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Aberdeen Smaller Companies High Income Trust PLC

Interim Report
for the 6 months ended 30 June 2011

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 2011	31 December 2010	% change
Equity shareholders' funds (£'000)	35,936	34,545	+4.0
Net asset value per share	162.53p	156.24p	+4.0
Share price (mid-market)	134.00p	134.50p	–0.4
Discount to net asset value[A]	16.8%	13.1%	
Dividend yield	4.5%	4.5%	

[A] Based on IFRS net asset value excluding dividend adjustment of 1.50p (31 December 2010 – 1.50p).

Performance (total return)

	Six months ended 30 June 2011	1 year ended 30 June 2011	3 years ended 30 June 2011	5 years ended 30 June 2011
Share price	+ 1.9%	+ 36.6%	+ 21.1%	– 15.3%
Net asset value per share	+ 6.0%	+ 37.4%	+ 25.7%	– 8.6%
FTSE SmallCap Index (ex IC's)	+ 2.8%	+ 24.6%	+ 18.5%	– 5.4%
FTSE All-Share Index	+ 3.0%	+ 25.6%	+ 21.0%	+ 24.6%
iBoxx Sterling Non-Gilts 1-15 Years Index[A]	+ 3.4%	+ 5.6%	+ 22.4%	+ 24.9%

[A] Source: Aberdeen Asset Management, iBoxx, Morningstar & Russell Mellon

All figures are for total return and assume re-investment of net dividends excluding transaction costs.

Financial Calendar

30 August 2011	Announcement of unaudited interim results for the six months ended 30 June 2011
September 2011	Half-Yearly Report posted to shareholders
28 October 2011	Third interim dividend 2011 payable to shareholders
31 January 2012	Fourth interim dividend 2011 payable to shareholders
February/March 2012	Annual Report published and posted to shareholders
April 2012	Annual General Meeting

Interim Board Report

Investment Returns

As your new Chairman I am pleased to report that Aberdeen Smaller Companies High Income Trust has delivered a good set of interim results. In the six months to 30 June 2011, the total return on net assets was 6%. Over the same period the total return on the FTSE Small Cap (ex Investment Trust) index was 2.8%. The Trust's discount increased slightly by 3%, broadly in line with moves seen across the peer group of other smaller companies investment trusts shares as investors require an additional risk premium to invest in the shares of smaller companies when stock markets go through periods of turbulence.

Since June 30th there have been sharp falls in world stock markets and the NAV has fallen 13.7% compared to a fall in the benchmark of 10.6%.

Background

The shares of smaller companies started 2011 in buoyant spirits continuing their very strong performance from December. Stock markets were reacting to a reduction in worries about sovereign debt but this was short-lived as the plight of Europe's peripheral countries soon regained the headlines. The second major talking point of the period was the political events in North Africa and the Middle East. The immediate impact from this turmoil was a spike in the oil price to $110 as supply concerns arose although this was fleeting as prices soon retreated towards pre crisis levels. It's too early to foresee what resolution will come to pass but any semblance of political stability in this region will be taken positively by markets.

In contrast to the turbulence in global stock markets the U.K. equity market had a fairly benign first half. The shares of smaller companies did initially react sharply to the concerns in the Middle East but this proved temporary and recent months have generally seen the shares of smaller companies drift. However shares in companies with good growth prospects have beaten this trend and continued to rise. What has been apparent is the considerable volatility at a stock level. The consumer sector has been particularly hard hit with a number of profit warnings across the retail and electronics sector. Construction is the other area where we have seen some weakness resulting from poor housing market data and reduced government spending. Much of this has been well flagged but in some cases the slowdown has been particularly swift, surprising both management and the market. In contrast to this the shares of companies whose earnings are influenced by economic growth in emerging markets where economic growth remains strong, have continued to perform well. We have seen a considerable rerating of these shares and valuations are now looking less attractive. As we have now started to witness some signs of Asian economies growing more slowly and as it is unclear whether this is a temporary phenomenon or something more fundamental the Manager remains cautious and has therefore continued to take profits in this area in shares where he feels price valuations are expensive.

Performance Breakdown

The Trust delivered positive returns across the three asset classes. Including dividends reinvested equities returned 6.2%, Fixed Interest 4.9%, and Preference shares 3.9%. The Trust has been almost fully invested throughout the period. Within the equity portfolio Retail and Media were the two worst performing sectors with Mothercare and Wilmington poor stock contributors. In contrast Electrical and Electronic Equipment and Industrials were very strong, driven by Fenner, Melrose, XP Power and Oxford Instruments which all significantly outperformed the index.

Bond markets also reacted to the political tensions in North Africa and the Middle East early in the year, which were swiftly followed by the tragic earthquake in Japan. Concerns also began to surface around the US debt profile which was best evidenced by S&P's downgrading of the US debt outlook to negative. Against this backdrop credit markets remained volatile with financial names modestly outperforming corporate names.

Activity

The increased level of volatility across the stock market has brought both opportunities and challenges. The Manager takes a long term view of the prospects of the companies which they invest in and despite the turbulent market conditions portfolio turnover has been focused around top slicing and topping up names where they are comfortable with the business model. The Manager exited only one name, British Polythene Industries which was more related to a preference for RPC. British Polythene had recovered well and the Manager felt the latter offered a more attractive structural opportunity. This came to the fore as RPC did a rights issue to fund the acquisition of Superfos. The acquisition has so far delivered ahead of management expectations in trading and cost synergies. The Manager has reduced the position in recent months on the back of this strong performance and the high absolute weight in the portfolio rather than on valuation grounds.

In terms of recycling profits there have been a number of reductions of XP Power which rose by more than 50% in the first half. The Manager also reduced our positions in Oxford Instruments and TT Electronics and completed the exit of Forth Ports which had received a board approved bid. Here the Manager engaged with the Forth Ports management team in respect of the takeout multiple for what is a unique asset. The valuation differential surrounded the build out potential ascribed to developable land in Leith Docks, Edinburgh. It is always difficult to put a price on this future potential but as long term shareholders the Manager was willing to wait to see this value extracted. Whilst the outcome of this didn't result in an increased offer the engagement with management is a core part of the Manager's process and extracting value for shareholders.

Mothercare and Wilmington issued profit warnings. Mothercare saw a sharp slowdown in UK like for like sales, in particular in Toys, which was exacerbated by the extreme Christmas weather conditions. The management have been active in reducing the high street footprint in recent years as leases have come to an end but the speed of the decline was faster than expected. Following a review of the UK operations they have decided to close around 130 stores, the majority of which are Early Learning Centres. This will help stabilise the UK operations and leave the business with a profit focus on the faster growing international franchise. Prior to adding to the Trust's position, the Manager had three meetings with the company and was comfortable with the actions they were taking to put the UK operations on a firmer footing. Media group Wilmington Group also warned that 2012 profits would be only marginally ahead of 2011 with the recovery taking longer to materialise. The business, in part, provides legal professional development courses which are mandatory in retaining professional status. Whilst this provides a relatively defensive core to the business, the recovery hasn't materialised as swiftly as management were expecting which forced the downgrade of next year's expectations. As with Mothercare, post a meeting the Manager added to the Trust's position on what is now a very attractive 6% yield. As we have progressed through the first half of the year we are seeing an increasing number of earning downgrades as economic growth falters and future earnings are being compared against a strong level of earnings last year.

Structure / Gearing

The shape and structure of the portfolio has remained very similar over the last six months. The Manager has been making small reductions in the Trust's exposure to bonds where the yields on equities looked more attractive. This opportunity arose with the recovery in the utility and property bonds, Northumbrian Water and Land Securities. The Trust had been slightly underweight equity although with the recent switches this position has now been neutralised. The Board had instructed the Manager to make this type of transition when the Manager felt this was appropriate and could improve the dividend paying capability of the Trust.

The £10m debt that the Board put in place last year has been fully drawn throughout the period. The loan interest is payable at a variable rate above LIBOR which the Board and Manager review at each meeting. Domestic economic data remains mixed and with demand growth subdued, leading indicators are guiding to below trend GDP growth. Recent minutes from the Monetary Policy Committee confirmed this trend as they voted 7 to 2 to keep the base rate on hold at 0.5%. They also highlighted market expectations of the first rate rise being pushed out to Spring 2012. Whilst the Board and Manager will review this matter each meeting they remain comfortable with our gearing position which is currently costing 2.64188%. This gearing supports the high level of income the Trust distributes.

Dividends

The data from Capita on UK dividend growth shows more increases than decreases. However, despite the growth in earnings in the reporting period to date, management teams have remained cautious on increasing their interim dividends especially with visibility on the second half limited. The Trust has had no dividend cuts even when companies have had a tough half year of trading which is testament to the focus that the Manager places on examining balance sheets and the ability of the companies to support dividends through tougher periods.

In line with the statement made in the Annual Report to shareholders, we have declared and paid the first two interim dividends of 1.5p each. The Board anticipates paying two further interim dividends of 1.5p each per share, giving a total of 6.0p for the year to 31 December 2011. This produces a dividend yield of 5% currently, considerably ahead of the smaller companies' investment trust peer group which yields 1.9% at the time of writing.

Outlook

Given the current uncertainty surrounding sovereign debt, austerity packages, and the potential for GDP growth to falter we remain cautious. The Manager has continued to pare positions where valuations are looking expensive and has reviewed exposure to the consumer and government sectors where trading conditions are likely to remain poor in the short to medium term. Whilst the UK and global macroeconomic outlook is difficult, at a company level balance sheets are in good shape, companies are generating cash and there are attractive pockets of value. With this in mind we believe the Trust is well placed to deliver its objective

Carolan Dobson
Chairman
30 August 2011

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company and its subsidiaries 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 2010.

Directors' Responsibility Statement

The Directors are responsible for preparing this 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 Chairman's Statement (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 and its subsidiary during that period; and any changes in the related party transactions described in the last annual report that could so do).

The half yearly report for the six months to 30 June 2011 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

CarolIan Dobson
Chairman
30 August 2011

Investment Portfolio – Ordinary Shares

As at 30 June 2011

Company	Market value £'000	Total portfolio %
XP Power	1,464	3.2
Oxford Instruments	1,435	3.2
RPC	1,370	3.0
Weir	1,287	2.9
Chesnara	1,269	2.8
Fenner	1,266	2.8
Mothercare	1,262	2.8
Melrose	1,138	2.5
Morgan Sindall	1,063	2.4
Wilmington	990	2.2
Ten largest investments	12,544	27.8
Interserve	967	2.1
Bellway	958	2.1
Greggs	931	2.1
Chemring	902	2.0
Holidaybreak	899	2.0
Victrex	897	2.0
TT Electronics	874	1.9
Helical Bar	870	1.9
Chaucer	843	1.9
Restaurant Group	823	1.8
Twenty largest investments	21,508	47.6
Fuller Smith & Turner 'A'	804	1.8
Dechra Pharmaceuticals	795	1.8
Halfords	791	1.8
McBride	790	1.8
Bloomsbury Publishing	766	1.7
Robert Walters	734	1.6
RM	718	1.6
Menzies (John)	701	1.6
Barr (A.G.)	665	1.5
Umeco	664	1.5
Thirty largest investments	28,936	64.3
Aveva	653	1.4
Savills	645	1.4
Huntsworth	637	1.4
Berendsen	605	1.3
Keller	596	1.3
Dignity	582	1.3
Rathbone Brothers	520	1.2
Fisher James	513	1.1
Zotefoams	498	1.1
Intermediate Capital	487	1.1
Forty largest investments	34,672	76.9
Hornby	475	1.1
Numis Corporation	426	0.9
Elementis	362	0.8
Total Ordinary shares	35,935	79.7

Investment Portfolio - Other Investments

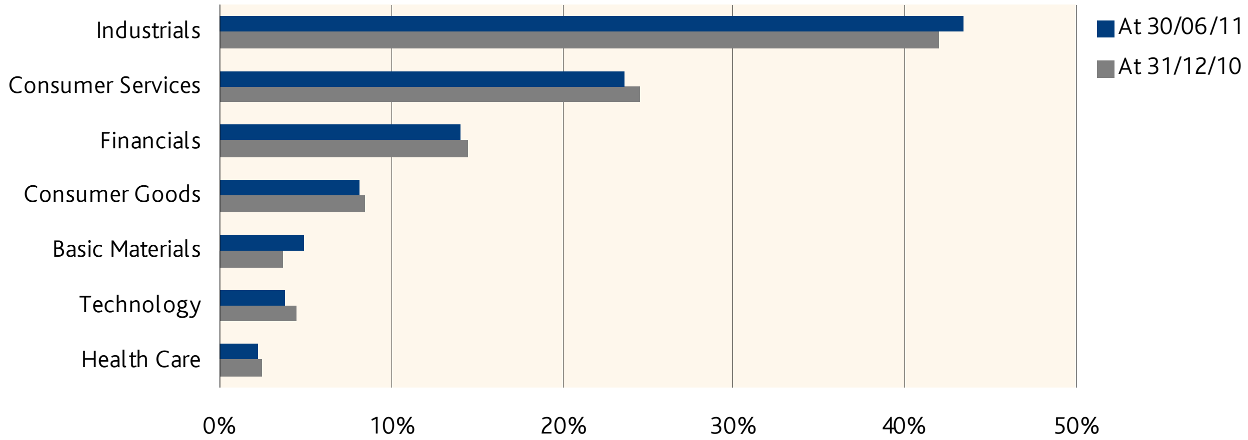
As at 30 June 2011

Company	Market value £'000	Total portfolio %
Convertibles		
Balfour Beatty Cum CNV 10.75%	1,193	2.6
Total Convertibles	1,193	2.6
Corporate Bonds		
Society of Lloyds 6.875% 2025	969	2.2
National Westminster 5.98% 2011	778	1.7
Telecom Italia SPA 5.625% 2015[A]	668	1.5
Stagecoach Group 5.75% 2016	629	1.4
Wales & West Utilities Finance 6.75% 2036	544	1.2
Bupa Finance 6.125% 2020	441	1.0
Anglian Water 6.75% 2024	378	0.8
Land Securities 4.875% 2019	318	0.7
Lloyds TSB Bank 6.375% 2014	306	0.7
Northumbrian Water 6% 2017	224	0.5
Total Corporate Bonds	5,255	11.7
Preference shares		
Aviva 8.75%	1,035	2.3
General Accident 8.875%	986	2.2
Ecclesiastical Insurance 8.625%	657	1.5
Total Preference shares	2,678	6.0
Total Other Investments	9,126	20.3
Total Investments	45,061	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 2010 £'000	%	Movement during the period Purchases £'000	Sales £'000	Other[A] £'000	Gains £'000	Valuation at 30 June 2011 £'000	%
Listed investments								
Ordinary shares	32,900	95.2	3,893	(2,133)	–	1,275	35,935	100.0
Convertibles	1,161	3.4	–	–	–	32	1,193	3.3
Corporate Bonds	6,081	17.6	–	(938)	(32)	144	5,255	14.6
Other fixed interest	2,672	7.7	–	–	–	6	2,678	7.5
	42,814	123.9	3,893	(3,071)	(32)	1,457	45,061	125.4
Current assets	1,882	5.4					1,132	3.1
Current liabilities	(151)	(0.4)					(257)	(0.7)
Long-term loan	(10,000)	(28.9)					(10,000)	(27.8)
Net assets	34,545	100.0					35,936	100.0
Net asset value per Ordinary share	156.2p						162.5p	

[A] Represents amortisation costs on debt securities of £32,000

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June 2011 (unaudited)			Six months ended 30 June 2010 (unaudited)			Year ended 31 December 2010 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend income		888	–	888	802	–	802	1,367	–	1,367
Interest income from investments		202	(32)	170	241	(12)	229	486	(27)	459
Deposit interest		–	–	–	7	–	7	19	–	19
Other income		4	–	4	–	–	–	1	–	1
Gains on investments held at fair value		–	1,457	1,457	–	2,116	2,116	–	9,763	9,763
Fair value movement in zero coupon finance derivatives		–	–	–	–	(50)	(50)	–	(58)	(58)
Total income		1,094	1,425	2,519	1,050	2,054	3,104	1,873	9,678	11,551
Expenses										
Investment management fees		(85)	(85)	(170)	(73)	(73)	(146)	(151)	(151)	(302)
VAT recoverable on investment management fees		–	–	–	–	–	–	16	16	32
Other administrative expenses		(157)	–	(157)	(121)	–	(121)	(231)	–	(231)
Finance costs of borrowing		(69)	(69)	(138)	(96)	(96)	(192)	(171)	(279)	(450)
Profit before taxation		783	1,271	2,054	760	1,885	2,645	1,336	9,264	10,600
Taxation	2	–	–	–	–	–	–	–	–	–
Profit attributable to equity holders of the Group	3	783	1,271	2,054	760	1,885	2,645	1,336	9,264	10,600
Earnings per Ordinary share (pence)	4	3.54	5.75	9.29	3.44	8.52	11.96	6.04	41.90	47.94

The total column of this statement represents the Group'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 of the Group" is also the "Total comprehensive income attributable to equity holders of the Group" as defined in IAS 1 (revised).

All of the profit and comprehensive income are attributable to the equity holders of the parent Company. There are no minority interests.

All items in the above statement derive from continuing operations.

Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2011 (unaudited) £'000	As at 30 June 2010 (unaudited) £'000	As at 31 December 2010 (audited) £'000
Non-current assets				
Ordinary shares		35,935	25,676	32,900
Convertibles		1,193	1,112	1,161
Corporate bonds		5,255	6,069	6,081
Other fixed interest		2,678	3,684	2,672
Securities at fair value		45,061	36,541	42,814
Current assets				
Other receivables		568	800	330
Cash and cash equivalents		564	2,425	1,552
Zero coupon finance derivatives at fair value		–	472	–
Total current assets		1,132	3,697	1,882
Total assets		46,193	40,238	44,696
Current liabilities				
Trade and other payables		(257)	(215)	(151)
Short-term loan		–	(7,000)	–
Zero coupon finance derivatives at fair value		–	(5,769)	–
Total current liabilities		(257)	(12,984)	(151)
Non-current liabilities				
Long-term loan		(10,000)	–	(10,000)
Total liabilities		(10,257)	(12,984)	(10,151)
Net assets		35,936	27,254	34,545
Issued capital and reserves attributable to equity holders of the parent				
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	8,842	192	7,571
Revenue reserve		2,115	2,083	1,995
		35,936	27,254	34,545
Net asset value per Ordinary share (pence)		162.53	123.27	156.24

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2011 (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 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

Six months ended 30 June 2010 (unaudited)

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2009		11,055	11,892	2,032	(1,693)	2,041	25,327
Revenue profits for the period		–	–	–	–	760	760
Capital losses for the period		–	–	–	1,885	–	1,885
Equity dividends	3	–	–	–	–	(718)	(718)
Balance at 30 June 2010		11,055	11,892	2,032	192	2,083	27,254

Year ended 31 December 2010 (audited)

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2009		11,055	11,892	2,032	(1,693)	2,041	25,327
Revenue profits for the year		–	–	–	–	1,336	1,336
Capital profits for the period		–	–	–	9,264	–	9,264
Equity dividends	3	–	–	–	–	(1,382)	(1,382)
Balance at 31 December 2010		11,055	11,892	2,032	7,571	1,995	34,545

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June 2011 (unaudited) £'000	Six months ended 30 June 2010 (unaudited) £'000	Year ended 31 December 2010 (audited) £'000
Cash flows from operating activities			
Investment income received	963	959	1,922
Other income	1	–	–
Deposit interest received	–	7	20
Investment management fees paid	(164)	(142)	(291)
VAT recovered	–	–	32
Other cash expenses	(134)	(123)	(240)
Cash generated from operations	666	701	1,443
Interest paid	(161)	(192)	(428)
Net cash inflows from operating activities	505	509	1,015
Cash flows from investing activities			
Purchases of investments	(3,783)	(5,173)	(11,401)
Sales of investments	2,953	5,453	13,276
Net cash (outflows)/inflows from investing activities	(830)	280	1,875
Cash flows from financing activities			
Equity dividends paid	(663)	(718)	(1,382)
Repayment of loan	–	–	(7,000)
Drawdown of loan	–	–	10,000
ZCF financing fees	–	(27)	–
Repayment of July 2010 ZCF position	–	–	(5,337)
Net cash outflows from financing activities	(663)	(745)	(3,719)
Net (decrease)/increase in cash and cash equivalents	(988)	44	(829)
Cash and cash equivalents at the start of the period	1,552	2,381	2,381
Cash and cash equivalents at the end of the period	564	2,425	1,552
Cash and cash equivalents comprise:			
Cash and cash equivalents	564	2,425	1,552

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

The Group's 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 2010 financial statements, which received an unqualified audit report.

(b) Dividends payable

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

2. Taxation

The taxation expense reflected in the Condensed Consolidated 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 2011 is 26.5%.

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 2011 £'000	Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Revenue	783	760	1,336
Dividends declared	(663)[A]	(663)[B]	(1,327)[C]
	120	97	9

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

[B] Dividends declared relate to first two interim dividends (both 1.50p each) declared in respect of the financial year 2010.

[C] Dividends declared relate to the four interim dividends declared in respect of the financial year 2010 totalling 6.00p.

4. Return and net asset value per share

	Six months ended 30 June 2011 p	Six months ended 30 June 2010 p	Year ended 31 December 2010 p
Revenue return	3.54	3.44	6.04
Capital return	5.75	8.52	41.90
Total return	9.29	11.96	47.94

The figures above are based on the following attributable assets:

	£'000	£'000	£'000
Revenue return	783	760	1,336
Capital return	1,271	1,885	9,264
Total return	2,054	2,645	10,600
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 £35,936,000 (30 June 2010 – £27,254,000; 31 December 2010 – £34,545,000) and on 22,109,765 (30 June 2010 – 22,109,765; 31 December 2010 – 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 2011 includes gains of £8,031,000 (30 June 2010 – gains of £241,000; 31 December 2010 – gains of £6,611,000) 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 Consolidated Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Purchases	22	27	59
Sales	3	4	11
	25	31	70

7. Events after the reporting period

Since the period end, global equity markets have fallen, with share prices in UK smaller companies being particularly affected. In total return terms, the NAV has fallen by 13.7% and the FTSE SmallCap Index (excluding Investment Companies) has fallen by 10.6% in the period 30 June 2011 to 25 August 2011 respectively.

8. 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 2011 and 30 June 2010 has not been audited.

The information for the year ended 31 December 2010 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.

9. This Half-Yearly Financial Report was approved by the Board on 30 August 2011.

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 £10,680 in the Company can be made in the tax year 2011/2012

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 six monthly and deducted from income. 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.shiressmallercompanies.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
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP
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.

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HSBC Bank Plc

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