continued appointment of the Manager on the present terms was in the continued best interests of shareholders as a whole.

Review of Financial Reporting

The preparation and audit of the Company's Annual Report and Financial Statements is a comprehensive process which not only requires input from a number of different parties, but also requires high levels of review and verification.

The Committee, when considering the draft Annual Report and Financial Statements for the year ended 30 June 2015, reviewed the Company's financial statements and approved the Company's accounting policies and members of the Committee applying their recent and relevant financial experience concluded that the Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model, position, and strategy. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable knowledge of the investment trust industry in general and of investments trusts in particular.

The Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities on page 37.

Review of the Effectiveness of the External Auditor

At its meeting in August 2015, the Committee also reviewed, for recommendation to the Board, the Audit Report from the Independent Auditor and the draft Annual Report and Financial Statements for the year ended 30 June 2015, along with the amount of the final dividend for the year then ended. At its meeting in February 2015, the Committee reviewed the Half Yearly Report and also considered the performance of Ernst & Young LLP as Auditor.

As part of its annual review of auditor services, the Committee reviews the performance, cost effectiveness and general relationship with the external auditor. In addition, the Committee reviews the independence and objectivity of the external auditor.

Key elements of these reviews include:- discussions with the Manager and the Administrator regarding the audit service provided, separate meetings with the Independent Auditor, consideration of the completeness and accuracy of Ernst & Young LLP's reporting and a review of the relationships that the Independent Auditor has with the Manager.

The Independent Auditor's Report is on pages 38 to 40. It should be noted that Ernst & Young LLP will rotate the Audit partner responsible for the audit every five years. Ernst & Young LLP was appointed as the Company's Independent Auditor in 1995. The Audit partner was last changed in 2012. There are currently no contractual obligations that restrict the Committee's choice of auditor. However, in light of recent EU regulation and FRC guidance on auditor tenders, the Board intends to put the audit out to tender in 2017 (for the audit for the year ending 30 June 2018) at the end of the current audit partner's five year term. Details of the amounts paid to Ernst & Young LLP during the year for audit and non-audit services are set out in Note 4 to the Financial Statements.

The Company has in place a policy governing and controlling the provision of non-audit services by the external Auditor, so as to safeguard their independence and objectivity. Shareholders are asked to approve the re-appointment, and the Directors' responsibility for the remuneration, of the Auditor at each AGM. Any non-audit work, other than interim reviews, requires the specific approval of the Committee in each case. Non-audit work, where independence may be compromised or conflicts arise, is prohibited. The Board has concluded that Ernst & Young LLP is independent of the Company and that a resolution for the appointment of Ernst & Young LLP should be put to the 2015 AGM.

For and on behalf of the Committee

Allister Langlands
Chairman

28 August 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website hosted by the Investment Manager. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Directors are also responsible for ensuring that the Annual Report and Financial Statements, taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model, position, and strategy.

Directors' Responsibilities Statement
Each Director confirms, to the best of their knowledge, that:

- the financial statements, prepared in accordance with UK Accounting Standards and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Company as at 30 June 2015 and for the year to date;
- the Strategic Report includes a fair review of the development and performance of the business and the financial position of the Company together with a description of the principal risks and uncertainties that the Company faces; and
- the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model, position, and strategy.

For and on behalf of the Board of Standard Life UK Smaller Companies Trust plc

David Woods
Chairman

28 August 2015

Independent Auditor's Report to the Members of Standard Life UK Smaller Companies Trust plc

Our audit opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its net return for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our audit opinion on matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the information given in the Corporate Governance Statement set out on pages 27 to 33 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

What we have audited

We have audited the financial statements of Standard Life UK Smaller Companies Trust plc for the year ended 30 June 2015 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies applied are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of the risk of material misstatement and our audit response

The risks included in the table below represent those material risks of misstatement that have had the greatest impact on our audit strategy and approach for the year ended 30 June 2015 (including the allocation of resources and the directing of efforts of the engagement team). The table also includes our audit response to each of these risks:

Risk identified	Our response
Valuation of the investment portfolio The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. The value of the Company's investment portfolio at 30 June 2015 was £252.5m (movements in the investment portfolio are shown in Note 9 to the financial statements). Incorrect pricing of investments or a failure to maintain proper legal title of the financial assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	• We agreed the year end prices of all investments held at the year end to an independent pricing source. • We agreed the exchange rates used to translate the year end valuation of non-sterling securities to an external source. • We agreed the number of shares held in each security to a confirmation of legal title received from both the Company's custodian and depositary.
Management fee calculations The fees payable by the Company for investment management services are a significant component of the Company's cost base and, therefore, impact the Company's total return. For the year to 30 June 2015, the management fee was £2.1m (as disclosed in Note 3 to the financial statements). If the management fees are not calculated in accordance with the methodology described in the investment management agreement this could have a significant impact on both costs and overall performance.	• We used the terms contained in the investment management agreement to perform a recalculation of the management fee. • We agreed the inputs used in the Company's calculation of the management fee to its accounting records and investment management agreement. • We agreed the quarterly management fee cash payments made to bank statements.
Income recognition The investment income receivable by the Company during the period directly drives the Company's ability to make a dividend payment to shareholders. The investment income receivable for the year to 30 June 2015 was £5.7m (as disclosed in Note 3 to the financial statements). If the Company is not entitled to receive the dividend income recognised in the financial statements or the income recognised does not relate to the current financial year, this will impact the extent of the profits available to fund dividend distributions to shareholders.	• We agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements. • For all dividends accrued at year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 30 June 2015 • We agreed a sample of accrued dividends to post year end bank statements to assess the recoverability of these amounts. • We have reviewed the recognition criteria applied to the special dividends received during the year to ensure that the accounting treatment adopted is consistent with our interpretation of the underlying commercial circumstances giving rise to these dividends.

Our application of materiality

We have defined the concept of materiality and planning materiality below.

We determined materiality for the company to be £2.4m, which is one per cent of total equity (2014: £2.1m based on one per cent of total equity). We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the company.

We determined performance materiality for the company to be 75% of materiality, or £1.8m (2014: £1.6m).

Independent Auditor's Report to the Members of Standard Life UK Smaller Companies Trust plc

In addition, we agreed with the Audit Committee that we would report any audit differences in excess of £0.1m (2014: £0.1m), as well as any differences below that threshold that, in our view, warranted reporting on qualitative grounds.

In accordance with the scope of our audit, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We apply the concept of materiality for the purposes of obtaining sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. For this reason, we also define a separate performance materiality threshold which reflects our tolerance for misstatement in an individual account balance and is set as a proportion of our overall materiality.

Our objective in setting the performance materiality threshold is to identify the amount of testing required in respect of each balance to reduce to an appropriately low level the probability that the aggregate of any uncorrected and undetected misstatements in the financial statements as a whole exceeds our materiality level.

We evaluate any uncorrected misstatements and potential audit differences against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

We applied the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements on the financial statements, and in forming our audit opinion. When establishing our overall audit strategy, we determined the magnitude of omissions or uncorrected misstatements that we judged would be material to the financial statements as a whole. This provided a basis for determining the nature of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

Matters on which we are required to report by exception

We are required by the International Standards on Auditing (UK and Ireland), the Companies Act 2006 and the Listing Rules to report to you by exception if certain matters are identified during the course of our audit. These matters are listed below and we have nothing to report in respect of any of these matters.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 20, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor

London

28 August 2015

Income Statement

For the year ended 30 June 2015

		2015			2014		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments held at fair value	9	–	29,882	29,882	–	14,399	14,399
Currency losses		–	–	–	–	(13)	(13)
Income	2	6,123	–	6,123	4,860	–	4,860
Investment management fee	3	(521)	(1,563)	(2,084)	(526)	(1,580)	(2,106)
Other administrative expenses	4	(586)	–	(586)	(566)	–	(566)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		5,016	28,319	33,335	3,768	12,806	16,574
Finance costs	5	(232)	(697)	(929)	(262)	(786)	(1,048)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		4,784	27,622	32,406	3,506	12,020	15,526
Taxation	6	–	–	–	(6)	–	(6)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		4,784	27,622	32,406	3,500	12,020	15,520
RETURN PER ORDINARY SHARE:							
BASIC	8	6.76p	39.04p	45.80p	5.05p	17.33p	22.38p
DILUTED	8	6.25p	35.49p	41.74p	4.66p	15.90p	20.56p

The total column of this statement represents the profit and loss account of the Company.

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

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

Financial Statements
Balance Sheet

As at 30 June 2015

	Notes	2015 £'000	2014 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	9	252,517	212,603
CURRENT ASSETS			
Debtors	10	1,105	1,348
Investments in AAA Money Market funds	15	9,238	29,798
Cash and short term deposits	15	27	5
		10,370	31,151
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	(947)	(4,617)
NET CURRENT ASSETS		9,423	26,534
TOTAL ASSETS LESS CURRENT LIABILITIES		261,940	239,137
NON-CURRENT LIABILITIES			
3.5% Convertible Unsecured Loan Stock 2018	12	(19,164)	(19,719)
NET ASSETS		242,776	219,418
CAPITAL AND RESERVES			
Called-up share capital	13	17,907	17,846
Share premium account		19,805	19,309
Equity component of Convertible Unsecured Loan Stock 2018	12	1,470	1,470
Special reserve		40,558	46,871
Capital reserve		157,204	129,582
Revenue reserve		5,832	4,340
EQUITY SHAREHOLDERS' FUNDS		242,776	219,418
NET ASSET VALUE PER ORDINARY SHARE:			
BASIC	16	349.73p	307.38p
DILUTED	16	336.89p	298.92p

The financial statements on pages 41 to 58 were approved by the Board of Directors on 28 August 2015 and were signed on its behalf by:

David Woods, Chairman

The accompanying notes are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 June 2015

For the year ended 30 June 2015

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2014	17,846	19,309	1,470	46,871	129,582	4,340	219,418
Return on ordinary activities after taxation	—	—	—	—	27,622	4,784	32,406
Share Buybacks	—	—	—	(6,539)	—	—	(6,539)
Issue of new Ordinary Shares and/or shares from Treasury from conversion of 3.5% Convertible Unsecured Loan Stock 2018	61	496	—	226	—	—	783
Dividends paid (see note 7)	—	—	—	—	—	(3,292)	(3,292)
BALANCE AT 30 JUNE 2015	17,907	19,805	1,470	40,558	157,204	5,832	242,776

For the year ended 30 June 2014

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2013	16,666	7,225	1,470	46,871	117,562	3,690	193,484
Return on ordinary activities after taxation	—	—	—	—	12,020	3,500	15,520
Issue of Shares	725	8,434	—	—	—	—	9,159
Issue of new Ordinary Shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	455	3,650	—	—	—	—	4,105
Dividends paid (see note 7)	—	—	—	—	—	(2,850)	(2,850)
BALANCE AT 30 JUNE 2014	17,846	19,309	1,470	46,871	129,582	4,340	219,418

The revenue and realised capital reserves represents the amount of the Company's retained reserves distributable by way of dividend.

The accompanying notes are an integral part of the financial statements.

Financial Statements
Cash Flow Statement

For the year ended 30 June 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14		3,238		2,654
SERVICING OF FINANCE					
Interest paid			(709)		(828)
TAXATION			–		(6)
FINANCIAL INVESTMENT					
Purchase of investments		(73,049)		(63,068)	
Sale of investments		59,813		78,268	
NET CASH (OUTFLOW)/INFLOW FROM FINANCIAL INVESTMENT			(13,236)		15,200
EQUITY DIVIDENDS PAID			(3,292)		(2,850)
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING			(13,999)		14,170
FINANCING					
Shares issued		–		9,159	
Share buybacks		(6,539)		–	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING			(6,539)		9,159
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES			(20,538)		23,329
MANAGEMENT OF LIQUID RESOURCES					
Purchase of AAA Money Market funds		(45,040)		(68,530)	
Sale of AAA Money Market funds		65,600		45,200	
NET CASH INFLOW/(OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES			20,560		(23,330)
INCREASE/(DECREASE) IN CASH	15		22		(1)

		2015 £'000	2015 £'000	2014 £'000	2014 £'000
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET CASH					
Increase/(decrease) in cash		22		(1)	
Net change in liquid resources		(20,560)		23,330	
Other non-cash movements		555		3,835	
MOVEMENT IN NET (DEBT)/CASH IN YEAR			(19,983)		27,164
OPENING NET CASH/(DEBT)			10,084		(17,080)
CLOSING NET (DEBT)/CASH			(9,899)		10,084

The accompanying notes are an integral part of the financial statements.

1 Accounting policies

(a) Basis of accounting
The financial statements have been prepared on a going concern basis and in accordance with applicable UK Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

(b) Valuation of investments
Investments have been designated upon initial recognition as fair value through profit or loss. All investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE 100 constituents and most liquid FTSE 250 along with some other securities.

Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the capital reserve.

(c) AAA money market funds
The AAA money market funds are used by the Company to provide additional short term liquidity. As they are not listed on a recognised exchange and due to their short term nature, they are recognised in the financial statements as a current asset and are included at fair value through profit and loss.

(d) Income
Income from equity investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are credited to revenue or capital in the Income Statement, according to the circumstances. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on short term deposits is accounted for on an accruals basis.

(e) Expenses and interest payable
Expenses are accounted for on an accruals basis. Expenses are charged to the capital column of the Income Statement when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs are allocated 25% to revenue and 75% to the capital columns of the Income Statement in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively (see note 3).

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Income Statement.

(f) Dividends payable
Dividends are recognised in the period in which they are paid.

(g) Capital reserve
Gains and losses on realisation of investments and changes in fair values which are readily convertible to cash, without accepting adverse terms, are transferred to the capital reserve.

(h) Taxation
Tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Balance Sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the Financial Statements which are capable of reversal in one or more subsequent periods.

Owing to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(i) Other reserves
The special reserve arose following court approval for the cancellation of the share premium account balance at 24 June 1999 and on 13 October 2009, Court of Session approval was granted for the cancellation of the Company's entire share premium account and capital redemption reserve and subsequent creation of a special distributable capital reserve.

(j) Foreign currency
Overseas monetary assets and liabilities are converted into Sterling at the rate of exchange ruling at the Balance Sheet date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

(k) 3.5% Convertible Unsecured Loan Stock 2018
Convertible Unsecured Loan Stock ("CULS") issued by the Company is regarded as a compound instrument, comprising a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 4.83%. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component is subsequently measured at amortised cost using the effective interest rate and the equity component remains unchanged.

Direct expenses associated with the CULS issue were allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument using the effective interest rate.

The interest expense on the CULS is calculated according to the effective interest rate method by applying the assumed rate of 4.83% at initial recognition to the liability component of the instrument.

On conversion of CULS, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

When CULS are repurchased for cancellation, the fair value of the liability at the redemption date is compared to its carrying amount, giving rise to a gain or loss on redemption that is recognised through profit or loss. The amount of consideration allocated to equity is recognised in equity with no gain or loss being recognised.

If, at any time after 31 March 2016, the middle market price of the Ordinary Shares is 30 per cent or more above the Conversion Price for at least 20 dealing days during a period of 30 consecutive dealing days, the Company will be able to require CULS Holders to redeem their CULS at par. In such event, CULS Holders would be given a final opportunity to convert their CULS into Ordinary Shares.

2 Income

	2015 £000	2014 £000
Income from investments		
Franked investment income	3,538	3,278
Overseas and unfranked investment income	1,064	615
Special dividends	1,428	875
Total investment income	6,030	4,768
Interest income		
Interest from AAA Money Market funds	93	92
Total interest income	93	92
Total income	**6,123**	**4,860**

3 Investment management fee

	2015 £000	2014 £000
Investment management fee	2,084	2,106
Charged to capital reserve	(1,563)	(1,580)
	521	526

The Company has an agreement with Standard Life Investments (Corporate Funds) Limited ('SLI') for the provision of management services. The contract is terminable by either party on twelve months' notice.

The management fee paid to SLI is 0.85% per annum of the total assets of the Company after deducting current liabilities. The fee is chargeable 25% to revenue and 75% to capital.

The balance due to SLI at the year end was £557,000 (2014 - £508,000).

4 Administrative expenses (inclusive of VAT)

	2015 £000	2014 £000
Secretarial fees	169	169
Directors' fees	109	88
Auditor's remuneration:		
fees payable to the Company's auditor for the audit of the Company's annual accounts	22	22
fees payable to the Company's auditor and its associates for non audit services	2	2
Registrar's fees	21	30
Professional fees	39	86
Custody fees	17	17
Depositary fees	44	—
Other expenses	163	152
	586	566

The balance due to the Company Secretary at the year end was £43,248 (2014: – £41,850)

5 Finance costs

	2015 £000	2014 £000
Interest on 3.5% Convertible Unsecured Loan Stock 2018	703	791
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	154	184
Amortisation of 3.5% Convertible Unsecured Loan Stock 2018 issue expenses	72	73
	929	1,048
Charged to capital reserve	(697)	(786)
Charged to revenue reserve	232	262

6 Taxation

	2015 Revenue £000	2015 Capital £000	2015 Total £000	2014 Revenue £000	2014 Capital £000	2014 Total £000
(a) Analysis of charge for year						
Overseas taxation	—	—	—	6	—	6

(b) Provision for deferred taxation

At 30 June 2015, the Company had unutilised management expenses and loan relationship losses of £45,105,000 (2014 - £41,840,000). No deferred asset has been recognised on the unutilised management expenses and loan relationship losses as it is unlikely there will be sufficient taxable profits from which the future reversal of the deferred asset could be deducted.

(c) Factors affecting current tax charge for year

UK corporation tax at an effective rate of 20.75% (2014: 22.50%).

The differences are explained below.

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Net profit on ordinary activities before taxation	4,784	27,622	32,406	3,506	12,020	15,526
Corporation tax at an effective rate of 20.75% (2014: 22.50%)	993	5,731	6,724	789	2,705	3,494
Effects of:						
Non-taxable UK dividend income	(1,030)	—	(1,030)	(934)	—	(934)
Non-taxable overseas dividends	(184)	—	(184)	(104)	—	(104)
Overseas taxes	—	—	—	6	—	6
REIT Income	4	—	4	—	—	—
Excess management expenses and loan relationship losses	217	469	686	249	535	784
Other capital returns (e.g. gains on investments)	—	(6,200)	(6,200)	—	(3,240)	(3,240)
Current tax charge	—	—	—	6	—	6

7 Dividends

	2015 £000	2014 £000
Amounts recognised as distributions to equity holders in the period:		
2014 final dividend of 3.23p per share (2013 - 2.90p) paid on 16 October 2014	2,306	1,954
2015 interim dividend of 1.40p per share (2014 - 1.27p) paid on 7 April 2015	986	896
	3,292	2,850

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158 - 1159 of the Corporation Taxes Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £4,784,000 (2014 - £3,500,000).

	2015 £000	2014 £000
2015 interim dividend of 1.40p per share (2014 - 1.27p) paid on 7 April 2015	986	896
2015 final dividend of 4.40p per share (2014 - 3.23p) payable on 29 October 2015	2,902	2,306
	3,888	3,202

The amount payable for the proposed final dividend is based on the Ordinary shares in issue as at the date of approval of this report (65,947,670) which satisfies the requirement of Section 1159 Corporation Tax Act 2010.

8 Return per ordinary share

	2015 p	2015 £000	2014 p	2014 £000
Basic				
Revenue return	6.76	4,784	5.05	3,500
Capital return	39.04	27,622	17.33	12,020
Total return	45.80	32,406	22.38	15,520
Weighted average number of Ordinary shares in issue		70,748,133		69,340,457
Diluted				
Revenue return	6.25	4,949	4.66	3,676
Capital return	35.49	28,117	15.90	12,548
Total return	41.74	33,066	20.56	16,224
Weighted average number of Ordinary shares in issue		79,224,144		78,911,644

The calculation of the diluted total, revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard 22, “Earnings per Share”. For the purpose of calculating total, revenue and capital returns per Ordinary share, the number of Ordinary shares used is the weighted average number used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all Convertible Unsecured Loan Stock 2018 (CULS).

The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary shares of 8,476,011 (2014 - 9,571,187) to 79,224,144 (2014 - 78,911,644) Ordinary shares.

Where dilution occurs, the net returns are adjusted for items relating to the Convertible Unsecured Loan Stock ('CULS'). Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted. CULS finance costs for the period and unamortised issues expenses are reversed.

9 Investments

	2015 £000	2014 £000
Fair value through profit or loss		
Opening fair value	212,603	210,492
Opening fair value gains on investments held	(78,185)	(100,735)
Opening book cost	134,418	109,757
Additions at cost	69,307	66,762
Disposals - proceeds	(59,275)	(79,050)
- realised gains on sales	11,785	36,949
Closing book cost	156,235	134,418
Current year fair value gains on investments held	96,282	78,185
Closing fair value	252,517	212,603

	2015 £000	2014 £000
Gains on investments		
Realised gains on sales	11,785	36,949
Increase/(decrease) in fair value gains on investments held	18,097	(22,550)
	29,882	14,399

All investments are equity shares listed on the London Stock Exchange.

Transaction costs

During the year, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	2015 £000	2014 £000
Purchases	308	278
Sales	47	67
	355	345

10 Debtors

	2015 £000	2014 £000
Amounts due from brokers	244	782
Net dividends and interest receivable	791	495
Tax recoverable	54	54
Other debtors	16	17
	1,105	1,348

11 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Interest payable	172	180
Investment management fee payable	557	508
Sundry creditors	218	187
Amounts due to brokers	—	3,742
	947	4,617

12 Non-current liabilities

	Nominal amount £000	Liability component £000	Equity component £000
3.5% Convertible Unsecured Loan Stock 2018			
As at 30 June 2015			
Opening balance	20,584	19,719	1,470
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary Shares	(811)	(781)	—
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	—	154	—
Amortisation	—	72	—
Closing balance	19,773	19,164	1,470

	Nominal amount £000	Liability component £000	Equity component £000
3.5% Convertible Unsecured Loan Stock 2018			
As at 30 June 2014			
Opening balance	24,897	23,567	1,470
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary Shares	(4,313)	(4,105)	—
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	—	184	—
Amortisation	—	73	—
Closing balance	20,584	19,719	1,470

On 30 September 2014 the Company converted £577,944 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 into 243,589 Ordinary Shares. Also on 31 March 2015 the Company converted £233,924 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 into 98,580 Ordinary Shares.

As at 30 June 2015, there was £19,772,582 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 in issue. The loan stock can be converted at the election of holders into Ordinary shares during the months of March and September each year throughout their life up until 31 March 2018 at a fixed price per Ordinary share of 237.2542p. Interest is paid on the 3.5% Convertible Unsecured Loan Stock 2018 on 30 September and 31 March each year.

In the event of a winding-up of the Company the rights and claims of the Trustee and CULS holders would be subordinate to the claims of all creditors in respect of the Company's secured and unsecured borrowings, under the terms of the Trust Deed.

13 Called up share capital

	2015 £000	2014 £000
Authorised:		
	37,500	37,500
Issued and fully paid:		
69,418,600 (2014 – 71,383,586) Ordinary shares of 25p each - equity	17,355	17,846
Held in treasury:		
2,208,575 (2014 - nil) Ordinary shares of 25p each - equity	552	—
	17,907	17,846

	2015 Ordinary shares Number	2014 Ordinary shares Number
At 30 June 2014	71,383,586	66,665,988
Conversion of CULS	342,169	1,817,598
Share buybacks	(2,307,155)	—
Issue of own shares	—	2,900,000
At 30 June 2015	69,418,600	71,383,586

During the year the Company bought back 2,307,155 Ordinary shares into Treasury for a total consideration of £6,539,000. Also the Company issued 342,169 Ordinary shares following the receipt of elections to convert by holders of the Company's 3.5% Convertible Unsecured Loan Stock 2018, of these 98,580 Ordinary shares were issued from Treasury.

On 24 July 2015, the Company announced the results of the 30 June 2015 tender offer as detailed in Note 20 on page 58.

Capital Management

The investment objective of the Company is to achieve long term capital growth by investment in UK quoted smaller companies.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance.

The Company's capital compromises the following:

	2015 £000	2014 £000
Equity		
Equity share capital	17,907	17,846
Reserves	224,869	201,572
Liabilities		
CULS	19,164	19,719
	261,940	239,137

The Board has delegated responsibility for gearing to the Investment Manager. The Board has set parameters of between 5% net cash and 25% net gearing (at time of drawdown) for the level of gearing that can be employed in normal market conditions. Gearing for this purpose is defined as the excess amount above shareholders' funds of total assets (including net current assets/liabilities) less cash/cash equivalents, expressed as a percentage of the shareholders' funds. If the amount so calculated is negative, this is shown as a 'net cash' position.

	2015 £000	2014 £000
Investments at fair value through profit or loss	252,517	212,603
Current assets excluding cash	1,105	1,348
Current liabilities excluding bank loans	(947)	(4,617)
Total assets	252,675	209,334
Net assets	242,776	219,418
Gearing (%)	4.1	(4.6)

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing which takes account of the Investment Manager's views on the market;
- the level of equity shares;
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company does not have any externally imposed capital requirements.

14 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2015 £000	2014 £000
Net return before finance costs and taxation	33,335	16,574
Adjusted for:		
Gains on investments	(29,882)	(14,399)
Currency losses	—	13
(Increase)/decrease in accrued income	(296)	364
Decrease/(increase) in other debtors	1	(2)
Increase in sundry creditors including investment management fee	80	104
Net cash inflow from operating activities	3,238	2,654

15 Analysis of changes in net cash

	At 30 June 2014 £000	Cashflow £000	Currency and other movements £000	At 30 June 2015 £000
Cash and short term deposits	5	22	—	27
AAA money market funds	29,798	(20,560)	—	9,238
Debt due in more than one year	(19,719)	—	555	(19,164)
Net (debt)/cash	10,084	(20,538)	555	(9,899)

16 Net asset value per share

Total shareholders' funds have been calculated in accordance with the provisions of applicable accounting standards. The analysis of total shareholders' funds on the face of the Balance Sheet reflects the rights, under the Articles of Association, of the ordinary shareholders on a return of assets.

	2015	2014
Basic net asset value per share		
Net assets attributable (£000)	242,776	219,418
Number of Ordinary shares in issue at year end (excluding shares held in treasury)	69,418,600	71,383,586
Net asset value per share	349.73p	307.38p
Diluted net asset value per share		
Net assets attributable (£000)	261,940	239,317
Potential number of Ordinary shares in issue at year end (excluding shares held in treasury)	77,752,523	80,059,702
Net asset value per share	336.89p	298.92p

The diluted net asset value per Ordinary share as at 30 June 2015 has been calculated on the assumption that 19,772,582 3.5% Convertible Unsecured Loan Stock 2018 are converted at 237.25p per share, giving a total of 77,752,523 Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the convertible loan stock.

Net asset value per share - debt converted

In accordance with the Company's understanding of the current methodology adopted by the AIC, convertible financial instruments are deemed to be 'in the money' if the cum income (debt at fair value) net asset value ("NAV") exceeds the conversion price of 237.25p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 30 June 2015, the cum income (debt at fair value) NAV was 349.73p and thus the CULS 2018 were 'in the money'.

17 Financial instruments

The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions for the purpose of managing currency and market risks arising from the Company's activities. No such transactions took place during the year.

The main risks the Company faces from its financial instruments are (i) market price risk (comprising interest rate risk, currency risk and other price risk), (ii) liquidity risk and (iii) credit risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors, other than for currency disclosures.

(i) Market price risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits and money market funds;
- interest payable on the Company's variable rate borrowings.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

It is the Company's policy to increase its exposure to equity market price risk through the judicious use of borrowings. When borrowed funds are invested in equities, the effect is to magnify the impact on Shareholders' funds of changes - both positive and negative - in the value of the portfolio.

During the year ended 30 June 2015, the Company had no revolving credit facility in place. The Board regulates the overall level of gearing by raising or lowering the level of the credit facility.

The 3.5% Convertible Unsecured Loan Stock 2018 was issued by the Company at a fixed cost until its conversion. It is carried in the Company's balance sheet at amortised cost rather than at fair value.

Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the Balance Sheet date was as follows:

As at 30 June 2015	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £000	Floating rate £000
Assets				
AAA Money Market funds	–	0.54	–	9,238
Cash deposits	–	–	–	27
Total assets	–	–	–	9,265
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	2.75	3.50	19,164	–
Total liabilities	–	–	19,164	–

At 30 June 2014	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £000	Floating rate £000
Assets				
AAA Money Market funds	–	0.51	–	29,798
Cash deposits	–	–	–	5
Total assets	–	–	–	29,803
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	3.75	3.50	19,719	–
Total liabilities	–	–	19,719	–

The weighted average interest rate is based on the current yield of each asset, weighted by its market value.

The floating rate assets consist of AAA Money Market funds and cash deposits on call earning interest at prevailing market rates.

All financial liabilities are measured at amortised cost.

Interest rate sensitivity
The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended 30 June 2015 and net assets would increase / decrease by £93,000 (2014 : increase / decrease by £298,000).

Foreign currency risk
A small proportion of the Company's investment portfolio is invested in overseas securities and the Balance Sheet can be affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis. The Company only has borrowings denominated in sterling.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

		30 June 2015			30 June 2014	
	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
Euro	3,940	–	3,940	3,084	–	3,084

The asset allocation between specific markets can vary from time to time based on the Investment Manager's opinion of the attractiveness of the individual markets.

Foreign Currency sensitivity

There is no sensitivity analysis included as the Company has no outstanding foreign currency denominated monetary items. Where the Company's equity investments (which are non-monetary items) are priced in a foreign currency, they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

Other price risk
Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets and the stock selection process, as detailed on page 13, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the company are mainly listed on the London Stock Exchange.

Other price risk sensitivity
If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 30 June 2015 would have increased / decreased by £25,252,000 (2014 - increase / decrease of £21,260,000). This is based on the Company's equity portfolio held at each year end.

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. The maturity of the Company's existing borrowings is set out in the credit risk profile section of this note.

As at 30 June 2015	Expected cashflows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
3.5% Convertible Unsecured Loan Stock 2018	21,845	346	346	21,153
	21,845	346	346	21,153

(iii) Credit risk

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

The risk is not significant, and is managed as follows:

- where the investment manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, both stock and cash reconciliations to the Custodians' records are performed on a daily basis to ensure discrepancies are investigated on a timely basis.
- cash is held only with reputable banks with high quality external credit enhancements.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 30 June was as follows:

	2015		2014	
Current assets	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Debtors	1,105	1,105	1,348	1,348
AAA Money Markets funds	9,238	9,238	29,798	29,798
Cash and short term deposits	27	27	5	5
	10,370	10,370	31,151	31,151

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

Maturity of financial liabilities

The maturity profile of the Company's financial liabilities at 30 June was as follows:

As at 30 June 2015	In less than 1 year £'000	Between 1 year and 3 year £'000	In more than 3 years £'000
3.5% Convertible Unsecured Loan Stock 2018	19,164	19,773	0

All the other financial assets and liabilities do not have a maturity date.

The full contractual liability for the CULS assuming no further conversions is £21,676,000 (2014 - £23,286,000)

18 Fair Value hierarchy

FRS 29 'Financial Instruments: Disclosures' require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Company's investments are in quoted equities (2014 – same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (2015 – £252,517,000; 2014 - £212,603,000) have therefore been deemed as Level 1.

The Company's CULS are actively traded on a recognised stock exchange. The fair value of the CULS (2015 - £24,716,000; 2014 - £25,113,000) has therefore been deemed Level 1.

19 Related party transactions

Standard Life Investments (Corporate Funds) Limited received fees for its services as investment manager and company secretary. Further details are provided in notes 3 & 4. The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 24 to 26. The Directors' shareholdings are detailed on page 26.

20 Post Balance Sheet events

The Company released a Periodic Tender Offer document to shareholders in June 2015. The Company announced on 24 July 2015 that the Offer resulted in 3,470,930 Ordinary shares (representing approximately 8.38 per cent of the Company's issued share capital) being tendered.

The cost of the shares bought back was £11,199,000 excluding tender offer costs of £265,000 which have been charged against the special reserve during the year.

Following the implementation of the Periodic Tender Offer, the Company had 65,947,670 Ordinary shares in issue with a total number of voting rights of 65,947,670 and had 5,679,505 shares in Treasury.

The Company's authorised share capital on incorporation was £15,000,000, divided into 60,000,000 Ordinary shares of 25 pence each. On 19 August 1993, 50,000,000 Ordinary shares (with one warrant attached for every five Ordinary shares) were issued at £1 each. On 25 March 1994, the authorised share capital of the Company was increased to £75,000,000 by the creation of 50,000,000 limited Conversion ("C") shares of £1 each and 40,000,000 Ordinary shares of 25 pence each. On 28 March 1994, a further 21,428,000 'C' shares were issued at £1 each, at par. On 7 June 1994, the C shares of £1 each were converted into Ordinary shares, resulting in the issue of 19,436,770 Ordinary shares (with one warrant for every five Ordinary shares).

On 9 November 2006, shareholders approved a tender offer to buy back and cancel 32.6 million Ordinary shares and 117,791 of the Company's warrants in issue. In the year ended 30 June 2007, the Company also bought back and cancelled an additional 2,194,000 Ordinary shares. During the year ended 30 June 2008, 559,175 Ordinary shares were bought back into treasury by the Company.

On 14 October 2008, 1,164,545 warrants were exercised as a result of the last exercise date of the warrants on 30 September 2008, which resulted in the issue of the same number of Ordinary shares by the Company. A total of 1,732,965 warrants lapsed without value on 14 October 2008.

On 4 February 2009, as part of the merger with Gartmore Smaller Companies Trust p.l.c. ("Gartmore"), 31,189,825 Conversion ("C") shares were issued to former Gartmore shareholders. On 14 April 2009, 27,545,948 of the C shares were converted into 26,273,612 Ordinary shares. On 11 June 2009, the remaining 3,643,877 C shares were converted into 3,687,639 Ordinary shares.

During the year ended 30 June 2011, the Company bought back 3.7 million Ordinary shares into treasury and sold 4.2 million Ordinary shares from treasury. The Company also issued £25 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") and 825,000 new Ordinary shares during the year.

During the year ended 30 June 2012, 425,000 new Ordinary shares were issued under the Company's general block listing authority from 28 March 2011. In addition, in October 2011 22,003 new Ordinary shares were issued as a result of the first conversion of CULS as at 30 September 2011. A further 5,346 new Ordinary shares were issued in April 2012 as a result of the second conversion of CULS as at 31 March 2012.

During the year ended 30 June 2013, a total of 1,666,083 new Ordinary shares were issued under the block listing authority. This included 4,679 new Ordinary shares issued as a result of the third conversion of CULS as at 30 September 2012, and 11,404 new Ordinary shares issued as a result of the fourth conversion of CULS as at 31 March 2013.

On 3 January 2014, the Company was granted a new blocklisting of 3,370,000 ordinary shares of 25 pence each. This blocklisting may only be used to issue new shares to satisfy demand that cannot be satisfied in the secondary market.

During the year ended 30 June 2014, the Company issued a total of 4,717,598 new Ordinary shares. This included 1,038,382 new Ordinary shares issued as a result of the fifth conversion of CULS as at 30 September 2013 and 779,216 new Ordinary shares issued as a result of the sixth conversion of CULS as at 31 March 2014.

During the year ended 30 June 2015, the Company issued a total of 342,169 Ordinary shares. This included 243,589 new Ordinary shares issued as a result of the seventh conversion of CULS as at 30 September 2014 and 98,580 Ordinary shares issued from treasury as a result of the eighth conversion of CULS as at 31 March 2015. During the year ended 30 June 2015, 2,307,155 Ordinary shares were bought back by the Company and held in treasury.

As at 30 June 2015, there were 69,418,600 Ordinary shares in issue, with voting rights. There were 2,208,575 Ordinary shares in treasury. There was also £19,772,582 of CULS in issue.

On 2 June 2015, the Company issued its proposed third periodic tender offer, which was to take place on 30 June 2015, for up to 5% of the Ordinary shares in issue. Following the completion of the tender offer on 24 July 2015, a total of 3,470,930 shares were repurchased by the Company and placed into treasury. Accordingly, as at the date of this report, following the tender offer on 30 June 2015, there are 65,947,670 Ordinary shares in issue and 5,679,505 shares held in treasury.

Additional Information

Company's History

Year ended 30 June	Ordinary shares bought back for cancellation	Ordinary shares bought back into treasury	Issued from treasury	Ordinary shares issued	Ordinary shares in issue (excluding treasury shares)	Convertible Unsecured Loan Stock Issued	Convertible Unsecured Loan Stock Exercised	Convertible Unsecured Loan Stock Total	Warrants exercised	Warrants bought back	Warrants lapsed	Total Warrants in issue
1994	—	—	—	—	69,436,770	—	—	—	—	—	—	13,886,996
1995	—	—	—	—	69,525,796	—	—	—	89,026	—	—	13,797,970
1996	—	—	—	—	69,527,676	—	—	—	1,880	—	—	13,796,090
1997	—	—	—	—	69,528,656	—	—	—	980	1,592,201	—	12,202,909
1998	—	—	—	—	69,529,717	—	—	—	1,061	6,075,144	—	6,126,704
1999	—	—	—	—	69,530,267	—	—	—	550	1,350,000	—	4,776,154
2000	—	—	—	—	69,543,990	—	—	—	13,723	1,671,143	—	3,091,288
2001	—	—	—	—	69,601,685	—	—	—	57,695	—	—	3,033,593
2002	2,200,000	—	—	—	67,403,646	—	—	—	1,961	—	—	3,031,632
2003	—	—	—	—	67,403,646	—	—	—	—	—	—	3,031,632
2004	—	—	—	—	67,403,646	—	—	—	—	—	—	3,031,632
2005	—	—	—	—	67,404,646	—	—	—	1,000	—	—	3,030,632
2006	—	—	—	—	67,404,746	—	—	—	100	—	—	3,030,532
2007	34,823,217	—	—	—	32,583,790	—	—	—	2,261	117,791	—	2,910,480
2008	—	559,175	—	—	32,037,585	—	—	—	12,970	—	—	2,897,510
2009	—	—	—	29,961,251	63,163,381	—	—	—	1,164,545	—	1,732,965	—
2010	—	—	—	—	63,163,381	—	—	—	—	—	—	—
2011	—	3,670,243	4,229,418	825,000	64,547,556	£25,000,000	—	£25,000,000	—	—	—	—
2012	—	—	—	452,349	64,999,905	—	£64,929	£24,935,071	—	—	—	—
2013	—	—	—	1,650,000	66,665,988	—	£38,184	£24,896,887	—	—	—	—
2014	—	—	—	4,717,598	71,383,586	—	£4,312,437	£20,584,450	—	—	—	—
2015	—	2,307,155	98,580	243,589	69,418,600	—	£811,868	£19,772,582	—	—	—	—
2015*	—	3,470,930	—	—	65,947,670	—	—	£19,772,582	—	—	—	—

* Period from 1 July 2015 to 28 August 2015

Key Contacts

Investment Manager
Standard Life Investments (Corporate Funds) Limited
1 George Street
Edinburgh EH2 2LL
(Authorised and regulated by the Financial Conduct Authority)

Website address:
www.standardlifeinvestments.com/its

Company Secretary and Registered Office
Maven Capital Partners UK LLP
1st Floor
Kintyre House
205 West George Street
Glasgow G2 2LW
Telephone: 0141 306 7400

Website address:
www.mavencp.com

Registered Number
Registered in Scotland No. SC145455

Independent Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Solicitors
Dickson Minto
16 Charlotte Square
Edinburgh EH2 4DF

Depositary and Custodian
BNP Paribas Securities Services, London Branch
55 Moorgate
London EC2R 6PA

Stockbrokers
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Registrars
Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 889 4076
Fax: 0370 703 6101
www.uk.computershare.com/investor
Email via ‘Contact Us’ on the above website

Shareholder Information

Shareholders who hold their shares in certificated form can check their shareholding with the Registrars, Computershare Investor Services PLC, via www.investorcentre.co.uk

Please note that to gain access to your details on the Computershare website you will need the holder reference number on the top left hand corner of your share certificate or on your tax voucher.

Notifications of changes of address and all enquiries regarding certificates or dividend cheques should be sent in writing to the Registrars.

Shareholder Communications

Legislation allows the default option for receiving and accessing shareholder communications (including the Company's Annual Report) to be via the Company's website.

The Company decided to take advantage of these changes, with effect from the 30 June 2011 Annual Report. Shareholders had the choice of either receiving an email when the Annual Report, and other shareholder communications, becomes available or opting in to receive a printed copy.

These new provisions offer a number of benefits for both shareholders and the Company. Shareholders who receive their documentation electronically enjoy faster, more secure access to Company documentation; the Company makes substantial savings on both printing and postage costs for those who receive electronic communications and access the Annual Report online and, by offering electronic provisions alongside traditional paper-based communications, the Company and its shareholders are helping to make a valuable contribution to the environment.

Shareholders were sent an initial election form for electronic communications in March 2011 and new shareholders receive a welcome pack from the registrars on an initial purchase of shares in the Company.

If you wish to change your election for the Annual Report and other shareholder communications, please contact the Company's Registrars at www-uk.computershare.com/investor or via the Key Contacts detailed on page 61.

Disability Act

Copies of this Annual Report or other documents issued by the Company are available from the Company Secretary.

If needed, copies can be made available in a variety of formats including Braille, in larger type or on audio tape.

Our Registrars have installed text phones to allow speech and hearing impaired people who have their own text phone to contact them directly without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, you may use a text phone facility - the universal telephone number for this service is 0370 702 0005.

Share Information

The net asset value per Ordinary share of the Company is calculated on a daily basis and is published on the London Stock Exchange. The latest live prices for the Ordinary shares and Convertible Unsecured Loan Stock are displayed, subject to a delay of 15 minutes. "SLS" and "SLSC" are the codes for the Ordinary shares and CULS, respectively, which may be accessed at www.londonstockexchange.com. The Ordinary share price is quoted daily in the Financial Times.

Details of the Company may also be found on the Investment Manager's investment trust website at: www.standardlifeinvestments.com/its

Additional information relating to the Company, and other investment trusts, is published on the internet by TrustNet whose website address is www.trustnet.co.uk

Ordinary shares and CULS may be purchased or sold directly through a stockbroker or indirectly through a lawyer, accountant or financial adviser or through the Company's registrars.

Other Information

The Company is a member of The Association of Investment Companies ("AIC"). The AIC publishes a Monthly Information Service which contains a wide range of detailed information including statistical and performance data on all its members. A sample copy can be obtained free of charge from The AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY (telephone 020 7282 5555) along with full details of other publications available from The AIC. Alternatively, visit their website on www.theaic.co.uk

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Standard Life Investments (Corporate Funds) Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from Standard Life Investments (Corporate Funds) Limited on request and the numerical remuneration disclosures in relation to the AIFM's first relevant accounting period (year ended 31 December 2015) will be made available in due course.

The Company's maximum and average actual leverage levels at 30 June 2015 are shown below

Leverage exposure	Gross method	Commitment method
Maximum limit	300.0%	200.0%
Actual	104.1%	107.9%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Company's exposure to its net asset value and is calculated on both a gross and commitment method. Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Annual General Meeting
Notice of Meeting

Notice is hereby given that the Annual General Meeting of Standard Life UK Smaller Companies Trust plc will be held at the offices of Standard Life Investments Limited, 1 George Street, Edinburgh EH2 2LL at 12 noon on Thursday, 22 October 2015 for the following purposes:

ORDINARY BUSINESS

As Ordinary business to consider and, if thought fit, pass the following Resolutions, in the case of numbers 1 to 10 inclusive, as Ordinary Resolutions and, in the case of numbers 11 and 12 inclusive, as Special Resolutions:

1. To receive and consider the Directors' Report and Financial Statements for the year ended 30 June 2015, together with the Independent Auditor's report thereon.
2. To receive and approve the Directors' Remuneration Report for the year ended 30 June 2015.
3. To declare a final dividend of 4.40 pence per Ordinary share.
4. To re-elect David Woods as a Director of the Company.
5. To re-elect Carol Ferguson as a Director of the Company.
6. To re-elect Allister Langlands as a Director of the Company.
7. To re-elect Donald MacDonald as a Director of the Company.
8. To re-elect Lynn Ruddick as a Director of the Company.
9. To re-appoint Ernst & Young LLP as Independent Auditor and to authorise the Directors to determine their remuneration.
10. Authority to allot shares

    That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £1,648,692, being approximately 10% of the nominal value of the issued share capital (excluding treasury shares) of the Company, as at the date of this Notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, unless previously revoked, varied or extended or renewed by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

11. Disapplication of pre-emption rights

    That, subject to the passing of Resolution 10 set out above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered (i), pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into Ordinary shares for cash pursuant to the authority given by Resolution 10 set out above and (ii), pursuant to Section 573 of the Act to sell equity securities for cash out of treasury as if Section 561(1) of the Act did not apply to any such allotment, or sale out of treasury, of equity securities, provided that this power:

    a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, unless previously revoked, voted, extended or renewed by the Company in a general meeting save that the Company may, at any time prior to the expiry of this authority, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold out of treasury after such expiry and the Directors may allot or sell out of treasury equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

b) shall be limited to the allotment, or sale out of treasury, of equity securities up to an aggregate nominal value of £1,648,692, being approximately 10% of the nominal value of the issued share capital of the Company, as at the date of this Notice.

12. Authority to make market purchases of shares

That, the Company be and is hereby generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company (the "Shares") either for retention as treasury shares for future reissue, resale, transfer or cancellation:

Provided always that:

(a) the maximum number of Shares hereby authorised to be purchased shall be 9,885,555 Shares, representing 14.99% of the Company's issued share capital at the date of the passing of this Resolution (excluding treasury shares);

(b) the minimum price (exclusive of expenses) which may be paid for each Share shall be 25p;

(c) the maximum price (exclusive of expenses) which may be paid for a Share is the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out; and

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority enter into a contract to purchase shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

SPECIAL BUSINESS

As Special business, to consider, and if thought fit, pass Resolution 13 as an Ordinary Resolution and Resolutions 14 and 15 as Special Resolutions:

13. Authority to sell shares from treasury at a discount to net asset value

That, subject to the passing of Resolution 11 set out above, the Directors of the Company be authorised for the purposes of paragraph 15.4.11 of the Listing Rules of the UK Listing Authority to sell or transfer out of treasury Ordinary shares of 25p each in the capital of the Company (the "Share(s)") for cash at a price below the net asset value per Share of the existing Shares in issue (excluding treasury shares), provided always that:

(a) such sale or transfer will be limited to a sale or transfer at a price in excess of the average price at which the Shares were bought into treasury;

(b) where any treasury shares are sold pursuant to this power at a discount to the then prevailing net asset value of the Shares, such discount must be lower than the average discount to the net asset value per Share at which the Company acquired the Shares which it then holds in treasury;

(c) the aggregate net asset value dilution associated with all the sale of treasury shares in any one financial year does not exceed 0.5 per cent of net assets;

(d) this power shall be limited to the sale of shares having an aggregate nominal value of £1,648,692,being approximately 10% of the nominal value of the issued share capital of the Company, as at the date of this Notice and provided further that the number of shares to which this power applies shall be reduced from time to time by the number of Shares which are allotted or sold out of treasury for cash as if Section 561(1) of the Companies Act 2006 did not apply pursuant to the power conferred on the Directors by Resolution 11 set out above; and

(e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, or on the expiry of 15 months from passing of this Resolution, whichever is earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority, make an offer or agreement which would or might otherwise require treasury shares to be sold after such expiry and the Directors may sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

14. Tender Offers

That, in addition to the authority given to the Company to purchase its own Ordinary shares of 25p each (the "Shares") pursuant to Resolution 12 set out above and in accordance with the terms and conditions of the tender offers which may be set out in the circulars to be sent electronically or, if requested in hard copy form to Shareholders prior to 31 December 2015 and 30 June 2016 (together the "Tender Offers"), the Company be and is hereby authorised for the purpose of Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of its issued Shares either for cancellation or for retention as treasury shares for future reissue, resale or transfer provided that:

(a) the maximum number of Shares hereby authorised to be purchased pursuant to each Tender Offer is 5% of the Shares in issue as at 31 December 2015 (excluding any Shares held in treasury) or 30 June 2016 (excluding any Shares held in treasury) as appropriate;

(b) the price which shall be paid for a Share shall be an amount equal to 98% of realisation value of all the assets attributable to the Shares tendered as at close of business on 31 December 2015 and on 30 June 2016, as appropriate; and

(c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the date of passing of this Resolution, whichever is earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

15. Notice of General Meeting

That, a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary

Registered office:

1st Floor
Kintyre House
205 West George Street
Glasgow G2 2LW

28 August 2015

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her or on his/her behalf at the meeting. A proxy need not be a shareholder. The shareholder may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman of the meeting) and give instructions directly to them. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should, or if you would like to appoint more than one proxy, please contact the Company's Registrar, Computershare Investor Services PLC on 0370 889 4076. In the case of joint holders, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

2. To be valid, the appointment of a proxy, and the original or duly certified copy of the power of attorney or other authority, if any, under which it is signed or authenticated, should be sent to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 62Y so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the Meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at 12 noon on 20 October 2015 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. In each case, changes to entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Any shareholder holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his or her proxy(ies) will need to ensure that both he or she and his/ her proxy(ies) comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

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

6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID number 3RA50) by 12 noon on 20 October 2015 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

10. The terms of appointment of the Directors of the Company are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the registered office of the Company and will, on the date of the Meeting, be available for inspection at the venue of the Meeting from 15 minutes before the meeting until the conclusion of the Meeting.

11. Shareholders are advised that, unless otherwise stated, any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form or form of direction) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

12. Following the Meeting, the results of the voting at the Meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and placed on the Company's website www.standardlifeinvestments.com/its

13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company will be required to do so once it has received such requests either from members representing at least 5% of the voting rights of the Company or from at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the Company's registered office at 1st Floor Kintyre House, 205 West George Street, Glasgow G2 2LW. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006.

14. As at 6pm on 28 August 2015 (being the last practicable date prior to publication of this notice) the Company's issued share capital comprised 65,947,670 Ordinary shares of 25p each. Each Ordinary share (other than any Ordinary shares held in treasury) carries the right to one vote at a general meeting of the Company. The CULS do not have any voting rights at general meetings of the Company. Accordingly, the total number of voting rights in the Company as at 28 August 2015 was 65,947,670.

15. If you wish to attend the meeting in person, there will be a Members' register for you to sign on arrival. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the Meeting put by a member attending the Meeting unless:

   a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

   b) the answer has already been given on a website in the form of an answer to a question; or

   c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

16. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's webpage at www.standardlifeinvestments.com/its

Registered Office
Kintyre House
205 West George Street
Glasgow G2 2LW

Managed by
Standard Life Investments Limited
1 George Street
Edinburgh EH2 2LL
Website: standardlifeinvestments.com/its