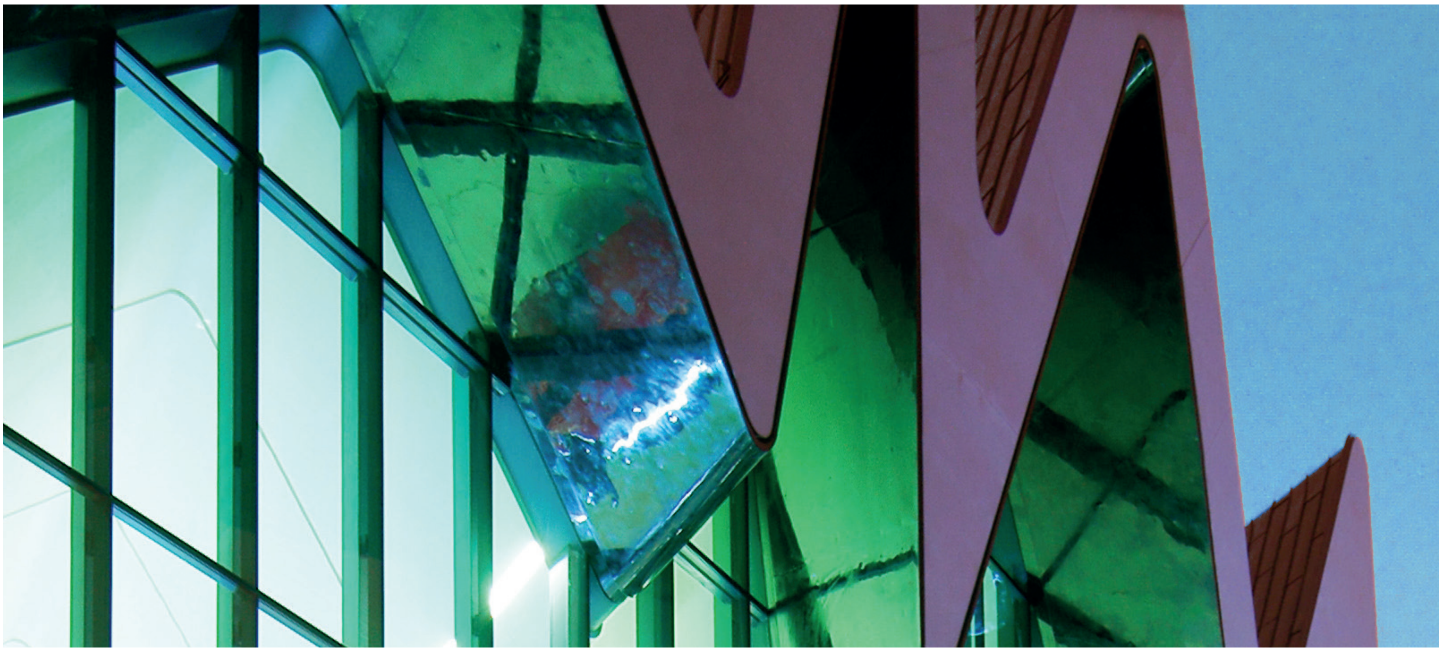
Dunedin Smaller Companies Investment Trust PLC

Annual Report
31 October 2014



Aberdeen

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Strategic Report – Company Summary

The Company

The Company is an investment trust and its Ordinary shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange. An investment trust is a way to make a single investment that gives you a share in a much larger portfolio.

The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust.

Investment Objective

The achievement of long term growth from a portfolio of smaller companies in the United Kingdom.

Company Benchmark

FTSE SmallCap Index (excluding Investment Companies).

Manager

Aberdeen Asset Managers Limited
Authorised and regulated by the Financial Conduct Authority ("AAM" or the "Manager").

Alternative Investment Fund Manager*

Aberdeen Fund Managers Limited ("AFML" or "the AIFM")
Authorised and regulated by the Financial Conduct Authority
(* appointed as required by EU Directive 2011/61/EU)

Website

Up-to-date information can be found on the Company's website - www.dunedinsmaller.co.uk

Pre-investment Disclosure Document (PIDD)

The Alternative Investment Fund Manager Directive ("AIFMD") requires AFML, as the alternative investment fund manager of Dunedin Smaller Companies Investment Trust PLC, to make available to investors certain information prior to such investors' investment in the Company.

The AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as "UCITS".

The Company's PIDD is available for viewing on the Company's website.

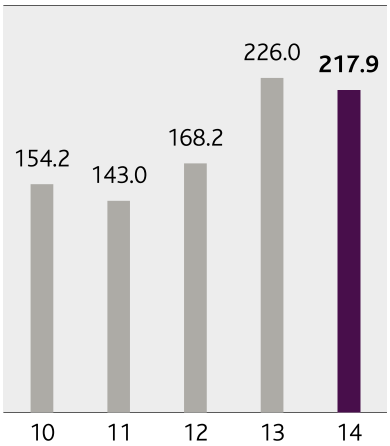
Strategic Report – Financial Highlights and Calendar

Financial Highlights

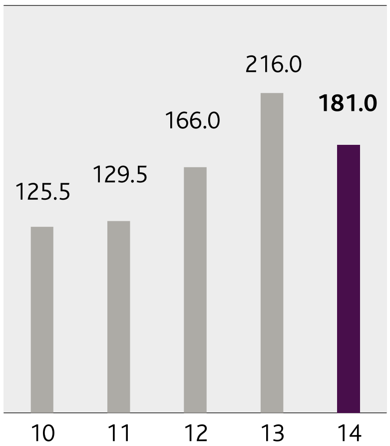
	2014	2013
Net asset value total return	–1.5%	+38.1%
Share price total return	–14.2%	+33.8%
FTSE SmallCap Index (ex Investment Companies) total return	–0.1%	+47.8%
Earnings per share (revenue)	5.34p	5.43p
Dividend per share[A]	5.25p	5.15p

[A] Reflects the dividends declared for the year in which they were earned.

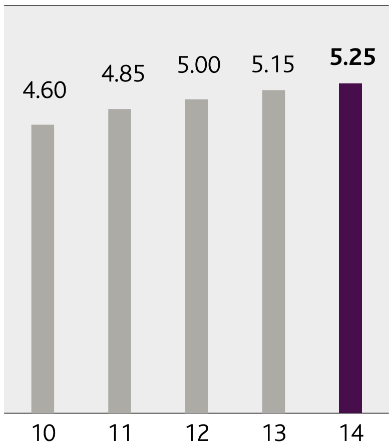
Net Asset Value per share
At 31 October – pence



Mid-market price per share
At 31 October – pence



Dividends per share
pence



Financial Calendar

15 December 2014	Announcement of results for year ended 31 October 2014
5 February 2015	Annual General Meeting in Dundee (12 noon)
10 February 2015	Final dividend payable for year ended 31 October 2014
June 2015	Announcement of Half-Yearly Financial Report for six months ending 30 April 2015
July 2015	Interim dividend payable for year ending 31 October 2015

Strategic Report – Overview of Strategy

Introduction

The purpose of this report is to provide shareholders with details of the Company's strategy and business model as well as the principal risks and challenges it faces.

Strategy

The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust.

The business of the Company is that of an investment trust and the Directors do not envisage any change in this activity in the foreseeable future.

Objective

The achievement of long term growth from a portfolio of smaller companies in the United Kingdom.

Business Model

Investment Policy and Approach

The Company maintains a diversified portfolio of investments, typically comprising in the region of 40 to 75 holdings (but without restricting the Company from holding a more or less concentrated portfolio from time to time). The Directors measure the performance of the portfolio relative to the FTSE SmallCap Index (ex Investment Companies) but the Company is unconstrained as to the market sectors in which it may invest. As a result the portfolio is likely to diverge, sometimes significantly, from the benchmark.

The Company invests primarily in the equity securities of UK smaller companies, with an emphasis on investing in quality companies with good management, strong cash flow, a sound balance sheet and the prospect of dividend growth.

The Company does not typically acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be quoted or listed if the Manager considers this to be appropriate.

It is the policy of the Company to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

It is the policy of the Company to invest no more than 15% of its gross assets in any one company.

The Directors are responsible for determining the gearing strategy of the Company. Gearing is used with the intention of enhancing long-term returns and is subject to a maximum level of 20% of gross assets at the time the gearing is incurred. Any borrowing, except for short-term liquidity purposes, is used for investment purposes.

Investment Process

The Manager believes that, over the long term, share prices reflect underlying business fundamentals. A bottom-up investment process is followed, which is based on a disciplined evaluation of companies that include visits by its fund managers. Company selection is the major source of added value. New investments are not made without the fund managers having first met management of the investee company, undertaken further analysis and written detailed notes to outline the underlying investment merits. A company's value is estimated in two stages: quality then price. Quality is defined with reference to management, business focus, balance sheet and corporate governance. Price is calculated relative to key financial ratios and business prospects.

The Manager's portfolio construction relies upon diversification rather than formal controls guiding stock and sector weightings. The Manager's portfolios are generally run conservatively, with an emphasis on traditional buy-and-hold, top-slicing/topping up being preferred to outright trading and this approach results in low turnover within portfolios. Typically, investee companies have a higher return on equity/assets and lower debt to equity than the market averages.

A detailed description of the investment process and the risk controls employed by the Manager is disclosed on page 50.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 17 to the financial statements. The Board has adopted a matrix of the key risks that affect its business.

Performance risk: The performance of the portfolio relative to the benchmark (FTSE SmallCap Index (ex Investment Companies)) and the underlying stock weightings in the portfolio against their index weightings are monitored closely by the Board.

Gearing risk: In the long-term, to help income generation and capital growth, the Company has borrowed to invest in the assets. This is undertaken in the belief that the assets will produce a greater total return than the cost of the borrowing over time. However, if asset values decline, that fall is exacerbated by gearing. During the year under review, the Company's borrowing was exclusively bank borrowing, utilising a revolving credit facility. The bank borrowings have certain associated covenants which are monitored by the

Manager and Board. The gearing risk of the Company is actively managed and monitored with the Manager able to increase or decrease the short-term borrowings in line with its view of the stock market. The current guidelines from the Board authorise the Manager to invest up to £5 million of borrowings without reference to the Board.

Operational risk: In common with most other investment trusts, the Company has no employees. The Company therefore relies on services provided by third parties, including the Manager in particular, to whom responsibility for the management of the Company has been delegated under a management agreement (further details of which are set out on page 20). The terms of the management agreement cover the necessary duties and responsibilities expected of the Manager. The Board reviews the overall performance of the Manager on a regular basis and its compliance with the management agreement formally on an annual basis.

Contracts with other third party providers, including share registrar and depositary services, are entered into after appropriate due diligence. Thereafter, each contract, and the performance of the provider, is subject to formal annual review. The security of the Company's assets was the responsibility of the custodian, BNP Paribas Securities Services until 15 July 2014, and thereafter, the responsibility of BNP Paribas Securities Services, London Branch, as depositary. The effectiveness of the internal controls at both the custodian and depositary is subject to review and regular reporting to the Audit Committee.

Discount volatility: The Company's shares can trade at a discount to the underlying net asset value per share. The Company operates a premium/discount programme to manage this volatility which is reviewed on an ongoing basis.

Regulatory risk: The Company operates in a complex legal and regulatory environment and faces a number of legal and regulatory risks. Breaches of laws and regulations, such as Sections 1158-1159 of the Corporation Tax Act 2010, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with laws and regulations by reviewing internal control reports from the Manager.

Performance and Outlook

The strategic direction and development of the Company is regularly discussed as part of Board meeting agendas. At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The Board also considers the promotion of the Company, including communications with shareholders, which is explained in more detail on page 51.

A review of the Company's activities and performance during the year to 31 October 2014 and future developments is detailed in the Chairman's Statement and the Manager's Review. This covers market background, investment activity, portfolio strategy, dividend and investment outlook. A comprehensive analysis of the portfolio is provided on pages 15 to 17.

Key Performance Indicators (KPIs)

The Directors consider net asset value total return, share price total return and dividend levels when reviewing KPIs.

The main KPIs used by the Board in assessing the Company's performance include:

- Net Asset Value
- Revenue Return per Ordinary Share
- Share Price
- Discount
- Performance relative to FTSE SmallCap Index (ex Investment Companies)
- Performance relative to peer group
- Ongoing Charges

Details of the Company's results are provided on pages 13 and 14.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge in order to allow the Board to fulfill its obligations. The Director's statement on diversity is set out on page 24. At 31 October 2014, there was one female and three male Directors. The Company has no employees.

Employee and Socially Responsible Policies

As the Company has delegated the management of the portfolio, it has no employees and therefore has no requirement for disclosures in this area. The Company's socially responsible investment policy is set out in the Statement of Corporate Governance.

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' Reports) Regulations 2013.

The Manager's corporate socially responsible investment policy including environmental policy can be found on http://www.aberdeen-asset.com/aam.nsf/groupCsr/home.

Duration

The Company does not have a fixed life.

The Earl of Dalhousie
Chairman
12 December 2014

Strategic Report - Chairman's Statement

The Earl of Dalhousie
Chairman

After a strong 2013 when the net assets rose by 38.1%, the past year has been more subdued for smaller companies. Over the twelve months ended 31 October 2014, the Company's net asset value per share (NAV) fell slightly, by 1.5% in total return terms. The FTSE SmallCap Index (excluding Investment Companies) fell by 0.1% - the FTSE 100 Index rose by 0.71%.

The underperformance of the NAV relative to the benchmark index is not attributable to any single factor. Some companies in the portfolio have experienced more difficult trading conditions over the year and this has impacted their share prices. Few companies experience smooth progression over their lives. Internal and external factors impact them along the way. Your Manager endeavours to look beyond such short term issues. The long term outlook for these businesses remains positive. The Company invested part of its borrowings in equities during the year and had net debt of £3.7 million at 31 October 2014.

The Company's portfolio is constructed to deliver both capital and income growth and the Manager remains focused on identifying good quality companies run by strong management teams, particularly where an above-average dividend yield is available. The benefits of this approach are reflected in the Company's returns over longer time periods.

Although the results for the financial year show little change, this masks a fair degree of volatility in share prices. While the financial year (October 2013) started with a continuation of the recoveries in the UK and the US, 2014 began weakly and the FTSE All-Share posted its worst January for three years. One of the attractions of investing in smaller companies is that over the last decade or more, smaller companies have become increasingly internationalised. We estimate that over half of the revenues of the holdings in the portfolio emanate from outside the UK. In December 2013, the US Federal Reserve decided to reduce its Quantitative Easing programme, this tapered reduction finished in October 2014. This action weighed heavily on the currencies of many developing nations and therefore impacted demand. Over the longer term, we continue to believe the international dimension will add resilience to our investment model but, in the short term, the relative strength of sterling has impacted the profitability of the portfolio.

The Company's earnings per share declined marginally over the year, from 5.43p to 5.34p which was in line with expectations following a number of years of strong increases and the non-recurrence of one-off special dividends. That said, 15 holdings in the portfolio increased their dividends by 10% or more and none cut their payouts. The Board is pleased, therefore, to propose an increase in the final dividend to 3.15p per share (2013 - 3.10p) which, subject to approval from shareholders at the Annual General Meeting, will be paid on 10 February 2015 to shareholders on the register on 16 January 2015. When combined with the interim dividend of 2.10p, the total dividend for the year will amount to 5.25p (2013 – 5.15p), an increase of 1.9%. Following the payment of the final dividend, revenue reserves per share will amount to 6.07p (2013 – 5.98p).

The Company did not repurchase any Ordinary shares during the period. The Directors will continue to monitor the Company's discount with that of its peer group and will use the Company's share buyback powers, subject to market conditions, when it feels this to be appropriate. The discount rose during the year, from 4.4% to 16.9%. Discounts in the sector widened over the period but the Company's discount has tightened slightly to 14.1% at the time of writing.

The outlook for the global economy is uncertain. In Europe, the threat of deflation remains and shows no signs of returning to growth. Chinese growth looks to be slowing. It is still significantly ahead of that achieved by any developed economies but it is well below the double digit levels previously seen with potentially material consequences for other economies, given China's status as the world's second largest economy. The US's position is improving but it remains heavily indebted and although the asset purchase programme has halted, the US has given no indication of how it will be unwound. Interest rates look likely to rise on both sides of the Atlantic.

In the UK, there have been mixed signals as to the timing of interest rate rises not to mention the uncertainty as to the UK political landscape with the approach of the 2015 general election.

We believe there are some reasons for optimism. Equities remain attractive relative to fixed interest with investors seeking a yield looking to equity. However, the Manager's expectations for growth in profits throughout 2015 remain cautious. Currently the market is forecasting just over 4% growth for smaller companies in 2015. The pressures caused by the recent period of sterling strength appear to be easing and the recent falls in the price of oil may prove to be a more effective stimulus for the economy than that provided by central banks. We continue to believe the companies in the portfolio will prosper over the long term and will continue to seek fundamentally high quality businesses that can deliver attractive returns over the long term.

Gearing

Subsequent to the year end, the Company renewed its £5 million revolving facility agreement as well as agreeing a new three year term loan facility of £5 million with Scotiabank Europe on 26 November 2014. £5 million is currently drawn down under the term loan facility at a fixed interest rate of 2.171% until 24 November 2017.

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (the "Directive"), proposed by the EU to enhance shareholder protection, was fully implemented in the UK on 22 July 2014. This Directive required the Company to appoint an authorised Alternative Investment Fund Manager and a depositary, the latter overlaying the previous custody arrangements.

The Company has now appointed Aberdeen Fund Managers Limited ("AFML"), following its authorisation by the FCA, to act as the Company's Alternative Investment Fund Manager, entering a new management agreement with AFML on 15 July 2014. Under this agreement AFML delegates portfolio management services to Aberdeen Asset Managers Limited, which continues to act as the Company's Manager. There is no change in the commercial arrangements from the previous investment management agreement.

In addition, the Company entered into a depositary agreement with AFML and BNP Paribas Securities Services on 15 July 2014. The appointment of a depositary is a new requirement under the Directive and as previously reported this will increase costs over and above the previous custody arrangements.

Board of Directors

The Directors have discussed succession planning for the Board and, following a recruitment process, we welcome Alexa Henderson who joined the Board on 6 February 2014 and Christopher Thomson who has been appointed to the Board effective 1 January 2015. They will both stand for election at the Annual General Meeting in February.

At the same time, I will be retiring from the Board and will therefore not be offering myself for re-election at the Annual General Meeting. As this is my valedictory statement, I would like to take this opportunity to thank our shareholders for the confidence and support they have given to the Board and the Manager. The shareholder visits we have carried out over the years have helped the Board to shape the portfolio in a manner that suits the aspirations of as many of you as possible. The Board and Manager also deserve my gratitude and I am confident that I leave you with a strong team to ensure the future success of your Company, in particular your new Chairman, Norman Yarrow, who previously chaired the Audit Committee and has many years experience in investing in smaller companies.

If I may have one parting shot it is at the ever increasing regulation which, while no doubt well intended, serves to add considerable cost to the Company as well as adding significantly to the work-load of the Board and Manager whilst bringing little benefit to you other than to make the Annual Report increasingly unintelligible. I realise I am at risk of being compared to Canute but the waves of regulation should cease and be replaced by proper supervision.

Corporate Governance

The Board reviews annually the performance of the Manager, the Chairman and the Board as a whole. The Board has assessed the performance of the Manager, the investment process and risk controls. The Directors have reviewed the terms of the management agreement and believe that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders.

Annual General Meeting

The forthcoming Annual General Meeting will be held at Discovery Point, Dundee on 5 February 2015, at 12.00 noon and I would encourage shareholders to attend. In addition to the formal business of the meeting, our portfolio manager, Ed Beal, will provide an update on the outlook for smaller companies and there will also be an opportunity for shareholders to meet informally with the Directors at the conclusion of the Annual General Meeting.

Performance to 31 October 2014 Total return*	1 year return %	3 year return %	5 year return %	10 year return %
Share price	-14.2	+53.0	+113.4	+220.3
Net asset value per share	-1.5	+65.5	+115.7	+183.3
FTSE SmallCap Index (ex IC's)	-0.1	+80.6	+79.4	+94.3

*The total return for share price, net asset value and Index is calculated on the basis of reinvesting dividends to shareholders on the ex-dividend date.

The Earl of Dalhousie
Chairman
12 December 2014

Strategic Report - Manager's Review

Small companies had a more subdued year than has been the case in recent years, delivering flat returns. However, it is worth putting that in the context of the last five years when, including a duller 2014, gains have exceeded 80% on a total return basis. We noted in last year's report that we saw limited potential for further expansion of valuation multiples and that we therefore believed that growth in profitability would be required to drive further progression in markets. That has largely evolved as expected as small companies in aggregate, indeed companies in general, have struggled to deliver any earnings growth over 2014.

The financial year started with a continuation of the recoveries in the UK and US, with both economies registering growth ahead of expectations and forecasts rising for 2014. Janet Yellen was installed as the new Chair of the Federal Reserve and indicated that tapering was likely to be delayed further. She also stated that she expected the first reduction in stimulus to occur in January, when asset purchases would be reduced by $10bn to $75bn. It was interesting that equity markets responded positively to this, focussing on the good news of an ongoing recovery, rather than that intervention was now being reduced. In the UK the autumn spending review contained some good news in the form of lower than expected borrowing requirements. Any increase in interest rates was deferred as Mark Carney observed that he regarded a level of 7% unemployment as a threshold not a target. In Europe the news was less positive prompting the ECB to reduce interest rates to a new low of 0.25%.

Markets had a weak start to the new year. Indeed the FTSE All-Share posted its worst January for three years. Small companies did rather better. One reason for this was their proportionately lower exposure to emerging markets. What had been regarded as a desirable feature of a business model for a number of years was now viewed with more caution. Tapering by the US, which was accelerated by a further $10bn, weighed on the currencies of many developing nations and hence impacted demand.

One of the attractions of investing in small companies is that over the last decade or more they have become increasingly internationalised. Indeed, we estimate that in excess of half of the revenues of the holdings in the portfolio emanate from outwith the UK. Over the long term we anticipate that this will add resilience to our investments' business models. However, as sterling continued to strengthen during the early part of the year the translation of foreign currency denominated earnings impacted the profitability of many companies. Consequently, as we progressed through the full year reporting season, although underlying trading was generally fine, analysts were reducing their expectations for the rest of the year. By way of illustration, the revisions ratio for small companies (which is a measure of the number of analysts' upgrades relative to the total number of forecast changes) was just 33% in April.

Activity in capital markets continued apace. There was a broad array of Initial Public Offerings as new entrants found a market much more receptive to them than it had been for several years. It was notable that many of these companies were quite early stage with limited and sometimes no level of profitability. It was also the case that as the year progressed the performance of many of these flotations deteriorated with many falling below their initial offering price. Mergers and acquisitions were also picking up. In keeping with the prior year, much of the activity was at the large end of the market capitalisation spectrum.

The economic trends apparent at the start of the year continued through the spring. Recovery in the UK accelerated and any increase in interest rates looked even further away as inflation fell below the Bank of England's 2% target for the first time since 2009. Expectations for growth in 2014 were increased again. By the middle of the year the economy had returned to its previous peak level of output achieved in the first quarter of 2008. This may have been the slowest recovery for 100 years but it had been a recovery.

The situation was broadly similar in the US where, despite a weather-related slowdown in the first quarter, the federal open market committee reduced tapering again. Growth strengthened further in the second quarter and the Federal Reserve noted a consistent improvement in the labour market.

European recovery remained sufficiently disappointing that the threat of deflation was rising. This prompted the ECB to indicate that they were prepared to engage in "unconventional activity"; this was taken by many to mean quantitative easing. The Committee also reduced interest rates further, taking them to their lowest level ever and making deposit rates negative.

Geopolitical events were deteriorating. The actions of Russia in Ukraine were an increasing cause for concern. In the Middle East, ISIS was becoming a growing force and Gaza and Israel were again in conflict. Positively, investors largely shrugged off these risks, choosing instead to focus on the continuing recovery. Also notable was that despite rising tensions in Iraq, Syria and Israel the oil price began to decline significantly.

By late summer the malaise in Europe had begun to affect the core as well as the more peripheral nations with Germany posting a fall in GDP and France registering zero growth. The authorities were very concerned about the risk of deflation. Yields on government debt continued to decline with German 10 year bunds falling below 1% for the first time ever. Interest rates were reduced to a level that the ECB now regards as a floor. Hence further action will have to be in the form of asset purchases. The ECB also launched their third Long Term Refinancing operation. Take up by the banks was lower than anticipated suggesting that it will be some time before it achieves its objective of boosting lending to small and medium sized enterprises.

In the UK there were mixed signals regarding the likely timing of an interest rate rise, with two members of the MPC voting for an increase but the August inflation report indicating that the committee now regard the equilibrium level of unemployment as 5.5%.

The year ended with a reminder of the fragility of investor sentiment. Early October saw small companies fall by almost 8% before staging a recovery to end the month almost flat. That turnaround was driven by the news that the Japanese were going to increase their stimulus package. Meanwhile in the US the economy was regarded as sufficiently strong that the tapering programme could be completed and asset purchases terminated. Even the EU managed some positive news, with the Asset Quality Review being passed by 80% of the region's banks.

Portfolio Activity

As we have observed there was a marked step up in IPO activity during the year. We partake in very few such offerings. There are many reasons for this and they include: the fact that it is often difficult for us to perform the level of due diligence required by our investment process given the time scale between the announcement of an intention to float and the actual offering. We are resolute that we will not relax our standards even if that means forgoing some opportunities in the short term. Additionally some flotations come with a minimal track record of profitability. Again our pursuit of high quality businesses in which to invest makes us reluctant to put our shareholders' money into companies that lack a track record and where we are hence being asked to buy into some level of speculation. Lastly we believe that the public markets are a forum for the provision of capital to enable businesses to grow. Occasionally they seem to be viewed more as a route to exit for the vendors.

This is not to say that we will not participate in new issues if we believe the opportunity is suitable and attractive. One such business is Manx Telecom. The company has a relatively simple and understandable model being the market leader in the provision of fixed line and broadband communications on the Isle of Man. Some investors might have regarded the company as a little boring. To our mind that dullness was one of its attractions. The business has some monopolistic characteristics, though there is a competitor. The market is large enough for them to make an attractive return whilst being niche enough to pass below the radar of larger players. The regulatory environment recognises the importance of the provision of these services to islanders and hence is regarded as stable. The flotation will allow debt to be paid down meaning that the balance sheet will be more aligned with our risk appetite. These features converge to produce stable cash flows which are then paid out to investors in the form of an attractive yield that currently stands at a little over 5%.

One further new holding was added during the year. Abcam is a specialist distributor of research grade antibodies globally. This is a business that benefits from high barriers to entry that are embedded as a function of its business model and that therefore increase as the company grows. They are a UK smaller company that is a genuine global leader in their field. We have followed the company for a number of years but had always struggled with the high valuation. A temporary slowing in US government funded research expenditure resulted in the company failing to achieve the double digit rates of growth that had characterised its history. We believed that the long term attractions remained intact and viewed the resultant share price weakness as an opportunity to initiate a holding.

No holdings in the portfolio were bid for during the year. We did though have two holdings that raised capital to fund acquisitions. RPC conducted a placing to help them fund the purchase of ACE. This gave them a Chinese manufacturing base, which is something their customers had been pushing them to secure. ACE was well known to RPC as they were already providing fulfilment for RPC's Asian orders. There will be opportunities to put ACE's products though RPC's distribution whilst also allowing RPC better to satisfy their Asian customers. Secondly, Acal had a rights issue to finance their acquisition of Noratel. Having spent a number of years tidying up their legacy non-core businesses whilst adding to their existing distribution capabilities through a series of small and medium sized deals we were pleased to see them accelerate their growth plans. Noratel will broaden their design and manufacturing capabilities and give them additional electromagnetic products to add to their portfolio. In both instances we were happy to be able to support our investments with additional capital.

Two holdings were exited over the year. In each case, it was a combination of valuations and the alternative investment opportunities rather than issues with the performance of the company that drove our decision. John Menzies has done well since the depths of the financial crisis. They have driven very significant efficiencies through their distribution business whilst using the cash flows generated to grow their aviation operations and to repair their balance sheet. The share price responded accordingly and we formed the view that it was reflecting much of the potential opportunity available to the company. Weir Group has also been a successful investment for us, rising from being a small cap to a fully-fledged member of the FTSE 100. We retained a holding in the business even when it was clearly a larger company. Your Board took the view that we should do so if we believed that it remained an attractive investment. However, with a market capitalisation of almost £6bn and opportunities like Abcam, RPC and Acal available we took the view that it was time to move on.

The Company's earnings per share have declined marginally this year. We noted in last year's report that after a number of years of strong increases we expected dividend growth to slow. The most significant impact has been the non-recurrence of a special distribution by Aveva. Last year this amounted to £119k or approximately 0.25p per share. Our investment approach recognises that returns will come from a mixture of capital gains and dividends and that it is likely that the most significant dividend increases are likely to come from companies that have a lower yield as their starting point. With that in mind we are pleased to be able to report that 15 holdings increased their contributions during the year by 10% or more. These included Dechra Pharmaceuticals who, having disposed of their distribution business, delivered 19% growth in profits from their animal pharmaceuticals operations. This was accompanied by a 12% increase in the dividends paid during the year. James Fisher was another company that traded well. They saw good results from their marine and specialist technical operations that culminated in double digit growth in profits and a near 13% increase in the dividend. One company is deserving of a special mention. Interestingly it merited such a statement in last years' report and indeed the one prior to that, and that is housebuilder Bellway. They navigated the financial crisis rather better than many of their peers, largely on account of not having over-geared their balance sheet. They have been able fully to capitalise on the recovery in the market and this year posted a 69% uplift in profits. That manifested itself in a 60% increase in the dividends paid. That in itself is remarkable but it is even more so when one considers that it comes on the back of 55% and 60% increases in the dividends in the previous two years. There were no holdings that cut their payouts during the year though the timing of payments meant that the dividends received from Bloomsbury declined slightly.

In any portfolio there will be companies that are finding life difficult at one time or another. We take a long term approach when investing and endeavour to see through short term travails in order to establish if our original investment thesis remains intact. Where this is the case, weakness in a share price may represent an opportunity for us to buy more of something we like. That said we acknowledge that there are holdings in the portfolio that have issued profit warnings and that has been detrimental to short term performance. Three of the more significant ones include Aveva, the 3D design software company, who have noted a slowdown in oil and gas related orders especially from Brazil and South Korea. We do not believe that the fundamentals of a business with market leadership, pricing power, high levels of recurring revenue, high barriers to entry and sound long term growth prospects have been permanently changed.

Devro is the global leader in the production of collagen cases for sausages. The company is in the midst of a large investment programme to improve manufacturing efficiencies. Earlier in the year they noted weakness in European demand and a competitor trying to take share via lower pricing. Theirs is a market that is experiencing structural growth from two sources: more protein is being consumed internationally, often in the form of sausages and more sausages are utilising artificial rather than natural casings. Therefore we believe that the medium and longer term prospects are still attractive.

Oxford Instruments is a market leader in the provision of high technology tools used for the analysis and characterisation of matter on the molecular scale. It has experienced some weak demand as US research budgets have been under pressure, one-off orders have not recurred and some niche but deeply cyclical end markets have slowed markedly. The business sits at the centre of the development of nanotechnology. This is an area that we expect to grow strongly. We accept that progress may not be smooth but we expect the management to build a larger and stronger business over time.

In each of the three above examples we have topped up our holdings.

Outlook

It is easy to be quite gloomy about the prospects for the global economy. Europe shows no signs of returning to growth and the longer recovery takes to materialise the greater the danger of the region falling into deflation. Some of the peripheral economies are actually doing quite well but it will be the core countries that determine the region's prospects and they are doing less well. The European Central Bank has promised action but to date they have neither quantified the size of any stimulus nor the mechanism by which it would be delivered. Indeed it is unclear if they could actually engage in quantitative easing even if they wanted to.

Chinese growth looks to be slowing. It is still significantly ahead of that achieved by any developed economies but it is well below the double digit levels we have become used to. That could have material consequences for other economies, given its status as the world's second largest economy.

The US is doing better but it is worth remembering just how indebted the country is. They have stopped their asset purchase programme but they have given no indication as to how they expect to unwind it. Meanwhile as we write, the Government has enacted another Continuing Resolution. Not that long ago such action would have been considered remarkable.

Interest rates look set to rise on both sides of the Atlantic. Central bankers can keep obfuscating but it will eventually need to happen the alternative being growth that is so weak that ultra-low rates need to continue. Any increase will require adjustments by companies and consumers alike.

In the UK there will be an election next year. Markets dislike uncertainty and it is currently very difficult to divine the likely outcome. To hope for a business and markets friendly result seems quite optimistic.

However, there are some reasons for optimism. We have observed a number of times over recent years just how attractive equities are relative to fixed interest. That may indeed be a reflection of the over valuation of fixed interest rather than the cheapness of equities but it remains the case that if investors want a semblance of yield then they have to look to equities. For three years now the profits delivered by European companies have materially disappointed relative to the expectations of analysts at the start of the year. This year the expectations for small companies as a whole are for growth in profits of 4.1% over 2015. That is hardly inspiring, but equally it is more achievable than the double digit growth expectations analysts normally pencil in at the start of a year. So, perhaps there is a recognition of the sluggishness across the global economy and hence less of a likelihood of disappointment. In aggregate valuations are not expensive relative to history, though there is a spread of multiples across the market and many better quality businesses still command a premium rating.

One aspect that has caused many companies difficulties this year has been the strength of sterling. This pressure is now easing. We would not care to endeavour to explain either the recent decline in the oil price nor the likely future price of oil. But we do believe that the benefit of the falls will be felt directly by businesses and consumers. This impact has been estimated at $2.5bn daily relative to when the price was $100. This is direct stimulus for the economy and should prove more effective than that provided by central banks.

As we look through the companies in the portfolio we believe that they will prosper over the longer term. We will not change our approach of seeking fundamentally high quality businesses that can deliver attractive returns over the long term.

Ed Beal
Aberdeen Asset Managers Limited
12 December 2014

Strategic Report – Results

Financial Highlights

	31 October 2014	31 October 2013	% change
Total assets less current liabilities (before deducting bank loan)	£109,258,000	£113,153,000	(3.4)
Equity shareholders' funds (Net Assets)	£104,258,000	£108,153,000	(3.6)
Market capitalisation	£86,622,000	£103,372,000	(16.2)
Share price (mid market)	181.00p	216.00p	(16.2)
Net Asset Value per share	217.85p	225.99p	(3.6)
FTSE SmallCap Index (ex Investment Companies) (capital gains basis)	3,789.88	3,882.33	(2.4)
Discount (difference between share price and net asset value)	16.92%	4.42%	
Gearing			
Net gearing[A]	3.51%	3.34%	
Dividends and earnings			
Total return per share[B]	(2.94p)	62.83p	
Revenue return per share	5.34p	5.43p	(1.7)
Dividends per share[C]	5.25p	5.15p	1.9
Dividend cover (including proposed final dividend)	1.02	1.05	
Revenue reserves[D]	£4,414,000	£4,347,000	
Operating costs			
Ongoing charges (excluding performance fees)[E]	0.80%	0.82%	
Ongoing charges (including performance fees)	0.80%	0.82%	

[A] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition on page 54).

[B] Measures the total revenue and capital return for the year divided by the weighted average number of Ordinary shares in issue (see Income Statement).

[C] The figures for dividends per share reflect the years in which they were earned (see note 7 on page 41).

[D] The revenue reserve figure does not take account of the proposed final dividend amounting to £1,508,000 (2013 – £1,484,000).

[E] The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses divided by the average cum income net asset value throughout the year.

Performance

	1 year % return	3 year % return	5 year % return
Capital return			
Share price	–16.2	+39.8	+80.5
Net Asset Value per share	–3.6	+52.3	+86.0
FTSE SmallCap Index (ex Investment Companies)	–2.4	+66.7	+55.4
Total return (Capital return plus dividends paid)			
Share price	–14.2	+53.0	+113.4
Net Asset Value per share	–1.5	+65.5	+115.7
FTSE SmallCap Index (ex Investment Companies)	–0.1	+80.6	+79.4

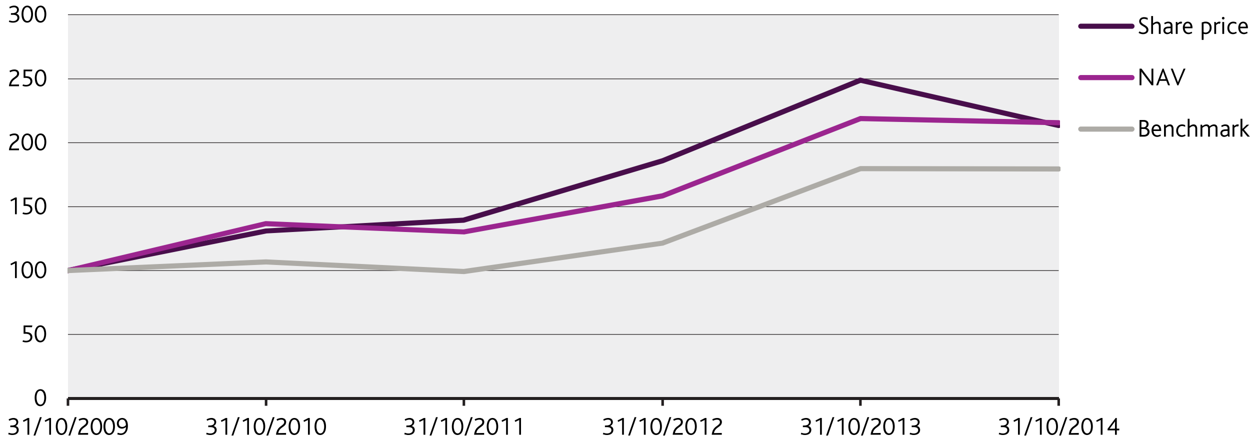
Dividends

	Rate per share	xd date	Record date	Payment date
Proposed final dividend 2014	3.15p	15 January 2015	16 January 2015	10 February 2015
Interim dividend 2014	2.10p	2 July 2014	4 July 2014	25 July 2014
2014	**5.25p**			
Final dividend 2013	3.10p	15 January 2014	17 January 2014	11 February 2014
Interim dividend 2013	2.05p	3 July 2013	5 July 2013	26 July 2013
2013	**5.15p**			

Strategic Report - Performance

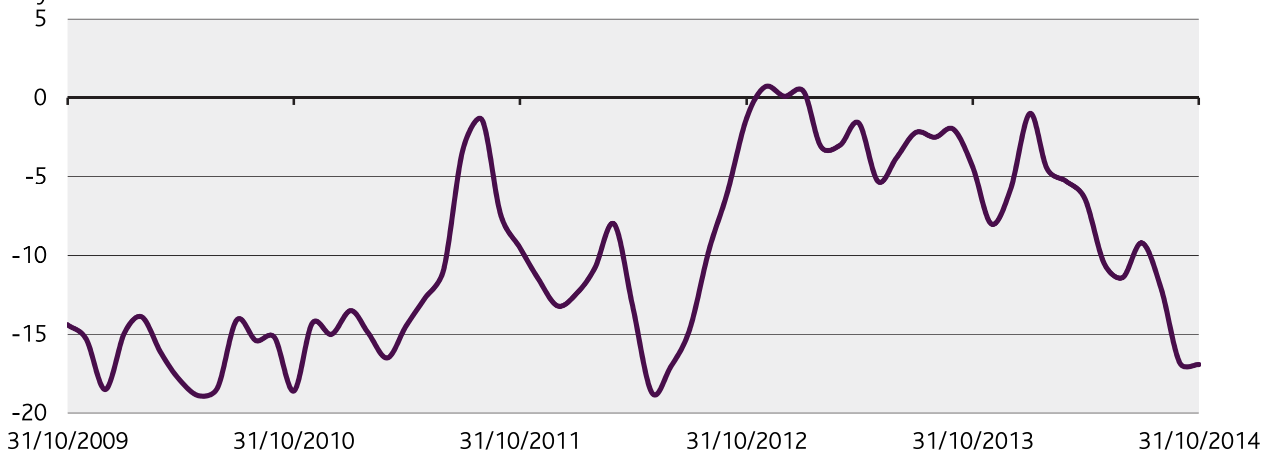
Total Return of NAV and Share Price vs FTSE SmallCap Index (ex Investment Companies)

Five years to 31 October 2014 (rebased to 100 at 31/10/09)



Share Price Discount/Premium to NAV (%)

Five years to 31 October 2014



Ten Year Financial Record

Year to 31 October	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue available for Ordinary dividends (£'000)	2,795	3,128	2,432[A]	2,517	1,525	1,939	2,556[B]	2,206	2,599	2,555
Per share (p)										
Net revenue return	3.4	3.8	4.5	5.2	3.2	4.1	5.3	4.6	5.4	5.3
Net dividends paid/proposed	3.08	3.55	4.25	4.50	4.50	4.60	4.85	5.00	5.15	5.25
Revenue reserve after payment of final dividend	2.75	3.05	6.44[A]	7.43	6.15	5.60	6.09	5.70	5.98	6.07
Net asset value	123.3	161.3	167.0	90.1	117.1	154.2	143.0	168.2	226.0	217.9
Total return	21.8	41.1	4.4	(73.6)	31.4	41.7	(6.5)	30.1	62.8	(2.9)
Shareholders' funds (£'000)	100,515	131,397	82,364	43,170	56,020	73,809	68,446	80,499	108,153	104,258

[A] The Tender Offer in November 2006 had an impact on the income account.
[B] Includes interest on VAT recovered.
The per share values for the years 2005 and 2006 have been adjusted by a factor of five to reflect the sub-division of the Ordinary 25p shares into 5 Ordinary 5p shares in November 2006.
The figures for 2005 for net asset value and shareholders' funds have been restated to reflect the changes in accounting policies (FRS 26 – Financial Instruments: Recognition and Measurement; FRS 21- Events after the Balance Sheet Date). The figures for dividends have not been restated and still reflect the dividends for the years in which they were earned.

Investment Portfolio – Ten Largest Investments

As at 31 October 2014

Company	Sector classification	Value of holding 2014 £'000	Total assets %	Value of holding 2013 £'000
RPC Group RPC is Europe's leading manufacturer of rigid plastic packaging. Their products are benefitting from regulatory driven substitution. Their ability to manufacture a broad array of different shapes and sizes combined with innovative printing and labelling techniques provides a barrier to the more volume orientated larger competitors.	General Industrials	4,329	4.0	4,712
Wilmington Group Wilmington is a provider of information and training services to a range of professional industries. The company benefits from a high level of recurring revenues and a focus on niche data that often provides good barriers to entry.	Media	4,158	3.8	4,507
Dechra Pharmaceuticals Dechra develops and manufactures veterinary pharmaceuticals. They focus on the companion animal market. Veterinary pharmaceuticals are much less susceptible to generic competition than human drugs. The company has excellent opportunities to expand further into both Europe and the US.	Pharmaceuticals & Biotechnology	3,851	3.5	3,278
XP Power XP Power is a leading designer and manufacturer of power convertors. The company has been benefiting from substantial gross margin expansion as they have focussed on selling more of their own rather than third party products. Sales are set to benefit over the medium term from recent investment in new product development.	Electronic & Electrical Equipment	3,775	3.4	4,367
Euromoney Institutional Investor Euromoney is a business to business publisher. More than half their revenues are subscription based and more than a third are from emerging markets. The information they sell is often business critical for their clients which provides them with a combination of pricing power and resilience during difficult markets.	Media	3,752	3.4	3,726
Interserve Interserve is an international construction and support services business. They have a long heritage of operating in the Middle East which gives them exposure to growing markets but provides them with significant barriers to entry. Their domestic markets benefit from a long term trend to outsourcing by both the public and private sectors.	Support Services	3,307	3.0	3,205
Helical Bar Helical Bar is a property development and investment group. The business has a diversified exposure to the economy with assets in and outwith London. Their development activities are partially de-risked by the use of partners to provide some of the equity. The management has experience of operating through multiple cycles.	Real Estate Investment & Services	3,304	3.0	3,090
Oxford Instruments Oxford Instruments is a leader in the design and production of very high technology tools for the characterisation and manipulation of matter at the molecular level. It is at the heart of the development of nano technology. A branch of science that is embedding itself across a broad range of end markets.	Electronic & Electrical Equipment	3,256	3.0	3,135
Fenner Fenner is a specialist producer of advanced polymer solutions. Their business can broadly be split into two divisions. Conveyor belting sells to the mining and other industries. Advanced Engineered Products which manufactures a wide array of products that are all critical to the end product's performance whilst representing a low percentage of the end product's cost.	Industrial Engineering	3,234	3.0	4,200
Devro International Devro is the market leader in the production of collagen casings for the sausage market. This market is experiencing structural growth as consumers in emerging markets eat more protein, often in the form of sausages. Meanwhile there is a trend in both developed and emerging markets for casings to be made from artificial rather than animal gut sources.	Food Producers	3,232	3.0	2,787
Ten largest investments		**36,198**	**33.1**	

Investment Portfolio – Other Investments

As at 31 October 2014

Company	Sector classification	Value of holding 2014 £'000	Total assets %	Value of holding 2013 £'000
Berendsen	Support Services	3,192	2.9	3,193
Anite	Software & Computer Services	3,141	2.9	3,334
BBA Aviation	Industrial Transportation	3,141	2.9	2,879
Elementis	Chemicals	3,056	2.8	3,301
Hansteen Holdings	Real Estate Investment Trusts	2,918	2.7	1,699
TT Electronics	Electronic & Electrical Equipment	2,917	2.7	3,329
Morgan Sindall	Construction & Materials	2,915	2.7	3,350
Bloomsbury Publishing	Media	2,843	2.6	3,065
Acal	Support Services	2,771	2.5	2,177
Victrex	Chemicals	2,744	2.5	2,145
Twenty largest investments		65,836	60.3	
Rathbone Brothers	Financial Services	2,669	2.4	3,121
Fuller Smith & Turner 'A'	Travel & Leisure	2,609	2.4	2,855
Fisher (James) & Sons	Industrial Transportation	2,499	2.3	2,128
Domino Printing	Electronic & Electrical Equipment	2,279	2.0	1,445
Ultra Electronic	Aerospace & Defence	2,216	2.0	2,456
Dignity	General Retailers	2,187	2.0	1,940
Savills	Real Estate Investment & Services	2,170	2.0	2,190
Mothercare	General Retailers	2,141	2.0	1,662
Aveva Group	Software & Computer Services	2,028	1.9	2,096
Robert Walters	Support Services	1,984	1.8	2,233
Thirty largest investments		88,618	81.1	
Chesnara	Life Insurance	1,911	1.8	1,620
Huntsworth	Media	1,834	1.7	2,188
Intermediate Capital Group	Financial Services	1,788	1.6	2,090
Abcam	Pharmaceuticals & Biotechnology	1,743	1.6	–
Manx Telecom	Fixed Line Telecommunications	1,644	1.5	–
Bellway	Household Goods & Home Construction	1,635	1.5	3,459
Keller Group	Construction & Materials	1,426	1.3	1,492
Restaurant Group	Travel & Leisure	1,356	1.2	2,218
Greggs	Food & Drug Retailers	1,349	1.2	1,725
Barr (AG)	Beverages	1,273	1.2	2,009
Forty largest investments		104,577	95.7	
Numis Corp	Financial Services	1,109	1.0	1,584
McBride	Household Goods & Home Construction	1,019	0.9	1,434
Enquest	Oil & Gas Producers	990	0.9	1,669
Total investments		107,695	98.5	
Net current assets[A]		1,563	1.5	
Total assets		**109,258**	**100.0**	

[A] Excludes bank loan of £5,000,000 (2013 – £5,000,000).

Sector Analysis

As at 31 October 2014

		FTSE SmallCap Index (ex IC's) weighting %	Portfolio weightings 31 October 2014 %	31 October 2013 %
Basic Materials	Chemicals	0.16	5.39	4.87
	Industrial Metals	–	–	–
	Mining	2.14	–	–
		2.30	**5.39**	**4.87**
Consumer Goods	Beverages	–	1.18	1.80
	Food Producers	4.67	3.00	2.49
	Household Goods & Home Construction	1.04	2.47	4.37
	Leisure Goods	1.12	–	–
		6.83	**6.65**	**8.66**
Consumer Services	Food & Drug Retailers	2.06	1.25	1.54
	General Retailers	6.58	4.02	3.22
	Media	6.47	11.69	12.06
	Travel & Leisure	5.12	3.68	4.53
		20.23	**20.64**	**21.35**
Financials	Financial Services	2.91	5.17	6.08
	Life Insurance	1.71	1.77	1.45
	Non-life Insurance	0.93	–	–
	Real Estate Investment & Services	9.81	5.08	4.72
	Real Estate Investment Trusts	6.07	2.71	1.52
		21.43	**14.73**	**13.77**
Health Care	Health Care Equipment & Services	1.97	–	–
	Pharmaceuticals & Biotechnology	2.92	5.19	2.93
		4.89	**5.19**	**2.93**
Industrials	Aerospace & Defence	1.84	2.06	2.20
	Construction & Materials	6.10	4.03	4.33
	Electronic & Electrical Equipment	3.55	11.35	10.98
	General Industrials	0.45	4.02	4.21
	Industrial Engineering	3.53	3.00	5.01
	Industrial Transportation	2.59	5.24	4.48
	Support Services	13.50	10.45	10.87
		31.56	**40.15**	**42.08**
Oil & Gas	Oil & Gas Producers	1.50	0.92	1.49
	Oil Equipment, Services & Distribution	2.43	–	–
		3.93	**0.92**	**1.49**
Technology	Software & Computer Services	5.95	4.80	4.85
	Technology Hardware & Equipment	1.56	–	–
		7.51	**4.80**	**4.85**
Fixed Line Telecommunications	Fixed Line Telecommunications	1.32	1.53	–
		1.32	**1.53**	–
Total equities		**100.00**	**100.00**	**100.00**

Your Board of Directors

The Directors, all of whom are non-executive, are independent of the Manager, supervise the management of Dunedin Smaller Companies Investment Trust PLC and represent the interests of Shareholders.

The Earl of Dalhousie

Status: Independent Non-Executive Chairman
Age: 66
Length of service: 21 years, appointed a Director on 1 November 1993
Experience: formerly a director of Hambros Bank Ltd, Enskilda Securities and Capel-Cure Myers Capital Management.
Last re-elected to the Board: 6 February 2014
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £24,662
All other public company directorships: None
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 20,000 5p Ordinary shares

T J K Barnes

Status: Independent Non-Executive Director and Senior Independent Director
Age: 53
Length of service: 11 years, appointed a Director on 1 December 2003
Experience: formerly chief executive of Dobbies Garden Centres (part of Tesco plc) and a former investment banker. Currently chairman of Thirlestsane Castle Trust and a director of The Business Partnership Ltd.
Last re-elected to the Board: 6 February 2014
Committee membership: Audit Committee, Management Engagement Committee and Chairman of Nomination Committee
Remuneration: £18,499
All other public company directorships: None
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 17,825 5p Ordinary shares

A Henderson

Status: Independent Non-Executive Director
Age: 53
Length of service: appointed a Director on 6 February 2014
Experience: was a chartered accountant with KPMG and Arthur Andersen in Edinburgh and Melbourne and was previously a director of the WM company, a Deutsche Bank company. Currently a non-executive director and chair of the audit committee of Adam and Company and non-executive director of James Walker (Leith) Limited and is also a non-executive director and chairman of Scottish Building Society as well as a member of the Institute of Chartered Accountants of Scotland.
Last re-elected to the Board: n/a
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £13,641
All other public company directorships: None
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: None

N M Yarrow

Status: Independent Non-Executive Director
Age: 54
Length of service: 16 years, appointed a Director on 21 May 1998
Experience: is a former director of NVM Private Equity, a director of Weldex (International) Offshore Limited, Hillhouse Estates and Honourable Company of Edinburgh Golfers (Management) Ltd and a member of the Institute of Chartered Accountants of Scotland.
Last re-elected to the Board: 6 February 2014
Committee membership: Chairman of the Audit Committee and Management Engagement Committee and member of the Nomination Committee
Remuneration: £21,600
All other public company directorships: None
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 35,000 5p Ordinary shares

C M D Thomson

Status: Proposed Independent Non-Executive Director (appointment effective 1 January 2015)
Age: 44
Length of service: n/a
Experience: Head of SGPB Hambros, Scotland. Also founder and trustee of The Jamath Charitable Trust and secretary to The National Museums of Scotland Charitable Trust, The Edinburgh International Festival Endowment Fund and four other charitable foundations.
Last re-elected to the Board: n/a
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: n/a
All other public company directorships: None
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: None

Directors' Report

Introduction

The Directors, The Earl of Dalhousie, James Barnes and Norman Yarrow held office throughout the year under review. Ms Henderson and Mr Thomson were appointed Directors on 6 February 2014 and with effect from 1 January 2015 respectively. Mr Entwistle retired from the Board at the conclusion of the Annual General Meeting ("AGM") on 6 February 2014. The Directors present their report and the audited financial statements for the year ended 31 October 2014.

The Company and its Objective

The Company is an investment trust and its Ordinary shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange. The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust. The Company's objective is to achieve long term growth from a portfolio of smaller companies in the United Kingdom. A review of the Company's activities is given in the Strategic Report. This includes the overall strategy of the business of the Company and its principal activities, main risks faced by the Company likely future developments of the business and the recommended dividend.

Status

The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 November 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 October 2014 so as to enable it to comply with the ongoing requirements for investment trust status.

The affairs of the Company were conducted in such a way as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner in the future.

The Company is registered as a public limited company. The Company's registration number is SC014692. The Company has no employees and the Company makes no political donations.

Results and Dividends

The Directors recommend that a final dividend of 3.15p (2013 – 3.10p) is paid on 10 February 2015 to shareholders on the register on 16 January 2015. The ex-dividend date is 15 January 2015.

Management and Secretarial Agreements

The Company's investment management arrangements with the Aberdeen Asset Management Group have been reorganised and the Company has appointed Aberdeen Fund Managers Limited ("AFML"), a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager ("AIFM" or "Manager") with effect from 15 July 2014. In order to facilitate this appointment, the Company terminated its existing investment management agreement with Aberdeen Asset Managers Limited ("AAM") and entered into a new management agreement with AFML. The new management agreement with AFML was agreed on the same commercial terms as the previous agreement with AAM and is also compliant with the new regulatory regime under the AIFMD. Under the new arrangements, AFML has been appointed to provide investment management, risk management, administration and company secretarial services as well as promotional activities. The Company's portfolio will continue to be managed by AAM by way of a group delegation agreement in place between AFML and AAM. In addition, AFML has sub-delegated promotional activities to AAM and administrative and secretarial services to Aberdeen Asset Management PLC, fees payable are shown in note 4 to the financial statements.

The basic management fee, details of which are shown in note 3 to the financial statements, is 0.4% per annum of adjusted gross assets. There is also a performance-related management fee calculated at a rate of 0.1% per annum (up to a maximum of 0.5% per annum) of the adjusted gross assets for every 1.0% by which the Company's net asset value performance outperforms the capital performance of the benchmark index over the previous 12 month period. No performance fee was earned in respect of the year ended 31 October 2014. The agreement is terminable by either party on three months' notice.

Directors' & Officers' Liability Insurance

The Company maintains insurance in respect of Directors' & Officers' liabilities in relation to their acts on behalf of the Company. Furthermore, each Director of the Company shall be entitled to be indemnified out of the assets of the Company to the extent permitted by law against all costs, charges, losses, expenses and liabilities incurred by him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office. These rights are included in the Articles of Association of the Company and the Company has granted indemnities to the Directors on this basis.

Corporate Governance

The Statement of Corporate Governance which forms part of the Directors' Report is shown on pages 23 to 28.

Going Concern

The Company's assets consist substantially of equity shares in companies listed on the London Stock Exchange which are, in most circumstances, realisable within a short timescale. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. Subsequent to the year end, borrowings of £10 million are committed to the Company until 24 November 2017. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and, for the above reasons, they continue to adopt the going concern basis in preparing the accounts.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 31, and 32 to 33.

Each Director confirms that, so far as he or she (hereinafter referred to as "he") is aware, there is no relevant audit information of which the Company's auditor is unaware, and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. Additionally there are no important events affecting the Company since the year end.

Annual General Meeting ("AGM")

Issue of New Shares and Treasury Shares

Under resolution 10, an ordinary resolution, it is proposed that, in line with common practice, the Directors be authorised to allot up to £789,645 in aggregate nominal value of shares and to grant relevant rights (as defined in that resolution) in relation to shares in the Company (equivalent to 15,792,915 Ordinary shares of 5p, representing approximately 33% of the Company's issued share capital) without further reference to the Company in general meeting for a period ending at the conclusion of the AGM in 2016. The Directors have no current intention to utilise this authority.

Resolution 11, an ordinary resolution, seeks to renew the Directors' authority to sell or transfer Ordinary shares out of treasury for cash up to an aggregate nominal value of £119,643 (representing approximately 5% of the Company's issued share capital) after taking account of any shares issued pursuant to resolution 12. The Directors will be authorised to sell or transfer such shares 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 will be restricted to no more than 0.5% in any financial year. Resolution 11 is conditional on the passing of resolution 12.

The authority conferred by this resolution will give the Directors additional flexibility going forward, and the Directors consider that it is in the interests of the Company that such authority be available. Such authority will only be implemented when, in the view of the Directors, to do so will be for the benefit of all shareholders. This authority will lapse at the conclusion of the AGM to be held in 2016.

Under Section 561 of the Companies Act 2006, where it is proposed to issue equity securities for cash, or to sell the shares out of treasury, they must first be offered to existing shareholders in proportion to their holdings. In some circumstances, it is beneficial to allot such securities for cash without first offering them in this way.

The Directors will therefore propose a special resolution (resolution 12) at the AGM which, if passed, will allow them to allot shares (and securities convertible into shares) for cash up to an aggregate nominal value of £119,643 as if Section 561(1) did not apply. This authority will lapse (unless renewed) at the conclusion of the AGM in 2016. New Ordinary shares would not be issued at a price that is less than the prevailing net asset value.

Share Repurchases

The Directors also propose a special resolution to seek renewed approval at the forthcoming AGM of the Company's authority to purchase its own Ordinary shares in the market (resolution 13). The maximum aggregate number of Ordinary shares which may be purchased pursuant to the authority is 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution. The minimum price which may be paid for an Ordinary share is 5p (being the nominal value). The maximum price (exclusive of expenses) which may be paid for the shares is the higher of: a) 5% above the average of the market values of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and b) the higher of the price of the last independent trade and the highest current independent bid on the main market for the Ordinary shares.

The authority to buy back Ordinary shares, if conferred, will only be exercised if to do so would result in an increase in net asset value per Ordinary share for the remaining shareholders and if it is in the best interests of shareholders generally. If the Directors exercise the authority conferred by resolution 13, the Company will have the option of either holding the shares in treasury or of cancelling the shares, and will decide at the time of purchase which option to pursue.

This authority will last until the conclusion of the AGM of the Company to be held in 2016 (unless previously revoked, varied or renewed by the Company in general meeting). Any use by the Company of the authority to purchase shares will be by way of either a single purchase or a series of purchases, when market conditions allow.

Recommendation

Your Board considers the resolutions to be proposed at the AGM to be in the best interests of the Company and would promote the success of the Company for the benefit of its shareholders as a whole. Accordingly, your Board unanimously recommends that shareholders should vote in favour of the resolutions to be proposed at the AGM, as they intend to do so in respect of their own beneficial holdings, amounting to 72,825 Ordinary shares.

By order of the Board
Aberdeen Asset Management PLC
Secretary, Edinburgh
12 December 2014

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 20 to 22.

Introduction

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code ("UK Code") which is available on the Financial Reporting Council's website: www.frc.org.uk. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the UK Code.

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions. The AIC Code is available on the AIC's website: www.theaic.co.uk

Directors

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager. Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. Mr Barnes is the Senior Independent Director. The Board meets at least four times each year, and more frequently when business needs require. The Board has a schedule of matters reserved to it for decision, and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager under the terms of the management agreement.

The Board has in place the necessary procedures (using questionnaires and discussion) to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole. The Board has also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

The Board has assessed the independence of the Directors against the criteria set out in the Codes, and has concluded that they are all independent of 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 takes the view that independence is not compromised by length of tenure on the Board and that experience can add significantly to the Board's strength. In the case of The Earl of Dalhousie, Mr Yarrow and Mr Barnes who have been Directors since 1993, 1998 and 2003 respectively, the Board takes the view that their independence has not been compromised by their length of service and that experience as well as a long-term perspective can add significant value to a well-balanced investment trust company board comprising of non-executive directors. In considering their independence, the Directors considered a number of factors including their experience, integrity and judgement of character. The Directors also recognised that the Directors have no connection with the Manager, are not professional advisers who have provided services to the Manager or the Board, do not serve on any other board of a company managed by the Manager or serve as directors on companies with any of the other Company's directors. For these reasons the Board (excluding the individual Directors) believes the Directors remain independent notwithstanding their length of service and has no hesitation in recommending the re-election of Messrs Barnes and Mr Yarrow at the next AGM. As outlined in the Chairman's Statement, The Earl of Dalhousie will retire from the Board with effect from the conclusion of the AGM. Alexa Henderson and Christopher Thomson were appointed to the Board on 6 February 2014 and with effect from 1 January 2015 respectively and are, therefore, required to stand for election by shareholders at the forthcoming AGM. Ms Henderson and Mr Thomson have and will bring significant further commercial and technical experience to the Board. The Board is pleased to recommend that shareholders support Ms Henderson and Mr Thomson's elections to the Board at the AGM to be held in February 2015.

The Directors have attended Board and Committee meetings during the year ended 31 October 2014 as follows (with their eligibility to attend the relevant meeting in brackets):

Director	Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
The Earl of Dalhousie (Chairman)	4 (4)	2 (2)	1 (1)
T J K Barnes	4 (4)	2 (2)	1 (1)
A Henderson	2 (2)	1 (1)	1 (1)
N M Yarrow	4 (4)	2 (2)	1 (1)

Between meetings the Board maintains regular contact with the Manager.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Aberdeen Asset Management PLC, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Appointments to the Board of Directors are considered by the whole Board. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board which reflects a breadth of commercial, professional and industrial experience to complement existing Directors. In considering appointments, the Board also takes into account the need to have a balance of skills, experience, independence, diversity, including gender, and knowledge of the Company within the Board. However the Board's overriding priority is to appoint the most appropriate candidates, regardless of gender or other forms of diversity. Therefore, the Board has not set any measurable objectives in relation to the diversity of the Board. External search consultants may be used to ensure that a wide range of candidates can be considered. In the case of the recent appointments, the Board did not consider necessary either the engagement of an external search consultant or open advertising given the Company's small size, the specialist nature of investment trusts and the Board's desire to minimise the costs for shareholders. A list of candidates was drawn up for interview by the whole Board as the current Directors possess extensive knowledge of potential candidates whose skills and experience might be complimentary. Every Director is entitled to receive appropriate training as deemed necessary. A Director is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the first AGM following his or her appointment. The Articles also require that one third of the Directors retire by rotation each year and seek re-election at the AGM. In addition, all Directors are required to submit themselves for re-election at least every three years. Directors with more than nine years' service will be required to submit themselves for annual re-election.

There is a formal process for the consideration and authorisation by the Board of Directors' reported actual and potential conflicts of interest, a full analysis of the Directors' appointments and interests is considered at each Board meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of their own position. The Board will continue to monitor and review potential conflicts of interests on a regular basis.

The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Manager also adopts a zero tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption.

Internal Controls and Risk Management

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board has prepared its own risk register which identifies potential risks relating to strategy; investment management; shareholders; marketing; gearing; regulatory & financial obligations; third party service providers and the Board. The Board considers the potential cause and possible impact of these risks as well as reviewing the controls in place to mitigate these potential risks. A risk is rated by having a likelihood and an impact rating and the residual risk is plotted on a "heat map" and is reviewed regularly.

The Board is ultimately responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. The Board confirms that as at 31 October 2014 there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that it has been in place for the year ended 31 October 2014 and up to the date of approval of the Annual Report, that it is regularly reviewed by the Board and accords with the internal control guidance for directors in the UK Code.

The Board has reviewed the effectiveness of the Manager's 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 as follows:

- financial;
- operational; and
- compliance.

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

- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; and
- as a matter of course the Manager's compliance department continually reviews the Manager's operations.

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 place reliance on the Manager's systems and internal audit procedures, including the Manager's ISAE3402 report. At its December 2014 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 October 2014 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 October 2014. The results of the assessment were then reported to the Board at the next Board meeting.

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 their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Board Committees

The Directors have appointed a number of Committees as set out below. Copies of their terms of reference, which clearly define the responsibilities and duties of each Committee, are available upon request from the Company and are on the Company's website.

Audit Committee

The Directors have appointed an Audit Committee which meets not less than twice per year. The Audit Committee operates within clearly defined written terms of reference and comprises the entire Board with Mr Yarrow acting as Chairman.

The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience – Mr Yarrow and Ms Henderson are both members of the Institute of Chartered Accountants of Scotland.

Role of the Audit Committee

In summary, the Audit Committee's main functions are:

- to review and monitor the internal control systems and risk management systems (including review of non financial risks) on which the Company is reliant;
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager and administrator;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly reports, announcements and related formal statements;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to meet with the auditor to review the proposed audit programme of work and the findings of the auditor. The Directors shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the auditor to supply non-audit services. The non-audit fee of £5,000 paid to the auditor during the year under review

was for the interim review. The Committee will review any future fees in the light of the requirement to maintain the auditor's independence;
- to review a statement from the Manager detailing the arrangements in place within AAM whereby AAM staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor;
- to monitor and review the auditor's independence, objectivity, effectiveness, resources and qualification; and,
- recommending to the Board and shareholders the re-appointment of KPMG LLP as the independent auditor of the Company.

Significant Accounting Issues

There was one significant accounting issue considered by the Committee during the year in relation to the Company's financial statements, the valuation, existence and ownership of investments. The investments have been valued in accordance with the stated accounting policies. The value of all the investments had been agreed to external price sources and 100% of the portfolio holdings agreed to confirmations from the Company's custodian. All of the investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 within the FRS 29 fair value hierarchy.

Other Accounting Issues

Other accounting issues considered by the Committee included:
- Recognition of Investment Income. The recognition of investment income is undertaken in accordance with the stated accounting policies. The Directors also review the Company's income, including income received, revenue forecasts and dividend comparisons.
- Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010. Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1 November 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

Review of Auditor

The Audit Committee has reviewed the effectiveness of the auditor including:

- independence (the auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards).
- quality of audit work including the ability to resolve issues in a timely manner (identified issues are satisfactorily and promptly resolved), its communications/presentation of outputs (the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible), and working relationship with management (the auditor has a constructive working relationship with the Manager)
- quality of people and service including continuity and succession plans (the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the partner).

KPMG LLP, or various KPMG entities ("KPMG"), has held office as auditor for 19 years. In accordance with present professional guidelines the audit director is rotated after no more than five years and the year ended 31 October 2014 will be the third year for which the present director has served. The Audit Committee is aware that impending EU legislation will require listed companies to rotate their auditor every 10 years. Under the transitional arrangements for firms where the tenure is between 11 and 20 years, there will be a grace period of nine years after the enactment of the EU legislation. Accordingly, based upon the new legislation, KPMG will not be able to audit the Company after 2023.

The Directors have reviewed the level of non-audit services provided by the auditor during the year, together with the auditor's procedures in connection with the provision of such services, and remain satisfied that KPMG's objectivity and independence is being safeguarded.

KPMG will be proposed as auditor at the AGM. The Audit Committee is satisfied that KPMG is independent and that it would not be appropriate to put the audit appointment out to tender at the present time. The Audit Committee therefore supports the recommendation to the Board that the appointment of KPMG be put to shareholders for approval at the AGM.

Shareholders have the opportunity at each AGM to vote on the reappointment of the auditor for the forthcoming year.

Management Engagement Committee

The Directors have appointed a Management Engagement Committee. All of the Directors are members of the Management Engagement Committee and Mr Yarrow is the Chairman. The Committee reviews the performance of the Manager and its compliance with the terms of the management and secretarial agreement. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee on an annual basis. The Committee believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

In addition, the Committee conducts an annual review of the performance, terms and conditions of the main third party suppliers.

Nomination Committee

Given the size of the Board, the Board as a whole acts as a Nomination Committee with the Senior Independent Director acting as Chairman.

Substantial Interests

At 31 October 2014 the following were registered or had notified the Company as being interested in 3% or more of the Company's Ordinary share capital:

Name of shareholder	Number of Ordinary shares held	% of Ordinary shares held
Aberdeen Investment Trust Savings Plans[A]	12,797,448	26.7
Aberdeen Asset Managers[A]	8,480,000	17.7
Derbyshire County Council	3,269,000	6.8
DC Thomson & Company Ltd	2,030,000	4.2

[A] Non-beneficial interests

There have been no changes notified in respect of the above holdings, and no new holdings notified, since the end of the year.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report is widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through its website, www.dunedinsmaller.co.uk and the Manager's freephone information service and the Company responds to letters from shareholders on a wide range of issues.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary or the Manager) in situations where direct communication is required and representatives from the Board meet with major shareholders on an annual basis in order to gauge their views.

In addition the Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. The Board receives at each Board meeting full details of any communication from shareholders to which the Chairman responds personally as appropriate.

The notice of the AGM included within the Annual Report is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions at the Company's AGM.

Share Capital and Voting Rights

The total number of Ordinary shares of 5p of the Company in issue at 31 October 2014 was 47,857,317 with each share holding one voting right.

Proxy Voting as an Institutional Shareholder

Responsibility for actively monitoring the activities of investee companies has been delegated by the Board to the Manager. The Manager's Corporate Governance Principles can be found on the Manager's website, at http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship. This document sets 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's Statement of Compliance with the UK Stewardship Code also appears on the Manager's website, at the web address given above.

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

Corporate Governance and Socially Responsible Investment Policy

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The

Company's ultimate objective is to deliver superior long-term returns for our shareholders which we believe will be produced on a sustainable basis by investments in companies which adhere to best practice in the area of Corporate Governance. Accordingly, the Manager will seek to favour companies which pursue best practice in the above area.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary, Edinburgh
12 December 2014

Directors' Remuneration Report

The Board has prepared this Remuneration Report in accordance with the regulations governing the disclosure and approval of Directors' remuneration. This Remuneration Report comprises two parts:

(i) A Remuneration Policy, which was subject to a binding shareholder vote at the last AGM and thereafter every three years. Should the Board wish to vary the Remuneration Policy during this interval, then shareholder approval will be sought; and

(ii) An annual Implementation Report which provides information on how the Remuneration Policy has been applied during the year and will be subject to an advisory vote.

The law requires the Company's auditor to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 32 and 33.

The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for change during the foreseeable future.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. No shareholder views were sought in setting the remuneration policy although any comments received from shareholders would be considered on an ongoing basis. As the Company has no employees and the Board is comprised wholly of non-executive Directors and given the size and nature of the Company, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole.

Directors' Fees

The Directors' fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum. The level of cap may be increased by shareholder resolution from time to time. The Board's policy is that the remuneration of non-executive Directors should be sufficient to attract Directors of the quality required to run the Company successfully. The remuneration should also reflect the nature of their duties, responsibilities, the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and, have a similar investment objective.

Fees are annually reviewed against RPI and, if considered appropriate, increased accordingly.

	1 July 2014 £	1 July 2013 £
Chairman	25,085	24,250
Chairman of Audit Committee	21,971	21,415
Director	18,816	18,340

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment.
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The above Remuneration Policy, effective for three years, was approved at the AGM on 6 February 2014.

Implementation Report

Directors' Fees Increase

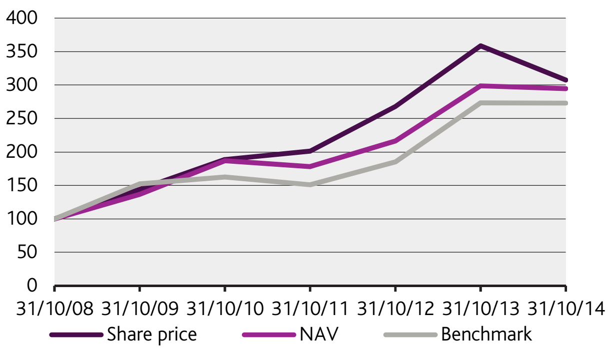
The Board carried out a review of the level of Directors' fees during the year and concluded that the amounts should be increased in line with RPI (3.3%) to £25,085, £21,971 and £18,816 for the Chairman, Audit Committee Chairman and

Directors' Remuneration Report continued

remaining Directors respectively, effective from 1 July 2014. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

Company Performance

Also during the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total return from the FTSE SmallCap Index (excluding Investment Companies) for the six year period to 31 October 2014 (rebased to 100 at 31 October 2008). This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.



Statement of Voting at General Meeting

At the Company's last AGM, held on 6 February 2014, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 October 2014. 98.70% of proxy votes were in favour of the resolution, 0.8% were against, and 0.5% abstained. 98.4% of proxy votes were in favour of the Directors' Remuneration Policy, 1.0% were against, and 0.6% abstained.

Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown opposite.

Audited Information

Fees Payable

The Directors who served in the year received the following fees which exclude employers' NI and any VAT payable:

Director	2014 £	2013 £	Taxable Benefits 2014	Taxable Benefits 2013
The Earl of Dalhousie	24,662	23,944	-	-
T J K Barnes	18,499	17,967	-	-
R M Entwistle*	4,912	17,967	-	-
A Henderson**	13,641	n/a	-	n/a
N M Yarrow	21,600	20,959	-	-
Total	**83,314**	**80,837**	-	-

*Retired on 6 February 2014

**Appointed on 6 February 2014

Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties from the fees referred to in the table above.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company.

The Directors (including their connected persons) at 31 October 2014 and 1 November 2013 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

	31 Oct 2014 Ord 5p	31 Oct 2013 Ord 5p
The Earl of Dalhousie	20,000	20,000
T J K Barnes	17,825	17,825
A Henderson	-	n/a
N M Yarrow	35,000	35,000

Annual Statement

In accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Board confirms that the above Directors' Remuneration Report summarises, as applicable, for the year ended 31 October 2014:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

The Directors' Remuneration Report was approved by the Board of Directors on 12 December 2014 and signed on its behalf by:

The Earl of Dalhousie
Chairman
12 December 2014

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 the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that 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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- that in the opinion of the Directors, the Annual Report taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For and on behalf of the Board of Dunedin Smaller Companies Investment Trust PLC

Norman Yarrow
Chairman of the Audit Committee
12 December 2014

Independent Auditor's Report to the Members of Dunedin Smaller Companies Investment Trust PLC

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of Dunedin Smaller Companies Investment Trust PLC for the year ended 31 October 2014 set out on pages 34 to 49. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2014 and of its return for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation and existence of investments (£107.7m)
Refer to page 26 (Audit Committee Report), page 38 (accounting policy) and pages 34 to 49 (financial disclosures).

The risk - The Company's portfolio of quoted investments makes up 98.4% of the Company's total assets (by value) and is considered to be the key driver of operations and performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our response - Our procedures over the completeness, valuation and existence of the Company's quoted investment portfolio included, but were not limited to:

- documenting and assessing the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and
- agreeing 100% of investment holdings in the portfolio to independently received third party confirmations.

Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £1.10m. This has been calculated using a benchmark of Total Assets (of which it represents 1%). which is primarily composed of the Company's investment portfolio, is considered the key driver of the Company's capital and revenue performance and, as such, we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.
We report to the Audit Committee any uncorrected identified misstatements exceeding £55,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the office of the administrator.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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.

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the "Significant Issues" section of the Statement of Corporate Governance on page 26 does not appropriately address matters communicated by us to the audit committee.

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 21, in relation to going concern; and
- the part of the Corporate Governance Statement on page 23 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Edinburgh
12 December 2014

Income Statement

	Notes	Year ended 31 October 2014 Revenue return £'000	Capital return £'000	Total return £'000	Year ended 31 October 2013 Revenue return £'000	Capital return £'000	Total return £'000
(Losses)/gains on investments	9	–	(3,553)	(3,553)	–	27,846	27,846
Income	2	3,121	–	3,121	3,092	–	3,092
Investment management fee	3	(112)	(337)	(449)	(101)	(302)	(403)
Administrative expenses	4	(430)	–	(430)	(367)	–	(367)
Net return before finance costs and taxation		2,579	(3,890)	(1,311)	2,624	27,544	30,168
Finance costs	5	(24)	(72)	(96)	(25)	(73)	(98)
Return on ordinary activities before taxation		2,555	(3,962)	(1,407)	2,599	27,471	30,070
Taxation	6	–	–	–	–	–	–
Return on ordinary activities after taxation		**2,555**	**(3,962)**	**(1,407)**	**2,599**	**27,471**	**30,070**
Return per Ordinary share (pence)	8	**5.34**	**(8.28)**	**(2.94)**	**5.43**	**57.40**	**62.83**

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 and 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.

Balance Sheet

	Notes	As at 31 October 2014 £'000	As at 31 October 2013 £'000
Non-current assets			
Investments at fair value through profit or loss	9	107,695	111,846
Current assets			
Debtors and prepayments	10	461	286
Cash and short term deposits	15	1,342	1,387
		1,803	1,673
Creditors: amounts falling due within one year			
Bank loan	11,15	(5,000)	(5,000)
Other creditors	11	(240)	(366)
		(5,240)	(5,366)
Net current liabilities		(3,437)	(3,693)
Net assets		**104,258**	**108,153**
Capital and reserves			
Called-up share capital	12	2,393	2,393
Share premium account		30	30
Capital redemption reserve		2,233	2,233
Capital reserve	13	95,188	99,150
Revenue reserve		4,414	4,347
Equity shareholders' funds		**104,258**	**108,153**
Net asset value per Ordinary share (pence)	16	**217.85**	**225.99**

The financial statements were approved by the Board of Directors and authorised for issue on 12 December 2014 and were signed on its behalf by:

The Earl of Dalhousie

Director

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

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 October 2014

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve[A] £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2013		2,393	30	2,233	99,150	4,347	108,153
Return on ordinary activities after taxation		–	–	–	(3,962)	2,555	(1,407)
Dividends paid	7	–	–	–	–	(2,488)	(2,488)
Balance at 31 October 2014		**2,393**	**30**	**2,233**	**95,188**	**4,414**	**104,258**

For the year ended 31 October 2013

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve[A] £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2012		2,393	30	2,233	71,679	4,164	80,499
Return on ordinary activities after taxation		–	–	–	27,471	2,599	30,070
Dividends paid	7	–	–	–	–	(2,416)	(2,416)
Balance at 31 October 2013		**2,393**	**30**	**2,233**	**99,150**	**4,347**	**108,153**

[A] See note 13 for further details on the capital reserve.

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

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

Cash Flow Statement

	Notes	Year ended 31 October 2014 £'000	Year ended 31 October 2014 £'000	Year ended 31 October 2013 £'000	Year ended 31 October 2013 £'000
Net cash inflow from operating activities	14		2,304		2,315
Servicing of finance					
Interest paid			(96)		(100)
Financial investment					
Purchases of investments		(15,718)		(15,269)	
Sales of investments		15,953		13,415	
Net cash inflow/(outflow) from financial investment			235		(1,854)
Equity dividends paid	7		(2,488)		(2,416)
Decrease in cash	15		**(45)**		**(2,055)**
Reconciliation of net cash flow to movements in net debt					
Decrease in cash as above			(45)		(2,055)
Opening net funds			(3,613)		(1,558)
Closing net debt	15		**(3,658)**		**(3,613)**

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

Notes to the Financial Statements For the year ended 31 October 2014

1. Accounting policies

(a) Basis of preparation and going concern

The financial statements have been prepared in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice: 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

The financial statements have been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

The Company's assets consist substantially of equity shares in companies listed on the London Stock Exchange and in most circumstances are realisable within a short timescale. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. Borrowings of £10 million are committed to the Company until 24 November 2017. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and, for the above reasons, they continue to adopt the going concern basis in preparing the financial statements.

(b) Revenue, expenses and interest payable

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 according to the circumstances. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on short term deposits, expenses and interest payable are accounted for on an accruals basis.

Expenses are charged to capital 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 between revenue and capital 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 notes 3 and 5). Performance fees are allocated wholly to capital.

(c) Investments

Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised at trade date where a purchase or sale is under 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 recognised at fair value through profit or loss. 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 All-Share and the most liquid AIM constituents. Gains or 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.

(d) Dividends payable

Interim and final dividends are recognised in the period in which they are paid.

(e) Capital reserve

Gains and losses on the sale of investments and changes in fair values of investments held are transferred to the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve. Performance fees are allocated wholly to capital.

(f) Taxation

Deferred taxation is provided on 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 the 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 future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

2. Income	2014 £'000	2013 £'000
Income from investments		
UK dividend income	2,672	2,859
Overseas dividend income	184	143
UK stock dividend income	213	66
Property income distributions	35	15
	3,104	3,083
Other income		
Deposit interest	2	9
Underwriting commission	15	–
	17	9
Total income	**3,121**	**3,092**

3. Management fee	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Management fee	112	337	449	101	302	403

The management fee paid to the Manager is calculated at 0.4% per annum of the gross assets of the Company after deducting current liabilities and excluding commonly managed funds ('adjusted gross assets').

In addition, the Manager is entitled to a performance-related fee calculated quarterly in arrears at a rate of 0.1% per annum (up to a maximum of 0.5% per annum) of the adjusted gross assets for every 1% by which the Company's net asset value performance outperforms the capital performance of the FTSE SmallCap Index (ex Investment Companies) over the twelve month period.

The management agreement between the Company and the Manager is terminable by either party on 3 months' notice.

The management fee is chargeable 75% to capital and 25% to revenue. The performance-related management fee is allocated wholly to capital.

Notes to the Financial Statements continued

4.	Administrative expenses	2014 £'000	2013 £'000
	Directors' fees	83	81
	Auditor's remuneration :		
	• fees payable to the Company's auditor :		
	– for the audit of the annual accounts	16	15
	• fees payable to the Company's auditor and its associates for audit-related services:		
	– interim review	5	5
	Secretarial fee	98	96
	Promotional activities	41	40
	Share Plan costs	43	22
	Registrar's fees	14	12
	Advisory fees	37	33
	Legal fees	8	23
	Other expenses	85	40
		430	**367**

A secretarial fee of £98,000 (2013 – £96,000) was paid to the Manager.

Expenses of £41,000 (2013 – £40,000) were paid to the Manager in respect of promotional activities for the Company.

All of the expenses above, with the exception of Auditor's remuneration, include irrecoverable VAT where applicable. For Auditor's remuneration this amounted to £4,000 (2013 – £4,000).

		2014			2013		
5.	Finance costs	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	Financial liabilities not at fair value through profit or loss:						
	Bank loan interest	**24**	**72**	**96**	**25**	**73**	**98**

6. Taxation

There is no liability to corporation tax for the year (2013 – £nil).

The corporation tax rate was 23% until 31 March 2014 and 21% from 1 April 2014 giving an effective rate of 21.83%.

Factors affecting tax charge for the year	2014 £'000	2013 £'000
Return on ordinary activities before taxation	(1,407)	30,070
Tax thereon at 21.83% (2013 – 23.42%)	(307)	7,042
Effects of:		
Non taxable UK dividends	(583)	(670)
Non taxable overseas dividends	(33)	(33)
Non taxable UK stock dividends	(47)	(15)
Income taxable in different periods	(9)	(3)
Losses/(gains) on investments not taxable	776	(6,522)
Excess expenses not utilised	203	202
Expenses not deductible for tax purposes	–	(1)
	–	–

At the year end, the Company had surplus cumulative management expenses and borrowing costs of £29,034,000 (2013 – £28,096,000). These have been generated due to the majority of the Company's income being derived from dividends from UK companies which are not taxable. Under the current strategy, the Company is not expected to generate taxable income in a future period in excess of deductible expenses for that period and, therefore, is unlikely to be able to use these losses to reduce future tax liabilities. As a result, these losses are not recognised as a deferred tax asset.

7. Dividends	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for 2013 – 3.10p (2012 – 3.00p)	1,484	1,436
Interim dividend for 2014 – 2.10p (2013 – 2.05p)	1,005	981
Return of unclaimed dividends	(1)	(1)
Dividends paid in the year	**2,488**	**2,416**

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.

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158–1159 Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £2,555,000 (2013 – £2,599,000).

	2014 £'000	2013 £'000
Interim dividend for 2014 – 2.10p (2013 – 2.05p)	1,005	981
Proposed final dividend for 2014 – 3.15p (2013 – 3.10p)	1,508	1,484
	2,513	**2,465**

8. Return per Ordinary share	2014 p	2013 p
Revenue return	5.34	5.43
Capital return	(8.28)	57.40
Total return	**(2.94)**	**62.83**
Weighted average number of Ordinary shares in issue	**47,857,317**	**47,857,317**

9. Investments	Listed in UK 2014 £'000	Listed in UK 2013 £'000
Fair value through profit or loss:		
Opening fair value	111,846	82,318
Opening fair value gains on investments held	(42,664)	(19,746)
Opening book cost	69,182	62,572
Purchases at cost	15,579	14,664
Sales – proceeds	(16,177)	(12,982)
Sales – gains on sales	8,485	4,928
Closing book cost	77,069	69,182
Closing fair value gains on investments held	30,626	42,664
Closing fair value	**107,695**	**111,846**

Gains on investments	2014 £'000	2013 £'000
Gains on sales of equities	8,485	4,928
Movement in fair value gains on investments held	(12,038)	22,918
	(3,553)	**27,846**

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:

	2014 £'000	2013 £'000
Purchases	63	89
Sales	14	14
	77	**103**

10. Debtors: amounts falling due within one year	2014 £'000	2013 £'000
Amounts due from stockbrokers	224	–
Net dividends and interest receivable	227	274
Other debtors and prepayments	10	12
	461	**286**

11. Creditors: amounts falling due within one year

(a) Bank loan

At the year end, the Company had a three year revolving credit agreement, expiring on 24 November 2014, with Scotiabank Europe for up to £5 million. At the year end the facility was drawn down in full at a rate of 1.96017%. The terms of the loan facility contain covenants that the minimum net assets of the Company are £37 million and the percentage of borrowings against net assets to be less than 25%.

Subsequent to the year end, the Company renewed its £5 million revolving facility agreement as well as agreeing a new three year term loan facility of £5 million with Scotiabank Europe on 26 November 2014. £5 million is currently down at a fixed interest rate of 2.171% until 24 November 2017. The terms of the loan facility contain covenants that the minimum net assets of the Company are £50 million and the percentage of borrowings against net assets to be less than 25%.

(b) Other creditors	2014 £'000	2013 £'000
Amounts due to stockbrokers	–	139
Investment management fee	108	112
Sundry creditors	132	115
	240	**366**

12. Called-up share capital	2014 £'000	2013 £'000
Allotted, called-up and fully paid:		
47,857,317 Ordinary shares of 5p each (2013 – 47,857,317 Ordinary shares of 5p each)	**2,393**	**2,393**

During the year no Ordinary shares of 5p each (2013 – nil) were bought back for cancellation.

13. Capital reserve	2014 £'000	2013 £'000
At 1 November	99,150	71,679
Gains on realisation of investments at fair value	8,485	4,928
Movement in fair value gains on investments held	(12,038)	22,918
Investment management fees	(337)	(302)
Finance costs	(72)	(73)
At 31 October	**95,188**	**99,150**

The capital reserve includes investment holding gains amounting to £30,626,000 (2013 – £42,664,000), as disclosed in note 9.

14. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities	2014 £'000	2013 £'000
Net return on ordinary activities before finance costs and taxation	(1,311)	30,168
Adjustment for:		
Losses/(gains) on investments	3,553	(27,846)
Decrease/(increase) in accrued income	47	(22)
Decrease in other debtors	2	3
Increase in other creditors	13	12
Net cash inflow from operating activities	**2,304**	**2,315**

15. **Analysis of changes in net debt**	**At 1 November 2013 £'000**	**Cash flow £'000**	**At 31 October 2014 £'000**
Cash and short term deposits	1,387	(45)	1,342
Bank loan	(5,000)	–	(5,000)
Net debt	**(3,613)**	**(45)**	**(3,658)**

16. **Net asset value per share**	**2014**	**2013**
Equity shareholders' funds	£104,258,000	£108,153,000
Number of Ordinary shares in issue at year end	47,857,317	47,857,317
Equity shareholders' funds per share	217.85p	225.99p

The movements during the year of the assets attributable to the Ordinary shares were as follows:

	2014 £'000	**2013 £'000**
Opening net assets	108,153	80,499
Capital return for the year	(3,962)	27,471
Revenue on ordinary activities after taxation	2,555	2,599
Dividends paid in the year	(2,488)	(2,416)
Closing net assets	**104,258**	**108,153**

17. Financial instruments

Risk Management

The Company's objective is to attract long term private and institutional investors wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust.

The impact of security price volatility is reduced by diversification. Diversification is achieved by investment in the stocks and shares of companies in a range of industrial, commercial and financial sectors. The management of the portfolio is conducted according to investment guidelines, established by the Board after discussion with the Manager, which specify the limits within which the Manager is authorised to act.

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.

The Manager has a dedicated investment management process, which ensures that the investment policy explained on page 3 is followed. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a Senior Investment Manager and also by the Manager's Investment Committee.

The Company's Manager has an independent Investment Risk department which reviews the investment risk parameters of the Company's portfolio on a regular basis. The department reports to the Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

Additionally, the Manager's Compliance department continually monitors the Company's investment and borrowing powers and reports to the Manager's Risk Management Committee.

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 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;
- 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.

The Company's borrowings comprise a 3 year £5 million revolving credit agreement facility. Details of borrowings as at 31 October 2014 are shown in note 11.

Interest risk profile

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

At 31 October 2014	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Assets				
Cash deposits	–	0.15	1,342	–
Total assets	–	–	**1,342**	–
Liabilities				
Bank loans	0.07	1.96	–	(5,000)
Total liabilities	–	–	–	**(5,000)**

At 31 October 2013	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Assets				
Cash deposits	–	0.29	1,387	–
Total assets	**–**	**–**	**1,387**	**–**
Liabilities				
Bank loans	0.08	1.94	–	(5,000)
Total liabilities	**–**	**–**	**–**	**(5,000)**

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans. The maturity dates of the Company's loans are shown in note 11 to the financial statements.

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

The Company's equity portfolio and short-term debtors and creditors (excluding bank loans) have been excluded from the above tables.

All financial liabilities are measured at amortised cost.

Maturity profile

The maturity profile of the Company's financial assets and liabilities at the Balance Sheet date was as follows:

At 31 October 2014	Within 1 year £'000	More than 1 year £'000
Fixed rate		
Short term bank loan	(5,000)	–
Floating rate		
Cash	1,342	–
Total	**(3,658)**	**–**

At 31 October 2013	Within 1 year £'000	More than 1 year £'000
Fixed rate		
Short term bank loan	(5,000)	–
Floating rate		
Cash	1,387	–
Total	**(3,613)**	**–**

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 or lower and all other variables were held constant, the Company's:

- profit for the year ended 31 October 2014 would increase/decrease by £37,000 (2013 – increase/decrease by £36,000). This is mainly attributable to the Company's exposure to interest rates on its short term bank loan and floating rate cash balances.
- the Company does not hold any financial instruments that will have an impact on equity reserves.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives.

Other price risk

Other price risks (i.e. 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 50, 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 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 31 October 2014 would have increased/decreased by £10,770,000 (2013 – £11,185,000). This is based on the Company's equity portfolio at each year end.

In the opinion of the Directors, the above sensitivity analysis is representative of the year as a whole, since the level of exposure has remained fairly constant as part of the other price risk management process used to meet the Company's objectives.

(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 cash, short term deposits, placements and listed securities, which can be sold or realised to meet funding commitments if necessary.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions, and reviews these on a regular basis. Borrowings comprise a revolving credit agreement facility. At the year end the Company had borrowings of £5 million and this amount is reviewed on an ongoing basis. Details of borrowings at 31 October 2014 are shown in note 11.

Short-term flexibility is achieved through the use of loan and overdraft facilities, details of which can be found in note 11. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing is shown in the interest rate risk section of this note.

(iii) Credit risk

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

The risk is managed as follows:

- where the 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 rating is reviewed periodically by the Manager so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers 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 daily basis. In addition, both stock and cash reconciliations to the custodians' records are performed on a daily basis to ensure discrepancies are identified and investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Manager's Risk Management Committee. This review will also include checks on the maintenance and security of investments held;
- 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 31 October 2014 was as follows:

	2014		2013	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	107,695	107,695	111,846	111,846
Current assets				
Trades and other receivables	234	234	12	12
Accrued income	227	227	274	274
Cash and cash equivalents	1,342	1,342	1,387	1,387
	109,498	**109,498**	**113,519**	**113,519**

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

Fair values of financial assets and financial liabilities

The book value of cash at bank and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at fair value. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

18. Fair value hierarchy

FRS 29 'Financial Instruments: Disclosures', requires 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 liabilities, either directly (ie as prices) or indirectly (ie derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

All of the Company's investments are in quoted equities (2013 – same) 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 as at the year end of £107,695,000 (2013 – £111,846,000) have therefore been deemed as Level 1.

Financial liabilities in the form of short-term borrowings are held at amortised cost. The fair value is considered to approximate the carrying value and is categorised as Level 2.

There have been no transfers of assets or liabilities between levels of the fair value hierarchy during 2014 and 2013.

19. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The capital of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company is not subject to any externally imposed capital requirements.

Information about the Manager

The Company's Manager is Aberdeen Asset Managers Limited ("AAM"), a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 31 October 2014 managed a combined £325.9 billion of funds for UK institutions, investment trusts, closed end funds, unit trusts, private clients and offshore funds. It has its headquarters in Aberdeen with principal investment offices in Edinburgh, Hong Kong, London, Philadelphia, Singapore and Sydney.

The Group manages over 57 investment trusts and other closed-end funds representing £13.4 billion under management.

The Senior Investment Manager

Ed Beal

Ed is an investment manager on the Pan European equities team. Ed manages the Company. Ed joined Edinburgh Fund Managers plc (which was subsequently taken over by Aberdeen Asset Management PLC) in 2000 from the University of Dundee's Student Association where he was president leading development and strategy.

Ed graduated with a BSc (Hons) in Biochemistry from the University of Dundee and is a CFA Charterholder.

The Investment Process

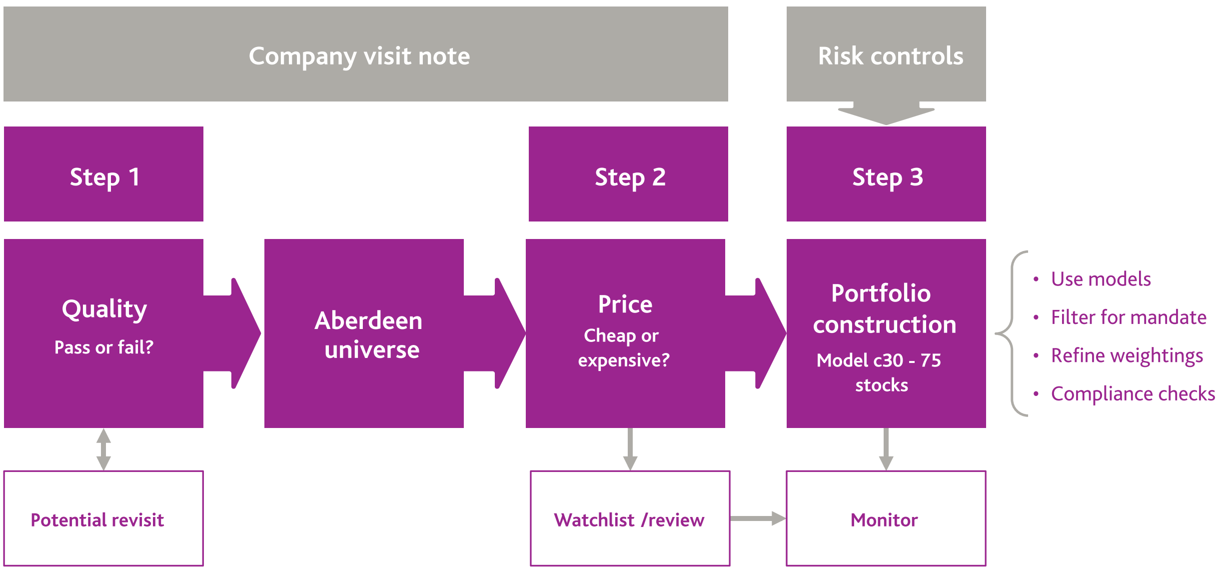
Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We (AAM) believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

Risk Controls

We seek to minimise risk by our in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

AAM's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool



Promotional Strategy

Dunedin Smaller Companies Investment Trust PLC contributes to the promotional activities programme run by the Aberdeen Group on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by Aberdeen Asset Managers Limited ("AAM"). This contribution is reviewed annually.

The purpose of the programme is to communicate effectively with existing shareholders and gain more new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor Relations Programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by the Aberdeen Group, is distributed free of charge.

Public Relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The promotional programme is under the direction of AAM's Group Head of Brand, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The AAM Investment Trusts web site contains details of closed end funds and investment companies managed or advised by the Aberdeen Group.

Dunedin Smaller Companies Investment Trust PLC also has its own dedicated website: www.dunedinsmaller.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.
It is intended that ongoing programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the programme and AAM's Group Head of Brand reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40. Alternatively, internet users may email AAM at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

How to Invest in Dunedin Smaller Companies Investment Trust PLC

Direct

Investors can buy and sell shares in Dunedin Smaller Companies Investment Trust PLC directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients shares can be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan and Investment Trust ISA.

Suitable for Retail/NMPI Status

The Company's shares are intended for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who are wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that the shares issued by Dunedin Smaller Companies Investment Trust PLC can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products (NMPIs) and intends to continue to do so for the foreseeable future.

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Dunedin Smaller Companies Investment Trust PLC. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Dunedin Smaller Companies Investment Trust PLC can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

Aberdeen Investment Trust ISA

AAM offers a stocks and shares ISA which allows you to invest up to £15,000 in the tax year 2014/2015.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in AAM's Investment Trust Share Plan, Investment Plan for Children and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in Dunedin Smaller Companies Investment Trust PLC while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

Company Information

If investors would like details of Dunedin Smaller Companies Investment Trust PLC or information on the Investment Plan for Children, Share Plan, ISA or ISA transfers please telephone 0500 00 00 40, e-mail to inv.trusts@aberdeen-asset.com or write to:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB

Details are also available on www.invtrusts.co.uk

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times.

For internet users, detailed data on Dunedin Smaller Companies Investment Trust PLC including share price, performance information and a monthly fact sheet is available from the Company's website (www.dunedinsmaller.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively please call 0500 00 00 40 for trust information.

For further information concerning any direct shareholding, please contact the Company's registrars:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder helpline numbers:
Tel. 0871 384 2445
Fax 0871 384 2100
Shareview enquiry line: 0871 384 2233
Textel/hard of hearing line: 0871 384 2255

(Calls to the above Equiniti numbers will be charged at 8 pence per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday excluding bank holidays).

Overseas helpline number: +44 121 415 7047

Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:

Telephone: 0500 00 40 00
Email: aam@lit-request.com

For information on the Investment Plan for Children, Share Plan, ISA or ISA transfer please contact:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB

Terms and Conditions for AAM managed savings products can also be found under the Literature section of our website at www.invtrusts.co.uk

For information on the Pension Plan, please contact

Capita SIP Services
141 Castle Street
Salisbury
Wiltshire SP1 3TB
Telephone: 0800 13 70 79

Investor Warning

Aberdeen is aware that some investors have received telephone calls from people purporting to work for Aberdeen, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided.

The above information on pages 52 and 53 have been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Glossary of Terms and Definitions

Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Net Gearing	Net gearing is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.
Net Asset Value ("NAV")	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Ongoing Charges	Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the industry standard method.
Premium	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
Price/Earnings Ratio	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, long and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Total Assets	Total Assets less current liabilities (before deducting prior charges as defined above).
Total Return	Total Return assumes reinvestment of the net dividend when the Company's shares go ex-dividend. The NAV Total Return assumes investing the net dividend on the date to which that dividend was earned, ie half-yearly.
RDR	RDR is the FCA 'Retail Distribution Review'. This re-positioned the UK retail market with effect from 31 December 2012 to (i) introduce Adviser Charging of investors in place of initial/trail commission in respect of product purchases paid by product providers to intermediaries and (ii) introduce more stringent professional qualifications for retail intermediaries.

Notice of Annual General Meeting

Notice is hereby given that the eighty-seventh Annual General Meeting of Dunedin Smaller Companies Investment Trust PLC will be held at Discovery Point, Dundee, DD1 4XA on Thursday 5 February 2015 at 12.00 noon for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 11 inclusive will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions:

1. To receive the Reports of the Directors and auditor and the financial statements for the year ended 31 October 2014.
2. To receive and adopt the Directors' Remuneration Report (excluding Directors' Remuneration Policy)
3. To approve a final dividend of 3.15p on the Ordinary shares.
4. To re-elect Mr James Barnes as a Director of the Company.
5. To re-elect Mr Norman Yarrow as a Director of the Company.
6. To elect Ms Alexa Henderson as a Director of the Company.
7. To elect Mr Christopher Thomson as a Director of the Company.
8. To re-appoint KPMG LLP as auditor of the Company.
9. To authorise the Directors to determine the remuneration of the auditor for the year to 31 October 2015.
10. That, with effect from the time of the passing of this resolution the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot in accordance with Section 551 of the Companies Act 2006 shares in the Company and to grant rights ("relevant rights") to subscribe for, or to convert any security into shares in the Company up to an aggregate nominal amount of £789,645 representing approximately 33% of the issued share capital as at the date of the passing of this resolution, such authorisation to expire at the conclusion of the Annual General Meeting of the Company in 2016, unless previously renewed, revoked or varied by the Company in general meeting, but so that this authority shall allow the Company and its Directors to make offers or agreements before such expiry which would or might require such securities to be allotted or relevant rights to be granted after such expiry and the Directors may allot shares or grant relevant rights in pursuance of any such offers or agreements as if such expiry had not occurred.
11. That, subject to and conditional upon the passing of resolution 12 set out below, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with LR 15.4.11 of the Listing Rules of the UK Listing Authority to sell or transfer out of treasury Ordinary shares of 5p each in the capital of the Company (the "share(s)") for cash at a price which represents a discount to the net asset value attributable to the Ordinary shares at the date of such issue, provided always that:
    - (i) 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;
    - (ii) where any shares are sold or transferred out of treasury pursuant to this authority 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 relevant shares;
    - (iii) the aggregate net asset value dilution associated with all sales of treasury shares in any one financial year does not exceed 0.5% of net assets;
    - (iv) this power shall be limited to the sale of shares having an aggregate nominal value of £119,643, being approximately 5% of the nominal value of the issued share capital of the Company, as at the date of the passing of this resolution 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 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 12 set out below; and
    - (v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2016, (unless such authority is renewed, varied or revoked by the Company in general meeting prior to such time) save that the Company may, prior to such expiry, make an offer or agreement which would or might otherwise require treasury shares to be sold or transferred after such expiry and the Directors may sell or transfer treasury shares pursuant to such offer or agreement as if the authority conferred hereby had not expired.
12. That, subject to the passing of resolution number 10 set out above, the Directors be and are hereby empowered, pursuant to Sections 570 and 573 of the Companies Act 2006 ("the Act"), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by resolution number 10 above or by way of a sale of treasury shares, in each case as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

(i) (otherwise than pursuant to sub-paragraph (ii) below) which are, or are to be wholly paid up in cash, at the price of not less than the net asset value per share at allotment, as determined by the Directors, up to an aggregate nominal value of £119,643; and
(ii) in connection with an offer by way of rights issue in favour of all holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective number of Ordinary shares held by them on the record date of such allotment or to holders of other equity securities as required by the rights of these securities (but subject in either case to such exclusions, limitations, restrictions or other arrangements as the Directors consider necessary, expedient, or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever) at a price of not less than the net asset value per share at allotment, as determined by the Directors;

and shall expire at the conclusion of the Annual General Meeting of the Company in 2016, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

13. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), the Company be and it is hereby generally and unconditionally authorised, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 5p each in the capital of the Company ("Ordinary shares") provided that:
    (i) the maximum aggregate number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
    (ii) the minimum price which may be paid for an Ordinary share shall be 5p (exclusive of expenses);
    (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be the higher of:
        a) 5% above the average of the market values of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary shares for the five business days immediately preceding the date of purchase; and
        b) the higher of the price of the last independent trade in Ordinary shares and the highest current independent bid for Ordinary shares on the London Stock Exchange; and
    (iv) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2016 save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase Ordinary 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 Ordinary shares pursuant to any such contract or contracts.

Registered office:
40 Princes Street
Edinburgh
EH2 2BY

By order of the Board
Aberdeen Asset Management PLC
Secretary
29 December 2014

Notes:

(i) A member entitled to attend and vote at the meeting may appoint a proxy or proxies to exercise all or any of his/her rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise the rights attached to any one share.

(ii) A form of proxy is enclosed. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrars, Freepost RTHJ-CLLL-KBKU, Equiniti, Aspect House, Spencer Road, Lancing, BN99 8LU so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting.

(iii) The return of a completed proxy form or other such instrument of proxy will not prevent a member attending the Annual General Meeting and voting in person if he/she wishes to do so.

(iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com. 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.

(v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. 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 Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vii) 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.

(viii) The right to vote at a meeting is determined by reference to the Company's register of members as at 6.00 p.m. on 3 February 2015 or if this meeting is adjourned, 6.00 p.m. on the day two days prior to the date of the adjourned meeting (excluding non-working days). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.

(ix) As at 12 December 2014 (being the latest business day prior to the publication of this notice) the Company's issued share capital comprised 47,857,317 Ordinary shares of 5p each. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 12 December 2014 was 47,857,317.

(x) 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 (i) to (iii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.

(xi) Members who have general queries about the Annual General Meeting should contact the Company Secretary in writing. Members are advised that 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) 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.

(xii) 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 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 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 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. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

(xiii) No Director has a service contract with the Company. Copies of the Directors' letters of appointment 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 Company's registered office and for 15 minutes prior to, and at, the meeting.

(xiv) Information regarding the Annual General Meeting is available from the Company's website, www.dunedinsmaller.co.uk

(xv) As a member, shareholders have the right to put questions at the meeting relating to business being dealt with at the meeting.

(xvi) Under section 338 of the Companies Act 2006, members may require the Company to give, to members of the Company entitled to receive this notice of meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting. Under section 338A of that Act, members may request the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business.

Corporate Information

Directors

The Earl of Dalhousie, Chairman
T J K Barnes
A Henderson
N M Yarrow
C M D Thomson (appointment effective 1 January 2015)

Registered Office

Aberdeen Asset Managers Limited
40 Princes Street
Edinburgh
EH2 2BY
Telephone: 0131 528 4000

Alternative Investment Fund Manager*

Aberdeen Fund Managers Limited
Authorised and regulated by the Financial Conduct Authority
(* appointed as required by EU Directive 2011/61/EU).

Manager

Aberdeen Asset Managers Limited
Authorised and regulated by the Financial Conduct Authority

Company Secretary

Aberdeen Asset Management PLC,
40 Princes Street,
Edinburgh
EH2 2BY
Email: company.secretary@invtrusts.co.uk

Company Registration Number: SC014692

Customer Services

Freephone: 0500 00 00 40
Overseas number: +44 1268 448 222
(open Monday - Friday 9 a.m. – 5 p.m.)

Email: inv.trusts@aberdeen-asset.com

Stockbrokers

Cantor Fitzgerald
One Churchill Place
Level 20
Canary Wharf
E14 5RB

Registrar

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0871 384 2445

(Calls to the above Equiniti number will be charged at 8p per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday excluding bank holidays).

Overseas helpline number: +44 121 415 7047

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Depositary

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

Websites

www.dunedinsmaller.co.uk
www.aberdeen-asset.com

AIC

The Company is a member of the Association of Investment Companies.

Foreign Account Tax Compliance Act ("FATCA")

IRS Registration Number (GIIN): PBR0Z7.99999.SL.826

Your Company's History

The Company was incorporated on 19 July 1927

Issued Share Capital at 31 October 2014

47,857,317	Ordinary 5p shares

Capital History

7 May 1997	£15,000,000 raised via a 25 year 8.375% Debenture issue
6 July 2000	100,000 Ordinary shares purchased for cancellation
15 March 2002	150,000 Ordinary shares purchased for cancellation
3 August 2004	276,281 Ordinary shares purchased for cancellation
29 November 2006	Pursuant to a Tender Offer for up to 30% of the Ordinary shares in issue, 4,882,087 Ordinary shares were purchased by tender and cancelled at 740.49p per share
30 November 2006	Sub-division of Ordinary shares of 25p each into five Ordinary shares of 5p each
30 November 2006	Bonus Issue of 8,543,496 Subscription shares
1 December 2006	£15,000,000 8.375% Debenture Stock 2022 repaid at a price of £143.09 per £100 nominal of Debenture Stock
28 February 2007	11,717 Subscription shares converted into 5p Ordinary shares
Year ended 31 October 2007	7,642,556 Ordinary shares purchased for cancellation
28 February 2008	2,752 Subscription shares converted into 5p Ordinary shares
Year ended 31 October 2008	1,407,500 Ordinary shares purchased for cancellation
Year ended 31 October 2009	70,000 Ordinary shares purchased for cancellation
28 February 2010	1,779 Subscription shares converted into 5p Ordinary shares
28 February 2011	1,091 Subscription shares converted into 5p Ordinary shares
28 February 2012	1,874 Subscription shares converted into 5p Ordinary shares
14 March 2012	Each outstanding Subscription Share was converted automatically into one deferred share which were immediately redeemed and treated as cancelled