Aberdeen Smaller Companies High Income Trust PLC

Half Yearly Report
30 June 2012

2012

Aberdeen

Contents

Objective

The objective of the Company is to provide a high and growing dividend and capital growth from a portfolio invested principally in the ordinary shares of smaller UK companies and UK fixed income securities.

Highlights and Financial Calendar

	30 June 2012	31 December 2011	% change
Equity shareholders' funds (£'000)	**32,025**	29,525	+8.5
Net asset value per share	**144.85p**	133.54p	+8.5
Share price (mid-market)	**118.00p**	105.75p	+11.6
Discount to net asset value[A]	**17.7%**	19.9%	
Dividend yield	**5.1%**	5.7%	

[A] Based on IFRS net asset value excluding dividend adjustment of 1.50p (31 December 2011 – 1.50p).

Performance (total return)

	Six months ended 30 June 2012	1 year ended 30 June 2012	3 years ended 30 June 2012	5 years ended 30 June 2012
Share price	**+ 14.6%**	– 7.3%	+ 85.1%	– 37.6%
Net asset value per share	**+ 10.8%**	– 7.1%	+ 99.0%	– 29.4%
FTSE SmallCap Index (ex IC's)	**+ 13.4%**	– 6.4%	+ 40.3%	– 26.3%
FTSE All-Share Index	**+ 3.3%**	– 3.1%	+ 47.4%	+ 1.9%
iBoxx Sterling Non-Gilts 1-15 Years Index[A]	**+ 4.9%**	+ 6.3%	+ 29.3%	+ 31.3%

[A] Source: Aberdeen Asset Management, iBoxx, Morningstar & Factset.
All figures are for total return and assume re-investment of net dividends excluding transaction costs.

Financial Calendar

31 August 2012	Announcement of unaudited Half-Yearly Financial Report for the six months ended 30 June 2012
September 2012	Half-Yearly Report published and posted to shareholders
October 2012	Third interim dividend 2012 payable to shareholders
31 December 2012	Company's financial year end
January 2013	Fourth interim dividend 2012 payable to shareholders
February 2013	Announcement of annual financial results for the year ended 31 December 2012
March 2013	Annual Report and Accounts published and posted to shareholders
17 April 2013 (12 noon)	Annual General Meeting
April 2013	First interim dividend 2013 payable to shareholders
June 2013	Second interim dividend 2013 payable to shareholders

Interim Board Report

Investment Returns

After the tough market conditions that we saw in 2011 I am pleased to be writing to shareholders against the backdrop of a better equity market performance. In the first half of 2012 there was a sharp rebound in equity markets as investors increased their appetite for risk. For the six-month period to the end of June, the FTSE Smaller Companies (ex Investment Trust) Index delivered a total return of 13.4%. The total return on net asset value of the Trust increased 10.8% and as the discount tightened the share price rose 14.6%.

Background

As you will be aware the Aberdeen investment process is based around investing in quality companies which they believe will perform through the economic cycle. The characteristics of these companies mean that their share prices tend to underperform the wider market through periods of very strong market performance so there was a small stock selection underperformance over this reporting period. The characteristics that Aberdeen seeks are quality companies with strong balance sheets and cash flow, thus enabling companies to pay regular and growing dividends. This gives your Board comfort in the sustainability of the superior dividend yield that we pay to our shareholders.

The shares of smaller companies outperformed larger companies over this reporting period as investors were encouraged by the announcement from the European Central Bank of a second tranche of liquidity through the LTRO (Long Term Refinancing Operation). Whilst this provided a period of respite for markets it failed to deal with the deeper issues that continue to plague the Eurozone. Worries over the strength of economic growth in the Eurozone, coupled with recent statistics that suggest emerging market economic growth is slowing has resulted in us beginning to see these worries feed through to an increased number of company profit downgrades.

The unique structure of the Trust which holds both bonds and equities is currently providing interesting debate at our quarterly Board meeting. Unusually UK government bond yields have fallen at the same time as equity markets have risen, demonstrating investor uncertainty as to the future outlook for the economy. The turmoil in Europe has driven investors to buy any asset viewed as a safe haven, resulting in UK government bond yields falling to record lows. As government bond yields have fallen this has also reduced the yields available on the corporate bonds the trust buys making it difficult to find quality opportunities to improve the bond yield of the Trust. Our Manager is increasingly looking for income opportunities in the equity market where many shares offer dividend yields above those available in certain corporate bonds. There are still attractive opportunities in the equity market but with the economic outlook uncertain and an increasing number of profit warnings the Manager has been very selective in adding to positions.

Performance Breakdown

The Trust delivered positive returns across all asset classes: Equities 11.2%, Fixed Interest 3.6% and Preference shares 4.7%. Within the equity portfolio the Industrial Engineering and Aerospace & Defence sectors detracted from performance. In particular the weakness was in three names, Weir Group, Fenner and Chemring. The positive sector contributors were Electronic & Electrical Equipment and Media. Weir Group has been one of the Trust's top performers over most time periods allowing the Manager to take profits prior to recent weakness. The recent weakness is due to a slowdown in U.S. shale gas production. However performance in other regions and the strength of the aftermarket remains robust. On a more positive note XP Power and Oxford Instruments had a strong start to the year. Oxford Instruments has benefited from management setting and delivering against an ambitious set of growth and margin targets. Chemical company Elementis was the other top performer driven by strong growth in key markets, which more than offset the anticipated slowdown in Europe. The trend of robust margins, in combination with a strong order book, has given management comfort in the full-year expectations. In the Media sector the positive contribution came mainly from Euromoney and Huntsworth.

Bond markets have remained volatile with events in the Eurozone playing a central role and the direction of the credit market likely to remain uncertain. With the agreement on direct support for Spain's banks, Europe's politicians have moved in the right direction, although as always with this crisis the time between words and delivery is fraught with danger. The iBoxx Sterling Non-Gilts 1-15 Year Index returned 6.3% in the year to 30 June 2012 with the funds returning 1.5%. Lower risk credit held up better during the volatile markets, namely utilities Wales & West, Anglian Water and transport group Stagecoach. Telefonica was the main detractor, as the Spanish economy deteriorated on the back of a downgrade of Spain's credit rating by Moody's. Whilst Telefonica is seen as Spanish risk the majority of its revenue and profitability are derived outside of Spain.

Activity

With the polarised view in the bond and equity markets touched upon earlier the Manager has been very cautious with current trading. Your Board has been keen to improve the underlying yield of the equity portfolio whilst maintaining its quality and the Manager has continued to pursue this in recent trading. The quality of the underlying portfolio mix has also been improving with a reduction in the preference share portfolio – the Trust's highest yielders but with no dividend growth potential – whilst in tandem upgrading and diversifying the quality of the corporate bond portfolio. Previously the bond portfolio held a number of higher yielding financials which have been replaced with blue chip telecommunication, utilities, and transportation holdings. This decision has benefited the performance overall and made the bond portfolios more secure, and the Manager has offset the subsequent decline in bond yield through improving the yield from the equity portfolio. With the recent sale of the BUPA Finance 6.125% 2049 bond post a strong rebound, this transition in the bond portfolio is nearing a conclusion but there is still scope to increase the yield in the equity portfolio.

In the equity portfolio the Manager added to a number of the higher yielding names on weakness including Wilmington, Chesnara, Berendsen, Interserve and Rathbones. These companies all offer a yield premium to the market and were part of the strategy to improve the underlying yield. Profits were also taken in two of the top performing names, XP Power and Oxford Instruments. XP Power was trimmed to maintain the absolute weight in the portfolio while Oxford Instruments was reduced due to the valuation looking expensive. The portfolio benefited from the announcement that Umeco had received a recommended offer from Cytec Industries. The deal concluded after the end of the period. The Manager also completed the exit of Zotefoams and Halfords where he felt they had better opportunities elsewhere in the portfolio.

Gearing

The gearing has remained fully drawn over the period with very little change as of the year-end 2011. There is currently no equity gearing; the loan is supporting the bond exposure. The Board regularly reviews the funding rates for our debt, which is currently on an attractive floating rate of 2.66%. Fixing this would be more expensive but the Board will keep this under review and may look at fixing this at some point in the future if it looks likely that interest rates will rise shortly.

Dividend

Dividend growth from our companies has remained subdued throughout the period with company management sounding cautious on the outlook for the second half. Mid to high single digit growth has been the market trend although with corporate balance sheets looking strong, there is scope for these to increase further. Having explained the transition the portfolio has undergone the Board are aware that the dividend has remained flat for the last few years and would like to return to growing the dividend but in these uncertain economic times believe it more important to absolutely focus on the security of the companies that we invest in and await future dividend growth to coincide with growth in underlying company dividends.

In line with the statement released to the market we have declared and paid a second interim dividend of 1.5 pence per share taking the dividend to 3.0 pence for the first half of 2012, which is a 5% annualised yield. The Board regard this as a very attractive yield for our shareholders in a period where cash, government and corporate bond yields are low.

Outlook

Smaller companies look to be heading into a tougher period after a very strong first half performance. Recent GDP numbers out from the UK show the UK economy has shrunk for three consecutive quarters. The economic outlook for countries in the Eurozone periphery has continued to deteriorate and we are starting to see the effects even further afield. Emerging markets have not been immune either with growth from China and Brazil slowing, albeit from much higher levels than in the West. This has all culminated in an increased number of companies warning of lower profit levels and an increased level of caution on the outlook for the second half. Whilst this all reads negatively, companies are in good shape to respond to a period of weaker trading and have strong balance sheets that are supportive of maintaining or growing dividends.

Carolan Dobson
Chairman
31 August 2012

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into three broad categories: (i) market risk, comprising interest rate risk and other price risk, (ii) liquidity risk and (iii) credit risk. Information on each of these areas is given within the Annual Report and Accounts for the year ended 31 December 2011.

Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Board considers that the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Directors' Responsibility Statement

The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of interim financial statements contained within the Half-Yearly Financial Report has been prepared in accordance with IAS34; and
- the Interim Board Report (constituting the interim management statement) includes a fair review of the information required by rules 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks for the remaining six months of the financial year) and 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could so do).

The Half-Yearly Financial Report for the six months to 30 June 2012 comprises the Interim Board Report, the Directors' Responsibility Statement and a condensed set of financial statements.

For and on behalf of the Board of Aberdeen Smaller Companies High Income Trust PLC

Carolan Dobson
Chairman
31 August 2012

Investment Portfolio – Ordinary Shares

As at 30 June 2012

Company	Sector	Market value £'000	Total portfolio %
RPC Group Europe's leading manufacturer of rigid plastic packaging which is benefitting from lightweighting, product innovation, and a pan-european footprint giving them the ability to target the large FMCG companies.	General Industrials	1,327	3.3
XP Power Power designs and produces power control components. They sell critical high cost of failure low value equipment to healthcare, industrial and technology industries. Their investment into new facilities and R&D is driving future growth.	Electronic & Electrical Equipment	1,236	3.1
Bellway A UK house builder which has managed its balance sheet well through a tough time for UK housebuilders.	Household Goods & Home Construction	1,152	2.9
Oxford Instruments Designs and manufactures high technology tools and systems that are used in both industry and for research.	Electronic & Electrical Equipment	1,129	2.8
Dechra Pharmaceuticals Develops, manufactures and distributes veterinary pharmaceuticals with excellent opportunities to expand further into both Europe and the US.	Pharmaceuticals & Biotechnology	1,128	2.8
Morgan Sindall A construction and fit out business with strong market positions which has won a number of large projects that will provide revenue streams for many years.	Construction & Materials	1,116	2.8
Euromoney Institutional Investor Online media business aimed at servicing the financial sector through their market leading BCA business. High recurring subscription base provides a solid backdrop.	Media	1,105	2.7
Berendsen European textile services business with high barriers to entry and strong customer relationships. Business has been focussed around core growth opportunities which is gaining traction.	Support Services	1,100	2.7
The Restaurant Group Operates the Frankie & Benny's, Chiquitos, Garfunkel's and Brunning & Price chains of restaurants with sites predominately away from the competitive High Street.	Travel & Leisure	998	2.5
Fenner A specialist producer of advanced polymer solutions with two strong operating divisions – conveyor belt sales to the mining and other industries and manufacturer of a wide array of products that are all critical to the end market whilst representing a low percentage of the end product's cost.	Industrial Engineering	979	2.4
Ten largest investments		**11,270**	**28.0**

Investment Portfolio – Ordinary Shares continued

Company	Sector	Market value £'000	Total portfolio %
Rathbone Brothers	Financial Services	959	2.4
BBA Aviation	Industrial Transportation	938	2.3
Melrose	Industrial Engineering	919	2.3
Interserve	Support Services	900	2.2
Wilmington	Media	891	2.2
Chesnara	Life Insurance	863	2.1
Victrex	Chemicals	862	2.1
Helical Bar	Real Estate Investment & Services	858	2.1
Fuller Smith & Turner 'A'	Travel & Leisure	833	2.1
Weir Group	Industrial Engineering	832	2.1
Twenty largest investments		**20,125**	**49.9**
Greggs	Food & Drug Retailers	827	2.0
Elementis	Chemicals	802	2.0
McBride	Household Goods & Home Construction	708	1.7
Robert Walters	Support Services	699	1.7
Savills	Real Estate Investment & Services	693	1.7
Bloomsbury Publishing	Media	692	1.7
Menzies (John)	Support Services	630	1.6
Mothercare	General Retailers	628	1.6
Aveva Group	Software & Computer Services	622	1.5
A.G. Barr	Beverages	605	1.5
Thirty largest investments		**27,031**	**66.9**
Chemring Group	Aerospace & Defence	598	1.5
Dignity	General Retailers	595	1.5
Huntsworth	Media	592	1.5
Fisher James and Sons	Industrial Transportation	564	1.4
TT Electronics	Electronic & Electrical Equipment	556	1.4
Numis Corporation	Financial Services	536	1.3
Intermediate Capital Group	Financial Services	535	1.3
Domino Printing	Electronic & Electrical Equipment	486	1.2
Keller Group	Construction & Materials	351	0.9
Umeco	Aerospace & Defence	241	0.6
Total Ordinary shares		**32,085**	**79.5**

Investment Portfolio - Other Investments

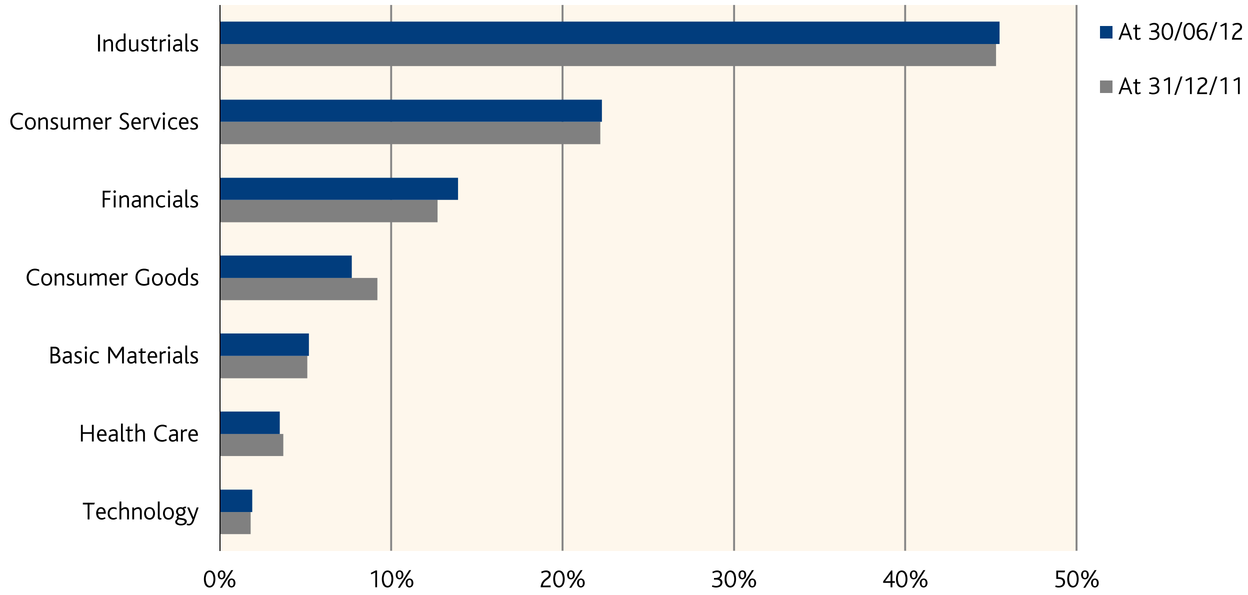
As at 30 June 2012

Company	Market value £'000	Total portfolio %
Convertibles		
Balfour Beatty Cum Conv 10.75%	1,116	2.8
Total Convertibles	**1,116**	**2.8**
Corporate Bonds		
Society of Lloyds 6.875% 2025	921	2.3
Stagecoach Group 5.75% 2016	644	1.6
Telecom Italia SPA 5.625% 2015[A]	642	1.6
National Westminster 5.98% 2015	637	1.6
Wales & West Utilities Finance 6.75% 2036	572	1.4
Telefonica Emisiones 5.375% 2018	515	1.3
Anglian Water 6.75% 2024	371	0.9
Lloyds TSB 6.375% 2014	303	0.7
Total Corporate Bonds	**4,605**	**11.4**
Preference shares		
Aviva 8.75%	961	2.4
General Accident 8.875%	924	2.3
Ecclesiastical Insurance 8.625%	660	1.6
Total Preference shares	**2,545**	**6.3**
Total Other Investments	**8,266**	**20.5**
Total Investments	**40,351**	**100.0**

[A]All investments are listed on the London Stock Exchange (Sterling based), except those marked, which are listed on overseas exchanges based in sterling.

Portfolio Analysis

Analysis of Equity Portfolio



Distribution of Assets and Liabilities

	Valuation at 31 December 2011 £'000	%	Movement during the period Purchases £'000	Sales £'000	Other[A] £'000	Gains £'000	Valuation at 30 June 2012 £'000	%
Listed investments								
Ordinary shares	29,656	100.5	3,033	(3,141)	–	2,537	32,085	100.2
Convertibles	1,116	3.8	–	–	–	–	1,116	3.5
Corporate Bonds	4,957	16.8	–	(415)	(26)	89	4,605	14.4
Other fixed interest	2,531	8.6	–	–	–	14	2,545	7.9
	38,260	129.7	3,033	(3,556)	(26)	2,640	40,351	126.0
Current assets	1,429	4.8					1,824	5.7
Current liabilities	(164)	(0.6)					(150)	(0.5)
Long-term loan	(10,000)	(33.9)					(10,000)	(31.2)
Net assets	**29,525**	**100.0**					**32,025**	**100.0**
Net asset value per Ordinary share	**133.5p**						**144.8p**	

[A] Represents amortisation costs on debt securities of £26,000.

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June 2012 (unaudited)			Six months ended 30 June 2011 (unaudited)			Year ended 31 December 2011 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend income		834	–	834	888	–	888	1,522	–	1,522
Interest income from investments		198	(26)	172	202	(32)	170	410	(65)	345
Other income		2	–	2	4	–	4	4	–	4
Gains/(losses) on investments held at fair value		–	2,640	2,640	–	1,457	1,457	–	(4,654)	(4,654)
Total income		1,034	2,614	3,648	1,094	1,425	2,519	1,936	(4,719)	(2,783)
Expenses										
Investment management fees		(79)	(79)	(158)	(85)	(85)	(170)	(162)	(162)	(324)
Other administrative expenses		(181)	–	(181)	(157)	–	(157)	(304)	–	(304)
Finance costs of borrowing		(73)	(73)	(146)	(69)	(69)	(138)	(141)	(141)	(282)
Profit/(loss) before taxation		701	2,462	3,163	783	1,271	2,054	1,329	(5,022)	(3,693)
Taxation	2	–	–	–	–	–	–	–	–	–
Profit/(loss) attributable to equity holders	3	**701**	**2,462**	**3,163**	**783**	**1,271**	**2,054**	**1,329**	**(5,022)**	**(3,693)**
Earnings per Ordinary share (pence)	4	**3.17**	**11.14**	**14.31**	**3.54**	**5.75**	**9.29**	**6.01**	**(22.71)**	**(16.70)**

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

The Company does not have any income or expense that is not included in profit for the period, and therefore the "Profit attributable to equity holders " is also the "Total comprehensive income attributable to equity holders" as defined in IAS 1 (revised).

All items in the above statement derive from continuing operations.

Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2012 (unaudited) £'000	As at 30 June 2011 (unaudited) £'000	As at 31 December 2011 (audited) £'000
Non-current assets				
Ordinary shares		32,085	35,935	29,656
Convertibles		1,116	1,193	1,116
Corporate bonds		4,605	5,255	4,957
Other fixed interest		2,545	2,678	2,531
Securities at fair value		40,351	45,061	38,260
Current assets				
Other receivables		433	568	380
Cash and cash equivalents		1,391	564	1,049
Total current assets		1,824	1,132	1,429
Total assets		42,175	46,193	39,689
Current liabilities				
Trade and other payables		(150)	(257)	(164)
Total current liabilities		(150)	(257)	(164)
Non-current liabilities				
Long-term loan		(10,000)	(10,000)	(10,000)
Total liabilities		(10,150)	(10,257)	(10,164)
Net assets		**32,025**	**35,936**	**29,525**
Issued capital and reserves attributable to equity holders				
Called-up share capital		11,055	11,055	11,055
Share premium account		11,892	11,892	11,892
Capital redemption reserve		2,032	2,032	2,032
Capital reserve	5	5,011	8,842	2,549
Revenue reserve		2,035	2,115	1,997
		32,025	**35,936**	**29,525**
Net asset value per Ordinary share (pence)		**144.85**	**162.53**	**133.54**

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2012 (unaudited)

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2011		11,055	11,892	2,032	2,549	1,997	29,525
Revenue profits for the period		–	–	–	–	701	701
Capital profits for the period		–	–	–	2,462	–	2,462
Equity dividends	3	–	–	–	–	(663)	(663)
Balance at 30 June 2012		**11,055**	**11,892**	**2,032**	**5,011**	**2,035**	**32,025**

Six months ended 30 June 2011 (unaudited)

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2010		11,055	11,892	2,032	7,571	1,995	34,545
Revenue profits for the period		–	–	–	–	783	783
Capital profits for the period		–	–	–	1,271	–	1,271
Equity dividends	3	–	–	–	–	(663)	(663)
Balance at 30 June 2011		**11,055**	**11,892**	**2,032**	**8,842**	**2,115**	**35,936**

Year ended 31 December 2011 (audited)

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2010		11,055	11,892	2,032	7,571	1,995	34,545
Revenue profits for the year		–	–	–	–	1,329	1,329
Capital losses for the year		–	–	–	(5,022)	–	(5,022)
Equity dividends	3	–	–	–	–	(1,327)	(1,327)
Balance at 31 December 2011		**11,055**	**11,892**	**2,032**	**2,549**	**1,997**	**29,525**

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June 2012 (unaudited) £'000	Six months ended 30 June 2011 (unaudited) £'000	Year ended 31 December 2011 (audited) £'000
Cash flows from operating activities			
Investment income received	972	963	1,872
Other income	2	1	–
Deposit interest received	–	–	2
Investment management fees paid	(154)	(164)	(330)
Other cash expenses	(177)	(134)	(274)
Cash generated from operations	643	666	1,270
Interest paid	(161)	(161)	(281)
Net cash inflows from operating activities	482	505	989
Cash flows from investing activities			
Purchases of investments	(3,033)	(3,783)	(8,178)
Sales of investments	3,556	2,953	8,013
Net cash inflows/(outflows) from investing activities	523	(830)	(165)
Cash flows from financing activities			
Equity dividends paid	(663)	(663)	(1,327)
Net cash outflows from financing activities	(663)	(663)	(1,327)
Net increase/(decrease) in cash and cash equivalents	342	(988)	(503)
Cash and cash equivalents at the start of the period	1,049	1,552	1,552
Cash and cash equivalents at the end of the period	**1,391**	**564**	**1,049**
Cash and cash equivalents comprise:			
Cash and cash equivalents	**1,391**	**564**	**1,049**

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') 34 – 'Interim Financial Reporting', as adopted by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB. They have also been prepared using the same accounting policies applied for the year ended 31 December 2011 financial statements, which received an unqualified audit report.

The Company's wholly owned subsidiary undertaking, Shirescot Securities Limited, an investment dealing company, was dissolved on 6 January 2012. At the date of dissolution, Shirescot Securities Limited had net assets of £nil, the inter-company balance having been extinguished during the year ended 31 December 2011. The inter-company balance was written off against the Company's capital reserve.

The comparative financial information for the six months ended 30 June 2011 and for the full year ended 31 December 2011, incorporate the financial statements of Shirescot Securities Limited.

(b) Dividends payable

Dividends are recognised in the period in which they are paid.

2. Taxation

The taxation expense reflected in the Condensed Statement of Comprehensive Income is based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2012 is 24.5%.

3. Dividends

The following table shows the revenue for each period less the dividends declared in respect of the financial period to which they relate.

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Revenue	701	783	1,329
Dividends declared	(663)[A]	(663)[B]	(1,327)[C]
	38	**120**	**2**

[A] Dividends declared relate to first two interim dividends (both 1.50p each) declared in respect of the financial year 2012.

[B] Dividends declared relate to first two interim dividends (both 1.50p each) declared in respect of the financial year 2011.

[C] Dividends declared relate to the four interim dividends declared in respect of the financial year 2011 totalling 6.00p.

4. Return and net asset value per share	Six months ended 30 June 2012 p	Six months ended 30 June 2011 p	Year ended 31 December 2011 p
Revenue return	3.17	3.54	6.01
Capital return	11.14	5.75	(22.71)
Total return	**14.31**	**9.29**	**(16.70)**

Notes to the Accounts continued

The figures above are based on the following attributable assets:

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Revenue return	701	783	1,329
Capital return	2,462	1,271	(5,022)
Total return	**3,163**	**2,054**	**(3,693)**
Weighted average number of Ordinary shares in issue	**22,109,765**	**22,109,765**	**22,109,765**

The net asset value per share is based on net assets attributable to shareholders of £32,025,000 (30 June 2011 – £35,936,000; 31 December 2011 – £29,525,000) and on 22,109,765 (30 June 2011 – 22,109,765; 31 December 2011 – 22,109,765) Ordinary shares in issue at each period end.

5. Capital reserves

The capital reserve reflected in the Balance Sheet at 30 June 2012 includes gains of £3,930,000 (30 June 2011 – gains of £8,031,000; 31 December 2011 – gains of £1,897,000) which relate to the revaluation of investments held at the reporting date.

6. Transaction costs

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

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Purchases	17	22	44
Sales	4	3	7
	21	**25**	**51**

7. Publication of non-statutory accounts

The financial information contained in this Half–Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 30 June 2012 and 30 June 2011 has not been audited.

The information for the year ended 31 December 2011 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

8. This Half-Yearly Financial Report was approved by the Board on 31 August 2012.

How to Invest in
Aberdeen Smaller Companies High Income Trust PLC

Direct

Investors can buy and sell shares in Aberdeen Smaller Companies High Income Trust PLC (the "Company") directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. 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. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in the Company 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. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £11,280 in the Company can be made in the tax year 2012/2013. 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 deducted on 31 March (or the last business day in March) 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.

ISA Transfer

You can choose to transfer the management of previous tax year investments to AAM for investment in the Company while retaining your ISA wrapper. The minimum lump sum transfer is £1,000, subject to a minimum per 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.

Keeping You Informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Trust's website (www.aberdeensmallercompanies.co.uk) and the TrustNet website (www.trustnet.co.uk).
You can also call 0500 00 00 40 for information.

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
Telephone: 0500 00 00 40

The information above is issued and has been approved for the purposes of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited, Bow Bells House, 1 Bread Street, London EC4M 9HH which is authorised and regulated by the Financial Services Authority.

Corporate Information

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Robert Lister
Barry M. Rose
James G. West

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EH2 2BY

Company Registration Number
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Solicitors
Maclay Murray & Spens LLP

Bankers
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HSBC Bank Plc

Registrars and Transfer Office
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(Calls to Equiniti using the above numbers are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary)

Website
www.aberdeensmallercompanies.co.uk

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