Standard Life UK Smaller Companies Trust plc

Aberdeen Standard Investments

Half-Yearly Report

31 December 2018

Financial Calendar

26 February 2019	Announcement of the results for the six months to 31 December 2018
14 March 2019	Ex-dividend date for interim dividend
15 March 2019	Record date for interim dividend
12 April 2019	Payment of interim dividend for 2018 / 2019
30 June 2019	Financial year end
August 2019	Announcement of the results for the year to 30 June 2019
23 October 2019	Annual General Meeting, Edinburgh
October 2019	Payment of final dividend for 2018 / 2019

Visit our website at
www.standardlifeuksmallercompaniestrust.co.uk

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary Shares in Standard Life UK Smaller Companies Trust plc, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Contents

Strategic Report

4 Key Financial Highlights
6 Chairman's Statement
11 Principal Risks and Uncertainties
14 Our Strategy
15 Objective and Investment policy
17 Investment Process
18 Investment Manager's Report
26 Top Twenty Investments
27 Our Portfolio

Financial Statements

28 Condensed Statement of Comprehensive Income
30 Condensed Statement of Financial Position
32 Condensed Statement of Changes in Equity
34 Condensed Statement of Cash Flows
36 Notes to the Financial Statements

Additional Information

44 Directors' Responsibility Statement
45 Investor Information
51 Company Information and Contact Details

Strategic Report
Key Financial Highlights

Capital Return for the six months to 31 December 2018		As at 31 December 2018	
NAV per Share	Share Price	Discount	Net (Cash) / Gearing[1]
440.37p -20.4%	408.00p -18.4%	7.4%	-1.0%
(30/06/2018: 552.93p)	(30/06/2018: 500.00p)	(30/06/2018: 9.6%)	(30/06/2018: 3.6%)

Total Return for periods to 31 December 2018

	6 months	1 year	3 years	5 years	10 years
NAV per Share	-19.5%	-13.0%	+20.8%	+45.3%	+436.8%
Share Price	-17.5%	-16.8%	+11.7%	+33.2%	+489.4%

Source: Refinitiv

Strategic Report
Key Financial Highlights

As at 31 December 2018

Market Cap	Net Assets	Total Assets less Current Liabilities
£410.6m	£443.2m	£468.0m
+11.2%[(2)]	+8.5%[(2)]	+8.1%[(2)]
(30/06/2018: £369.2m)	(30/06/2018: £408.3m)	(30/06/2018: £433.1m)

For the six months to 31 December 2018

Revenue Earnings per Share	Interim Dividend per Share	Ongoing Charges Ratio[(3)]
3.84p	1.60p	0.93%
+43.3%	+6.7%	
(31/12/2017: 2.68p) [(4)]	(31/12/2017: 1.50p)	(31/12/2017: 1.06%)

Source: Refinitiv

(1) Net gearing is calculated as bank loans less the cash invested in AAA money market funds and cash and short term deposits, divided by net assets.

(2) The percentage increase is affected by the merger with Dunedin Smaller Companies Investment Trust PLC in October 2018, which increased the number of shares in issue by 38.0%, total assets less current liabilities and net assets by £147.4m.

(3) Ongoing charges ratio is calculated in accordance with guidance issued by the AIC. Ongoing charges are the total of the investment management fee and administrative expenses (annualised). This is divided by the average cum income net asset value with debt at fair value throughout the year. The ratio for 31 December 2018 is based on forecast ongoing charges for the year ending 30 June 2019.

(4) The comparative revenue earnings per share was calculated on a diluted basis. There was no dilution as at 31 December 2018.

Strategic Report

Chairman's Statement

Allister Langlands

Performance

The performance of equity markets worldwide in the last three months of 2018 was impacted by a number of macro-economic factors. In the wake of US / Chinese trade wars and rising interest rates in the US, most major stock markets had their worst end to a year since 2008. In addition, the UK headline indices were subject to uncertainty created by the prolonged Brexit negotiations and, as a consequence, the FTSE 100 and FTSE All-Share indices had their worst final quarters to a year since 1987, which included the stock market crash of Black Monday.

The Company's Net Asset Value Total Return ("NAV TR") against such a backdrop was -19.5% for the six months to 31 December 2018. At the same time, the Share Price Total Return was -17.5%. This compares with a total return of -15.5% for the Company's reference index, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index ("the Index"). While the numbers at 31 December 2018 do look bleak, since the start of 2019 we have seen an improvement in the NAV and some of the negative performance has been clawed back. As at Friday 22 February 2019, the latest practicable date prior to the publication of this report, the NAV per Share has increased by 7.4% and the reference index is up 6.9%.

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

Strategic Report

Chairman's Statement

NAV Total Returns to 31 December 2018	6 months	1 year	3 years	5 years	10 years
Standard Life UK Smaller Companies Trust	-19.5%	-13.0%	20.8%	45.3%	436.8%
Reference Index	-15.5%	-15.8%	11.7%	21.3%	305.0%
Peer Group weighted average	-14.0%	-11.3%	19.5%	36.5%	366.2%
Share Price Total Returns to 31 December 2018					
Standard Life UK Smaller Companies Trust	-17.5%	-16.8%	11.7%	33.2%	489.4%
Reference Index	-15.5%	-15.8%	11.7%	21.3%	305.0%
Peer Group weighted average	-17.4%	-11.1%	13.1%	33.5%	438.9%

Source: Refinitiv February 2019

On a NAV TR basis, the portfolio underperformed the reference index and the weighted average return of the peer group of investment trusts investing in UK smaller companies in the six month period under review. This has had an impact on the 1 year numbers. The longer term performance remains well ahead of the reference index and the sector average.

On a Share Price Total Return basis, the Company underperformed the reference index and the weighted average return of the peer group over 6 and 12 months. The performance is exactly in line with the index over 3 years and ahead of it over 5 and 10 years. The Company is broadly in line with the peer group over 5 years and ahead over 10 years.

Earnings and dividend

The revenue return per share for the six months to 31 December 2018 increased by 43.3% to 3.84p (2017: 2.68p), with underlying dividends per share from investee companies also rising by 29.2% over the period.

The Board is declaring an interim dividend of 1.60p per share (2017: 1.50p per share) and this will be paid on 12 April 2019 to shareholders on the register on 15 March 2019 with an associated ex-dividend date of 14 March 2019. This represents a 6.7% increase in the interim dividend from 2017.

Strategic Report

Chairman's Statement

Merger with Dunedin Smaller Companies Investment Trust PLC ("Dunedin")

The board of Dunedin, whose portfolio was also managed by Aberdeen Standard Investments, and your Board announced the proposal to merge the companies in June 2018. The proposals were approved by shareholders of both companies in late September and early October 2018. The terms of the merger were that the shareholders in Dunedin would be given shares in the Company in proportion to the relative fair values of the net assets of both companies. Dunedin's shareholders were allocated 27.6% of the enlarged company, with existing shareholders in the Company holding the balance. 27,878,842 shares were issued, which were admitted for trading on the London Stock Exchange on 10 October 2018.

At the instruction of the board of Dunedin, in the run up to the merger, its portfolio was aligned with the portfolio of the Company. This meant that by the time the merger had been approved the two portfolios were able to be brought together seamlessly with no need for any further portfolio restructuring. This is covered in more detail in the Investment Manager's report on pages 18 to 25.

The direct result of the merger was to increase the net assets of the Company by around 38%. As the performance of the portfolio, and the wider market, was negative in the last few months of 2018, net assets at the end of the period were down around 17% on the merger valuation.

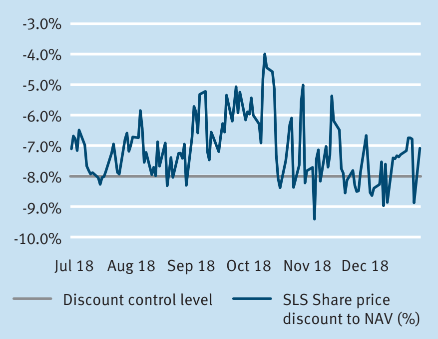
On behalf of the Board, I would like to welcome the shareholders of Dunedin to the Company. I would also like to thank the directors of Dunedin for the professional manner in which they negotiated and completed the transaction.

Gearing

The borrowing capacity of the Company consists of a £25 million fixed-rate loan and a £20 million revolving credit facility. The Board recognises that an investment trust can benefit from being able to gear and that, over the five-year life of the loan, it expects the Company to benefit from using borrowed money to invest in the portfolio. Having said that, there will be times, such as in the last six months, when asset values are falling and gearing will exacerbate the negative returns. Harry Nimmo, the Portfolio Manager, had flagged his concerns on the outlook for markets earlier in the year and as a result, in July, he started to sell down some holdings in order to increase levels of cash and from the end of October cash balances exceeded the value of the fixed-rate loan. At the end of the period, the Company held net cash amounting to 1.0% (2017: net gearing 3.6%) of the net asset value.

Strategic Report
Chairman's Statement

Discount control



Source: Aberdeen Standard Fund Managers Limited & Refinitiv. 31 December 2018

The discount at which the Company's shares trade relative to the underlying net asset value, including income and with debt at fair value, was 7.4% at 31 December 2018. The Company's shares traded at an average discount of 7.1% over the reporting period and the Board will continue to monitor the discount level closely going forward.

The chart above illustrates how the discount has moved since the start of the period. While the discount has been trading wider than it had done in recent years, there are a couple of possible reasons for this.

Firstly, the announcement in mid-June of the proposed merger with Dunedin may have been seen as causing uncertainty and since the merger the share register has been undergoing some change which often puts pressure on the share price, thereby widening the discount from historic levels.

Secondly, the equity market backdrop has not been helpful – with investors looking to reduce their exposure to domestically orientated companies in the UK in light of the lack of clarity as to the ongoing negotiations over the UK's proposed exit from the EU.

The Board has acted during the period to ensure that the discount of the share price to the net asset value of the Company does not exceed 8% under normal market conditions. Over the six months, 1,081,975 shares (1.1% of the issued share capital as at 31 December 2018) were bought back to be held in treasury, principally in July / August and in December, at a weighted average discount of 8.0%.

In addition to the use of share buy-backs, the Board also has a tender mechanism in place to assist in managing the discount. The Board intends to continue to seek shareholder approval to enable it to carry out tender offers on a discretionary basis in circumstances where it considers that share buy-backs are not sufficient to maintain the discount at an appropriate level.

Shareholder relations

The Board held the Annual General Meeting ("AGM") of the Company on Thursday, 25 October 2018 at the Manager's office in London and intends to hold the AGM for the current financial year at the Manager's office in Edinburgh on Wednesday, 23 October 2019.

Strategic Report

Chairman's Statement

Aberdeen Standard Investments Savings Plans

Following the merger with Dunedin, the Board agreed to participate in the Aberdeen Standard Investments promotional programme which it hopes will help to promote the appeal of the Company and to make it accessible to as wide an audience of investors as possible. Details of the savings plans available to investors can be found on pages 45 to 50.

Board changes

Alexa Henderson, who had been on the board of Dunedin, joined the Board of the Company on completion of the merger and was elected to the Board by shareholders at the AGM. I would like to welcome Alexa to the Board and thank her for the contribution she has already made as a Director.

I have also informed the Board of my intention to step down as Chairman and from the Board at some point over the next twelve months. From next year I plan to spend significant time overseas which I believe is incompatible with continuing as Chairman of the Company. As a result, we will be starting a search process to recruit a new Chairman which will be led by Tim Scholefield, our Senior Independent Director.

Outlook

A focus of each outlook statement for the Company for the last 3 years has been the implications on investing in smaller companies of the uncertainty surrounding Brexit. Although we are only just over a month away from the scheduled departure date of 29 March 2019, we still do not have much of the clarity that we have been hoping for since 2016. No doubt, this must be very frustrating for the managers of the companies in which the portfolio is invested.

However, regardless of the outcome of the Brexit negotiations, it is important to remember that our investment process focuses on the individual company fundamentals, not on high level asset allocation. Harry Nimmo and his team look to identify and invest in those management teams that have the vision, the determination and the products and services to adapt and develop their companies in the light of the conditions that they are each facing. The long-term track record speaks of the success of this approach. The Board remains confident that while there may be bumps in the road, the process is unchanged and will continue to deliver returns for shareholders investing over the longer-term.

Allister Langlands
Chairman

25 February 2019

Strategic Report

Principal Risks and Uncertainties

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

The Directors have adopted a robust framework of internal controls which is designed to monitor the principal risks and uncertainties facing the Company and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible.

The major risks associated with the Company are:

- **Investment and market risk:** The Company is exposed to the effect of variations in share prices due to the nature of its business. A fall in the value of its investment portfolio will have an adverse effect on the value of shareholders' funds.

  Regular reports are received from the Investment Manager on stock selection, sector allocation, gearing and market outlook. Investment performance is reviewed in detail and discussed with the Investment Manager at each Board Meeting.

- **Capital structure and gearing risk:** The Company's capital structure as at 31 December 2018 consisted of equity share capital comprising 100,634,497 Ordinary Shares of 25p. There were also 3,529,925 Ordinary Shares of 25p held in treasury. In addition, the Company has £45,000,000 of borrowing facilities, of which £25,000,000 was drawn at the end of the period.

  The effect of gearing should be beneficial in rising markets but could adversely affect returns to shareholders in falling markets. The Investment Manager is able to increase or decrease the Company's level of net gearing by holding a lower or higher cash balance subject to the Company's investment policy which requires that gearing should remain between 5% net cash and 25% net gearing at the time of drawdown.

- **Revenue and dividend risk:** In view of the Company's investment objective, which is to generate long-term capital growth by investment in UK-quoted

Strategic Report
Principal Risks and Uncertainties

smaller companies, the Investment Manager aims to strike a balance more in favour of capital growth than revenue return. In normal circumstances, the Board intends to pay a dividend commensurate with the year's income.

The Board receives regular updates as to the progress made by the Investment Manager in generating a revenue return and the consequent level of the Company's anticipated dividend.

- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 of the Corporation Tax Act 2010 could result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including (but not limited to) the Companies Act 2006, the FCA Listing Rules, the FCA Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, the Foreign Account Tax Compliance Act, the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the Second Markets in Financial Instruments Directive (MiFID II), the General Data Protection Regulation (GDPR) and the Common Reporting Standard, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers to the Company, could also lead to reputational damage or loss. The Company's control environment, including those controls exercised by third party providers, are reviewed by the Board and the Investment Manager on a regular basis to ensure ongoing compliance.

  There is also a further regulatory risk in ensuring compliance with the Alternative Investment Fund Managers Directive (AIFMD). In accordance with the requirements of the AIFMD, the Company's Alternative Investment Fund Manager (AIFM) is Aberdeen Standard Fund Managers Limited. BNP Paribas Securities Services is the Company's Depositary. The Board receives regular reporting from the AIFM and the Depositary to ensure both are meeting their regulatory responsibilities in relation to the Company.

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

- **Geopolitical risk:** The Company is exposed to the effects of geopolitical instability or change as this could have an adverse effect on stock markets. The Board and the Investment Manager review regularly and discuss current geopolitical issues and seek appropriate expert advice, when necessary, in relation to managing any impacts on the Company.

Strategic Report
Principal Risks and Uncertainties

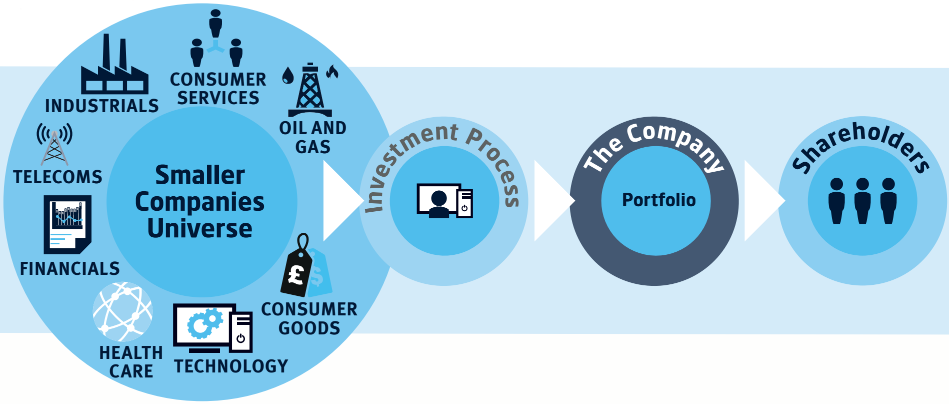
The Board is mindful of the uncertainty following the UK's referendum decision to leave the EU and, along with the Manager, is closely monitoring any impact on the Company's share price, discount level and underlying investment performance.

Going Concern

The factors which have an impact on Going Concern are set out in the Going Concern section of the Directors' Report in the Company's Annual Report and Financial Statements to 30 June 2018. As at 31 December 2018, there have been no significant changes to these factors. As at 31 December 2018 the Company had a £45 million unsecured loan facility agreement with Royal Bank of Scotland International Ltd. This consists of a 5 year fixed-rate loan of £25 million and a 5 year revolving credit facility of £20 million. The Directors are mindful of the principal risks and uncertainties disclosed above.

Strategic Report

Our Strategy



Standard Life UK Smaller Companies Trust plc offers an actively managed portfolio of equity shares of smaller and mid-sized companies listed in the UK. Over the long term, smaller company returns have outstripped those of their large-cap peers.

Strategic Report

Objective

To achieve long-term capital growth by investment in UK-quoted smaller companies.

Investment policy

The Company intends to achieve its investment objective by investing in a diversified portfolio consisting mainly of UK-quoted smaller companies. The portfolio will normally comprise around 50 individual holdings representing the Investment Manager's highest conviction investment ideas. In order to reduce risk in the Company without compromising flexibility, no holding within the portfolio should exceed 5% of total assets at the time of acquisition.

The Company may use derivatives for portfolio hedging purposes (i.e. only for the purpose of reducing, transferring or eliminating the investment risks in its investments in order to protect the Company's portfolio).

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

Strategic Report

Objective

The Investment Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management, and dealing. The investment process is research intensive and is driven by the Investment Manager's distinctive "Focus on Change" philosophy which recognises that different factors drive individual stocks and markets at different times in the cycle. This flexible, but disciplined, process ensures that the Investment Manager has the opportunity to perform in different market conditions.

The Directors have set additional guidelines in order to reduce the risk borne by the portfolio:

- Companies with a market capitalisation of below £50m should not represent more than 5% of total assets.
- Companies involved in "Blue Sky" products should not represent more than 5% of total assets.
- No more than 50% of the portfolio should be invested in companies that are constituents of the FTSE AIM All-Share Index.

Strategic Report
Investment Process

Management

In December 2018, the investment management agreement with the Company's Manager was novated from Standard Life Investments (Corporate Funds) Limited to Aberdeen Standard Fund Managers Limited ("ASFML", the "AIFM" or the "Manager"). ASFML is a wholly-owned subsidiary of Standard Life Aberdeen plc (SLA). The investment management to the Company is provided by Aberdeen Standard Investments (ASI), the investment division of SLA. Harry Nimmo has been the Portfolio Manager since 2003.

Investment philosophy and process

The Board has identified that ASI has a proven and repeatable investment process, which has delivered returns to shareholders over the last 15 years. The investment process adheres to ASI's Focus on Change philosophy which assumes that asset prices are driven by fundamentals (all the necessary information used to value the asset). Its premise is also that markets are inefficient at pricing changes in these fundamentals. The aim is therefore to identify, understand and exploit the key drivers and the dynamics behind them.

The Matrix

In managing the investment portfolio of the Company, the Focus on Change philosophy is enhanced by using ASI's proprietary screening tool, 'The Matrix', to focus research efforts and stock selection process. The Matrix is a quantitative screening tool assessing potential and current investments on 13 separate proven indicators of financial performance. It is a powerful tool in helping the Investment Manager identify a shortlist of investable stocks for further analysis and monitor the performance and prospects of the portfolio on an ongoing basis. Stocks that are identified in this way are then subjected to further analysis and may be selected for the portfolio following discussions with company management.

Strategic Report

Investment Manager's Report

Harry Nimmo
Portfolio Manager

The Net Asset Value Total Return for the six months to 31 December 2018 was -19.5%, while the Share Price Total Return was -17.5%. By comparison, the UK smaller companies sector as represented by the Numis Smaller Companies plus AIM (excluding Investment Companies) Index fell by 15.5%. Aberdeen Standard Investments has managed the Company since September 2003. The Company share price at that time was 47.75p. The Company share price has risen by 754% from then to the current period end compared with our reference index which was up 357%. The FTSE All-Share Index rose by 78% over the same period.

Equity markets

The beginning of May 2018 saw mid and small caps reach their peak as markets were reassured by the vibrant US economy and the subsiding of trade war fears, although the AIM market actually peaked in September. The fourth quarter of 2018 was characterised by a different psychology. The strength of the US economy was such that by the end of September fears developed that this was liable to be inflationary. On 3 October the Federal Reserve Chairman, Jerome Powell, indicated that interest rates in the US had further to go on the upside and that there was no need for the extra-low rates associated with the Banking Crisis aftermath to continue. At the same time inflation in the US was picking up in response to US economic strength. Markets immediately took fright, starting with the US 10 year bond yield which rose to over 3.2% for the first time in six years. This was seen as undermining stock market valuations, causing aggressive selling of highly-rated shares that had been recent winners. Concern over a trade war with China reared its head again. Peak to trough, the Nasdaq Composite Index fell over 23% in the last four months of the year. The effects were not restricted to the US and the

Strategic Report
Investment Manager's Report

FTSE AIM All-Share Index fell by a similar amount. The indices covering the largest companies in both markets, the Dow Jones Industrial Index and the FTSE 100 Index, were not immune from the impact of this retrenchment, falling 19% and 15% respectively from peak to trough during the period. Blue chip companies tend to act as safe havens in these market conditions.

The Conservative Party remains deeply divided on Europe and this combination of inflationary pressure in the US and concerns about the UK's future weighed down markets in the UK, especially small and midcaps. The fourth calendar quarter saw an increase in Brexit worries from already high levels. The inability of Prime Minister May to harness the support of her party behind the EU-backed Withdrawal Agreement has added to the pessimism towards UK equity markets and UK smaller companies in particular. The performance of the FTSE AIM All-Share Index in the last four months of 2018 was the worst since November 2011.

Trading statements from UK listed companies took a turn for the worse in the third calendar quarter. This was led down by retailers. The demise of the High Street was put in sharp focus by the Creditors Voluntary Arrangement (CVA) buyout by Mike Ashley of House of Fraser and the recent travails of Debenhams. These two department stores anchor shopping centres across the length and breadth of the United Kingdom. Companies involved in "big ticket" consumer purchases such as houses and cars also saw weakness. Previously highly-rated market leaders started to see dramatic weakness even if results were marginally behind expectations.

The fourth calendar quarter of 2018 brought further woes to retailers with HMV, Poundworld, Toys R Us, Homebase, Maplins, Mothercare and Carpetright going under or undergoing CVAs.

The oil price remained strong throughout the third quarter but weakened dramatically from an early October high of $86 to a year end figure of $53. Copper slid steadily through the half year falling by 23% from June to the end of December. Gold conversely strengthened by 10% from November to the year end as pessimism set in on the world economy.

There was no significant bid activity in smaller company markets.

Performance

The portfolio performed very strongly in July and August before weakening significantly in the four months from September to the end of December. The final month of the year brought some stability at least to relative performance. The FTSE AIM All-Share Index held up well until October when it plummeted over 11% in the month, as some

Strategic Report
Investment Manager's Report

highly-rated momentum AIM leaders came under intense pressure, not helped by adverse trading statements (e.g. ASOS). The situation was probably exacerbated by the publication of some influential "short sell" research. All five top performers in the portfolio in the third quarter were AIM listed while 4 out of 5 of the poorest performers in the portfolio were AIM listed in the fourth quarter.

During the half year out-performing stocks tended to be high-quality steady growth stocks with good earnings visibility. The poor performers were highly-rated stocks, often technology orientated, that had previously exhibited strong price and business momentum. The difficult technology areas included software and semiconductor related electronics stocks such as **XP Power** and **First Derivatives**. **Fevertree Drinks** was also a very weak feature following stellar performance in the previous four years. An overweight position in **Retailers** was also negative. Our holdings in the retail sector, such as **JD Sports** and **Joules Group**, were pulled down by extreme negativity towards the sector. The biggest sector positives were the lack of exposure to the **Oil & Gas**, **Mining** and **Construction** companies.

Our five principal drivers of performance in the period have been as follows:-

Marshalls (Portfolio: 3.0%, Share price: +14%) the block paving company continued to deliver superlative results driven by the successful fruits of their 2020 strategy.

RWS Group (Portfolio: 3.5%, Share price: +12%) the international high level language translator recovered from the poor initial results of the Moravia acquisition.

Telecom Plus (Portfolio: 2.2%, Share price: +27%) the multi-utility vendor trading as "Utility Warehouse" showed signs of better trading after a multi-year period in the doldrums.

4imprint (Portfolio: 2.2%, Share price: +7%) the sales promotion materials distributors continued to trade well as a mainly US based business avoided a good deal of the UK orientated pessimism.

Kainos (Portfolio: 2.5%, Share price: 0%) the data services consultant continued to trade well and was seen as a potential beneficiary of Brexit.

Strategic Report
Investment Manager's Report

The five largest detractors to performance in the period have been as follows:-

First Derivatives (Portfolio: 2.4%, Share price: -54%) the "Big fast data" company fell precipitously as the downturn in markets was accentuated by selling pressure from a number of short-sellers.

Fevertree Drinks (Portfolio: 3.0%, Share price: -35%) fell as Neilson soft drinks data showed a weather-related deceleration in the consumption of premium mixer drinks.

XP Power (Portfolio: 2.6%, Share price: -40%) supplies into the semiconductor equipment market which has recently come under a bit of pressure.

Accesso Technology (Portfolio: 1.7%, Share price: -42%) was very weak as analysts questioned the accounting standards at the firm. Short sellers suggested top line growth was coming under pressure.

Patisserie Holdings (Portfolio: 0.0%, Share price: -100%) the shares in the company were suspended in October pending the outcome of an investigation into a potential serious mis-statement of the company's accounts. We immediately took the decision to write down the value of the holding to zero until the position was clarified. In January 2019, the company was placed into administration.

Merger with Dunedin Smaller Companies Investment Trust PLC (Dunedin)

The completion of the merger of the companies on 8 October 2018 meant that the portfolio of the Company increased by 38%. In the months prior to the merger, with the blessing of the board of Dunedin, as investment manager of both companies, we had worked to align the two portfolios to the point where the Dunedin portfolio could be merged seamlessly into the Company's portfolio without any further repositioning being required.

Even prior to the start of this alignment process there was about 20% of commonality between the portfolios. We sold eight holdings that we did not want to bring across and adjusted the holdings in others so as not to alter the weightings in the combined portfolio. Nine new holdings were added to the Company by way of the merger:-

Aveva: is a world market leader in design engineering software, which is benefiting from the recent merger with Schneider Electric.

Strategic Report
Investment Manager's Report

Burford Holdings: is the leader in litigation finance. The holding has since been sold.

DiscoverIE: is a specialist electronic system distributor which is rapidly transforming itself into a manufacturer and boosting margins and returns.

Genus: is the world leader in reproductive material for cattle and pigs.

Morgan Sindall: is a high quality diversified construction, infrastructure, urban regeneration and social housing company.

Patisserie Holdings: owns the Patisserie Valerie chain which, as mentioned above, has been subject to serious mis-statements in their accounts. The value of this holding has been written down to zero. The cost to the portfolio of writing down the position was 0.7%.

Robert Walters: is the eponymous specialist recruitment company with broad regional exposure particularly to Japan, Hong Kong, the Far East and Australia as well as UK & Europe.

Victrex: is the world leader in the manufacture of PEEK, a specialist polymer with wide applications across transport, electronics, oil & gas and healthcare sectors that has very impressive wear, rigidity and weight characteristics across a broad range of applications.

Intermediate Capital Group: is a world leader in mezzanine finance and yield debt fund management.

The merger led to a net increase in the number of holdings of three. If one also includes the three other new holdings the number of holdings has increased to 60. It is anticipated that the number of holdings will reduce over the coming months.

Dealing and Activity

In addition to the positions acquired, three new holdings were added to the portfolio during the period in question, that of **Games Workshop**, **Nucleus Financial Group** and **AJ Bell**.

Games Workshop is the owner and manufacturer of the worldwide hobby game phenomenon, Warhammer. Manufactured in Nottingham, this product sells to enthusiasts of all ages around the world. The business has come to life under the leadership of new CEO, Kevin Rountree, who has galvanised the company.

Strategic Report
Investment Manager's Report

Nucleus Financial Group is a financial platform company aimed at IFAs and wealth managers, benefiting from the growth in pensions and savings. They have good earnings visibility and a strong reputation for customer service.

AJ Bell, like Nucleus, is a financial platform company that provide trading, administrative and informational support to Financial Advisers and private investors. They supply similar services to the likes of Transact and Nucleus but also have similarities with Hargreaves Lansdown in terms of their private investor customer base.

Other major purchases include **JTC Group**, the fund administrator, **Kainos** in data services and **Diploma** in specialist distribution.

The Company sold out of five holdings completely as preparations were made for the addition of the Dunedin portfolio. These holdings generally were the weakest on our list and had deteriorating Matrix scores. They were **Nichols, Moneysupermarket.com, Greggs**, **Alfa Financial** and **Medica Group**. Other significant sales included **NMC Healthcare** which is no longer a small company, having grown to become a fully-fledged constituent of the FTSE 100 and **Smart Metering Systems** where the Matrix score is in decline.

Sector Exposure

At the end of the period, the five largest sector exposures were to Support Services: 16.7% (14.6% in June 2018), Software: 12.8% (14.5%), Food & Drink: 10.8% (6.8%), Healthcare: 10.1% (7.8%) and Real Estate: 6.5% (5.5%).

The portfolio holds no **Mining** or **Oil & Gas** holdings. The Company remains very light in **Financials**, **Real Estate**, **Industrials** and **Housebuilders** relative to the weighting of these sectors in the index.

Gearing

At the end of the period £25m of fixed-rate term debt had been drawn down while cash stood at £29.3m. The Company therefore has a net cash position of 1.0%. Over the long term, an investment trust should benefit from being able to invest more than 100% of net assets and for that reason it makes sense for a trust to have borrowings. However, when markets are in retreat, as they clearly have been over the last three months, then I do not believe that it makes sense to gear into that. Hence the decision to hold cash to offset the fixed-term debt.

Strategic Report

Investment Manager's Report

Outlook

The 10 year US Government bond yield has fallen significantly from its recent high of 3.2% in November 2018. This reflects market concerns on the US Economy following weak ISM purchasing manager survey data. Indeed purchasing manager data around the world including China has tended to weaken lately, not helped by the continuing threat of trade wars and the spiralling Brexit crisis.

A warning from Apple may be the portent of more bad earnings news to come. The UK has seen some very significant weakness in specific sectors like retailers which has been widely reported, but also construction where a number of major participants have been found wanting with regard to balance sheet strength. Oil & gas stocks have also, from a revenue perspective, been hit by weaker oil prices. Electronics companies have been hit by concerns over the semiconductor cycle.

It feels almost certain that we are in bear-market territory which may have further to run as the real economy around the world applies adverse pressure on corporate earnings. My thinking is that the fourth quarter of calendar 2018 was about momentum reversal, which hit our portfolio hard, causing our Matrix-driven process to go temporarily into reverse. The New Year has brought a new economic and corporate earnings driven phase. Given our focus on quality, stability and predictability our stocks should out-perform the challenging market environment we should expect in 2019.

The "Brexit Crisis" rolls on, and I do not see that there is a solution in sight that will satisfy the wildly different and increasingly entrenched positions of the individual MPs and the wider electorate. This will tend to discourage asset allocators from investing in UK equities even though some most interesting company valuations are starting to emerge. Some kind of resolution or, at the very least, some clear insight into the impact of a disorderly Brexit, needs to become apparent.

Being a natural optimist, I feel that during the second half of 2019 a clearer understanding of the Brexit denouement will be visible. I also believe that in corporate terms the stronger, higher quality, more predictable growth companies will become stronger and that is where we focus our stock selection efforts. We further feel that the UK is overweight in such companies that have more chance

Strategic Report

Investment Manager's Report

of thriving even in difficult economic environments. Politics is however the imponderable in all this.

One can only tell in hindsight when a bear market started. It could well turn out that the last week of May 2018 was the peak of the market. It pays to remain cautious.

As I have said before, **our process remains unchanged**. Our emphasis on **risk aversion**, **resilience**, **growth and momentum** still feels right for the future. Caution should remain the watch-word however.

Investing in small companies should be viewed as a long-term investment and we are confident that patient investors will be rewarded in the longer term. Our stable process has been seasoned by four economic cycles. **I remain very optimistic about the future of the Company in the long term**.

Harry Nimmo
Aberdeen Standard Investments
Portfolio Manager

25 February 2019

Strategic Report

Top Twenty Investments

At 31 December 2018

	Value £'000	% of Portfolio
RWS	15,492	3.5
Hilton Food Group	15,491	3.5
Dechra Pharmaceuticals	15,425	3.5
Cranswick	14,396	3.3
Abcam	13,825	3.1
Gamma Communications	13,323	3.0
Fevertree Drinks	13,193	3.0
Marshalls	12,997	3.0
Diploma	12,482	2.9
Workspace	12,022	2.7
Top ten investments	**138,646**	**31.5**
XP Power	11,548	2.6
Hill & Smith	11,254	2.6
Dart	10,996	2.5
Midwich	10,812	2.5
Kainos	10,712	2.5
First Derivatives	10,662	2.4
Sanne	10,253	2.3
4imprint	9,659	2.2
Telecom Plus	9,597	2.2
JD Sports Fashion	9,355	2.1
Top twenty investments	**243,494**	**55.4**
Other investments (40)	196,237	44.6
Total Portfolio	**439,731**	**100.0**

Number of holdings

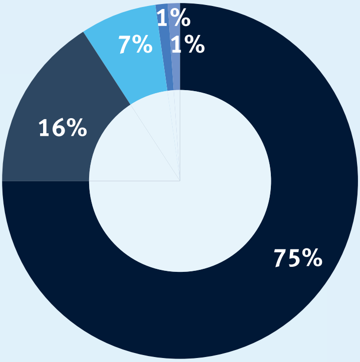
60

Strategic Report

Our Portfolio

Index Exposure

As at 31 December 2018



- Numis Smaller Companies plus AIM (ex Investment companies)
- FTSE 250*
- FTSE AIM All-Share*
- FTSE 100*
- OTHER**

*Consists of holdings which have a market cap greater than the threshold to be included in the Numis Smaller Companies plus AIM (ex Investment Companies) Index.

**Companies which have come to the market since the last rebalancing of the above indices.

Sector Distribution

At 31 December 2018

31% INDUSTRIALS

14% CONSUMER GOODS

14% CONSUMER SERVICES

13% FINANCIALS

12% TECHNOLOGY

10% HEALTH CARE

5% TELECOMS

1% CHEMICALS

Financial Statements

Condensed Statement of Comprehensive Income

	Notes	Six months ended 31 December 2018 (unaudited)		
		Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments held at fair value		-	(105,188)	(105,188)
Income	2	4,171	-	4,171
Management fee		(406)	(1,217)	(1,623)
Administrative expenses		(353)	-	(353)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		**3,412**	**(106,405)**	**(102,993)**
Finance costs		(93)	(280)	(373)
RETURN BEFORE TAXATION		**3,319**	**(106,685)**	**(103,366)**
Taxation	3	4	-	4
RETURN AFTER TAXATION		**3,323**	**(106,685)**	**(103,362)**
BASIC RETURN PER ORDINARY SHARE	5	**3.84p**	**(123.13p)**	**(119.29p)**
DILUTED RETURN PER ORDINARY SHARE	5	**3.84p**	**(123.13p)**	**(119.29p)**

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

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

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

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

Financial Statements

Condensed Statement of Comprehensive Income

Six months ended 31 December 2017 (unaudited)		
Revenue £'000	Capital £'000	Total £'000
-	44,664	44,664
2,717	-	2,717
(371)	(1,114)	(1,485)
(338)	-	(338)
2,008	**43,550**	**45,558**
(92)	(277)	(369)
1,916	**43,273**	**45,189**
-	-	-
1,916	**43,273**	**45,189**
2.79p	**63.00p**	**65.79p**
2.68p	**58.86p**	**61.54p**

Financial Statements

Condensed Statement of Financial Position

	Notes	As at 31 December 2018 (unaudited) £'000	As at 30 June 2018 (audited) £'000
NON-CURRENT ASSETS			
Investments held at fair value through profit or loss		439,731	424,194
CURRENT ASSETS			
Debtors		1,394	1,161
Investments in AAA Money Market funds		29,242	9,559
Cash and short term deposits		43	415
		30,679	**11,135**
Current Liabilities			
Creditors: amounts falling due within one year		(2,383)	(2,265)
Net current assets		**28,296**	**8,870**
Creditors: amounts falling due in more than one year			
Bank loan	9	(24,858)	(24,790)
NET ASSETS		**443,169**	**408,274**

Financial Statements

Condensed Statement of Financial Position

	Notes	As at 31 December 2018 (unaudited) £'000	As at 30 June 2018 (audited) £'000
CAPITAL AND RESERVES			
Called-up share capital		26,041	19,071
Share premium account		170,132	29,693
Special reserve		31,190	36,311
Capital reserve		208,239	314,924
Revenue reserve		7,567	8,275
EQUITY SHAREHOLDERS' FUNDS		**443,169**	**408,274**
NET ASSET VALUE PER ORDINARY SHARE	8	**440.37p**	**552.93p**

Financial Statements

Condensed Statement of Changes in Equity

Six months ended 31 December 2018 (unaudited)	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2018	19,071	29,693	36,311	314,924	8,275	408,274
Return after taxation	-	-	-	(106,685)	3,323	(103,362)
Issue of Ordinary Shares following merger with Dunedin Smaller Companies Investment Trust PLC	6,970	140,439	-	-	-	147,409
Buyback of Ordinary Shares into Treasury	-	-	(5,121)	-	-	(5,121)
Dividends paid (see note 4)	-	-	-	-	(4,031)	(4,031)
BALANCE AT 31 DECEMBER 2018	**26,041**	**170,132**	**31,190**	**208,239**	**7,567**	**443,169**

Financial Statements

Condensed Statement of Changes in Equity

Six months ended 31 December 2017 (unaudited)	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2017	17,907	19,805	1,470	34,109	244,399	6,326	324,016
Return after taxation	-	-	-	-	43,273	1,916	45,189
Buyback of Ordinary Shares into Treasury	-	-	-	-	-	-	-
Issue of Ordinary Shares from Treasury from conversion of 3.5% Convertible Unsecured Loan Stock 2018	-	-	-	2,202	-	-	2,202
Dividends paid (see note 4)	-	-	-	-	-	(3,549)	(3,549)
BALANCE AT 31 DECEMBER 2017	**17,907**	**19,805**	**1,470**	**36,311**	**287,672**	**4,693**	**367,858**

Financial Statements

Condensed Statement of Cash Flows

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 (unaudited) £'000
NET RETURN BEFORE FINANCE COSTS AND TAXATION	(102,993)	45,558
Adjustment for:		
Losses/(gains) on investments	105,188	(44,664)
Decrease in accrued income	33	494
Increase in other debtors	(6)	(553)
Increase in other creditors	856	846
Net overseas tax	10	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	**3,088**	**1,681**

Financial Statements

Condensed Statement of Cash Flows (Contd.)

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 (unaudited) £'000
INVESTING ACTIVITIES		
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**22,848**	**(24,143)**
FINANCING ACTIVITIES		
Interest paid	(351)	(361)
Drawdown of loans	-	25,000
Equity dividends paid	(4,031)	(3,549)
Net cash (outflow)/inflow from management of liquid resources	(19,683)	1,198
Net cash acquired following merger	2,753	-
Buyback of Ordinary Shares	(4,996)	-
DECREASE IN CASH AND SHORT TERM DEPOSITS	**(372)**	**(174)**
ANALYSIS OF CHANGES IN CASH DURING THE PERIOD		
Opening cash and short term deposits	415	247
Decrease in cash and short term deposits as above	(372)	(174)
CLOSING CASH AND SHORT TERM DEPOSITS	**43**	**73**

Financial Statements

Notes to the Financial Statements

1. Accounting policies

Basis of accounting

The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in February 2018 with consequential amendments. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The half-year financial statements have been prepared using the same accounting policies as the preceding annual accounts.

2. Income

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Income from investments		
UK dividend income	3,418	2,249
REIT income	393	231
Overseas dividend income	279	217
	4,090	**2,697**
Interest income		
Interest from AAA Money Market funds	81	20
	81	**20**
Total income	**4,171**	**2,717**

Financial Statements

Notes to the Financial Statements

3. Taxation

The taxation rebate reflected in the Condensed Statement of Comprehensive Income is based on management's best estimate of the weighted annual corporation tax rate expected for the full financial year. The estimated annual tax rate used for the year to 30 June 2019 is 19.00%.

During the period the Company received a recovery of £4,000 of withholding tax, previously written off, on overseas dividend income (31 December 2017 - £Nil).

4. Dividends

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Ordinary dividend on equity shares:		
2018 final dividend of 5.50p per share (2017 - 5.20p)	4,031	3,549
	4,031	**3,549**

5. Return per share

	Six months ended 31 December 2018 p	Six months ended 31 December 2017 p
Basic		
Revenue return	3.84	2.79
Capital return	(123.13)	63.00
Total return	**(119.29)**	**65.79**
Weighted average number of Ordinary Shares	**86,645,790**	**68,685,022**

Financial Statements

Notes to the Financial Statements

The figures above are based on the following:

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Revenue return	3,323	1,916
Capital return	(106,685)	43,273
Total return	**(103,362)**	**45,189**

The Company has no securities in issue that could dilute the return per Ordinary Share. Therefore, for the six months ended 31 December 2018, the basic and diluted return per Ordinary Share are the same.

For the six months ended 31 December 2017, the calculations of the diluted total, revenue and capital returns per Ordinary Share were each carried out in accordance with IAS 33. For the purpose of calculating total, revenue and capital returns per Ordinary Share, the number of Ordinary Shares used was the weighted average number used in the basic calculation plus the weighted average number of Ordinary Shares that would have been issued on the conversion of the Convertible Unsecured Loan Stock ("CULS") into Ordinary Shares. The calculations indicated that the exercise of CULS would have resulted in an increase in the weighted average number of Ordinary Shares of 5,152,678 to 73,837,699 Ordinary Shares. Where dilution occurred, the net returns were adjusted for items relating to the CULS. Total earnings for the period were tested for dilution. Once dilution had been determined individual revenue and capital earnings were adjusted. CULS finance costs for the period and unamortised issue expenses were reversed.

Return per share	Six months ended 31 December 2018 p	Six months ended 31 December 2017 p
Diluted		
Revenue return	3.84	2.68
Capital return	(123.13)	58.86
Total return	**(119.29)**	**61.54**
Weighted average number of Ordinary Shares	**86,645,790**	**73,837,699**

Notes to the Financial Statements

The figures above are based on the following:

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Revenue return	3,323	1,979
Capital return	(106,685)	43,460
Total return	**(103,362)**	**45,439**

6. Capital reserve

The capital reserve reflected in the Condensed Statement of Financial Position at 31 December 2018 includes gains of £88,204,000 (30 June 2018 - £206,382,000) which relate to the revaluation of investments held at the reporting date and realised gains of £120,035,000 (30 June 2018 - £108,542,000).

7. Transaction costs

During the period, 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 (losses)/gains on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Purchases	90	178
Sales	31	19
	121	**197**

Financial Statements

Notes to the Financial Statements

8. Net asset value

Total shareholders' funds have been calculated in accordance with the provisions of applicable accounting standards. The analysis of total shareholders' funds on the face of the Condensed Statement of Financial Position reflects the rights, under the Articles of Association of the Ordinary Shareholders on a return of assets.

These rights are reflected in the net asset value and the net asset value per share attributable to ordinary shareholders at the period end.

	Six months ended 31 December 2018	Year ended 30 June 2018
Basic net asset value per share		
Total shareholders' funds	£443,169,000	£408,274,000
Number of Ordinary Shares in issue at the period end (excluding shares held in treasury)	100,634,497	73,837,630
Net asset value per share	440.37p	552.93p

	Six months ended 31 December 2018	Year ended 30 June 2018
Fair value net asset value per share		
Total shareholders' funds	£443,169,000	£408,274,000
Add: Loan	£25,000,000	£25,000,000
Less: Fair value loan	(£26,296,000)	(£26,467,000)
Total shareholders' funds	£441,873,000	£406,807,000
Number of Ordinary Shares in issue at the period end (excluding shares held in treasury)	100,634,497	73,837,630
Net asset value per share	439.09p	550.95p

Notes to the Financial Statements

During the six months ended 31 December 2018, the Company repurchased 1,081,975 Ordinary Shares to Treasury (31 December 2017 - Nil) at a cost of £5,121,000 (31 December 2017 - £Nil).

As at 31 December 2018, there were 100,634,497 Ordinary Shares in issue (30 June 2018 - 73,837,630). There were also 3,529,925 Ordinary Shares (30 June 2018 - 2,447,950) held in Treasury.

Merger with Dunedin Smaller Companies Investment Trust PLC ("Dunedin")
On 8 October 2018, the Company announced that in connection with the reconstruction of Dunedin, the Company acquired approximately £147.4 million of net assets from Dunedin under the terms of the reconstruction in consideration for the issue of 27,878,842 new Ordinary Shares, based on the respective formula asset values.

Net assets acquired	£'000
Investments	144,899
Current assets: debtors and bank	3,823
Current liabilities	(1,313)
Net assets	147,409
Satisfied by the value of new Ordinary Shares issued	147,409

There were no fair value adjustments on completion of the merger made to the above figures.

9. Loans

On 1 November 2017 the Company entered into a £45,000,000 unsecured loan facility agreement with Royal Bank of Scotland International Ltd. The facilities consist of a 5 year fixed-rate term loan facility of £25,000,000 (the "Term Loan") and a 5 year revolving credit facility of £20,000,000 (the "RCF"). The Term Loan has a maturity date of 31 October 2022.

Financial Statements
Notes to the Financial Statements

At 31 December 2018, all of the Term Loan had been drawn down (30 June 2018 - £25,000,000) at a rate of 2.349% (30 June 2018 - 2.349%). The RCF was undrawn at both 31 December 2018 and 30 June 2018.

The Term Loan is shown in the Statement of Financial Position net of unamortised expenses of £142,000.

The fair value of the Term Loan at 31 December 2018 was £26,296,000 (30 June 2018 - £26,467,000), with this value being calculated using the interest rate swap valuation technique.

10. Fair value hierarchy

FRS 102 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 shall have the following classifications:

- Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market date) for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (30 June 2018 – same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (31 December 2018 – £439,731,000 ; June 2018 - £424,194,000) have therefore been deemed as Level 1.

11. Transactions with the Manager

The Company has an agreement with Aberdeen Standard Fund Managers Limited for the provision of management services. This agreement was novated from the previous agreement with Standard Life Investments (Corporate Funds) Ltd on 10 December 2018. During the 6 months ended 31 December 2018 the management fee paid to the Manager was charged applying the tiered rate of

Notes to the Financial Statements

0.85% to the first £250m of net assets, 0.65% of net assets between £250m and £550m and 0.55% of net assets above £550m. The contract is terminable by either party on six months' notice.

During the 6 months ended 31 December 2017 the management fee was charged applying the rate of 0.85% to the first £250m of total assets, reduced to 0.65% on total assets above this threshold.

During the period £1,623,000 (31 December 2017 - £1,485,000) of management fees were earned by the Manager, with a balance of £1,623,000 (31 December 2017 - £1,485,000) due at the period end.

Standard Life Investments (Corporate Funds) Limited and subsequently Aberdeen Standard Fund Managers Limited ("the Secretary") also receive fees for secretarial and administrative services at (i) £110,000 per annum and (ii) 0.02 percent of the net asset value of the Company in excess of £70,000,000 (the net asset value of the Company being as shown in the annual accounts of the Company) to a maximum of £150,000 exclusive of VAT. Company Secretarial and Administrative Services are provided by Maven Capital Partners UK LLP under a separate agreement with the Manager.

During the period £92,000 (31 December 2017 - £91,000) of fees were earned by the Secretary. The balance due to the Secretary at the period end was £92,000 (31 December 2017 - £91,000).

12. Half-Yearly Financial Report

The financial information in this report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the year ended 30 June 2018 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. The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

13. This Half-Yearly Financial Report was approved by the Board on 25 February 2019.

Additional Information

Directors' Responsibility Statement

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

- the condensed set of Financial Statements have been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports"; and

- the Interim Management Report includes a fair review of the general conditions required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

The Half-Yearly Financial Report, for the six months ended 31 December 2018, comprises an Interim Management Report, in the form of the Chairman's Statement, the Directors' Responsibility Statement and a condensed set of Financial Statements, which has not been audited or reviewed by the auditors pursuant to the APB guidance on Review of Interim Financial Information.

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

Allister Langlands
Chairman

25 February 2019

Additional Information

Investor Information

Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and BNP Paribas Securities Services, London Branch as its depositary under the AIFMD.

The AIFMD requires Aberdeen Standard Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: standardlifeuksmallercompaniestrust.co.uk.

Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen Standard Investments has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Aberdeen Standard Investments does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: fca.org.uk/consumers/scams.

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars. Changes of address must be notified to the Registrars in writing.

Additional Information

Investor Information

If you have any general questions about your Company, the Investment Manager or performance, please telephone the Aberdeen Standard Investments Customer Services Department, send an email to inv.trusts@aberdeenstandard.com or write to:

Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Dividend Tax Allowance
The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2018/19 tax year (2017/18: £5,000). Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

How to Invest
Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Aberdeen Standard Investment Plan for Children, Investment Trust Share Plan or Investment Trust Individual Savings Account ("ISA").

Aberdeen Standard Investment Plan for Children
Aberdeen Standard Investments operates 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 (subject to the eligibility criteria as stated within the terms and conditions), 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 where applicable. Selling costs are £10 + VAT. There is no restriction on how

Additional Information

Investor Information

long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investment Trust Share Plan

Aberdeen Standard Investments operates an Investment Trust 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 where applicable. 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 Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investment Trust ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in both the 2018/19 and 2019/2020 tax years.

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 where applicable. 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 ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to Aberdeen Standard Investments, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Nominee Accounts and Voting Rights

All investments in the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

Additional Information

Investor Information

Keeping You Informed
Further information about the Company may be found on its dedicated website: standardlifeuksmallercompaniestrust.co.uk. This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Alternatively, please call 0808 500 0040 (Freephone) or email inv.trusts@aberdeenstandard.com or write to the address for Aberdeen Standard Investment Trusts stated above.

Details are also available at: invtrusts.co.uk.

Key Information Document ("KID")
The KID relating to the Company and published by the Manager can be found on its website at: invtrusts.co.uk/en/investmenttrusts/literature-library.

Literature Request Service
For literature and application forms for Aberdeen Standard Investment's investment trust products, please contact us through: invtrusts.co.uk.

By telephone:- 0808 500 4000

Or write to:-

Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Additional Information

Investor Information

Terms and Conditions

Terms and conditions for Aberdeen Standard Investments managed savings products can also be found under the Literature section of our website at: invtrusts.co.uk.

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking long term capital growth by investment in UK-quoted smaller companies, 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 securities issued by the Company can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs") and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management & Financial Advice Association at: pimfa.co.uk.

Additional Information

Investor Information

Financial Advisers
To find an adviser who recommends on investment trusts, visit: unbiased.co.uk.

Regulation of Stockbrokers
Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or at fca.org.uk/firms/systems-reporting/register/search

Email: register@fca.org.uk

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.

The information on pages 45 to 50 has 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 in the United Kingdom.

Additional Information

Company Information and Contact Details

Directors
Allister Langlands (Chairman)
Ashton Bradbury
Alexa Henderson
Caroline Ramsay (Chair of the Audit Committee)
Tim Scholefield (Senior Independent Director and Chair of the Management Engagement Committee)

Manager
Aberdeen Standard Fund Managers Limited
1 George Street
Edinburgh EH2 2LL
(Authorised and regulated by the Financial Conduct Authority)
Telephone: 0345 600 2268

Website address:
www.standardlifeuksmallercompaniestrust.co.uk

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

Registered Number
Registered in Scotland
No. SC145455

Legal Entity Identifier Number
213800UUKA68SHSJBE37

Independent Auditor
KPMG LLP
319 St. Vincent Street
Glasgow G2 5AS

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 889 4076
Fax: 0370 703 6101
www.investorcentre.co.uk/contactus

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

Custodian & Depositary
BNP Paribas Securities Services
London Branch
10 Harewood Avenue
London NW1 6AA

Customer Services Department, Children's Plan, Share Plan and ISA Enquiries
Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB
Freephone: 0808 500 0040
(open Monday to Friday, 9.00 a.m. to 5.00 p.m.)
Email: inv.trusts@aberdeenstandard.com

Registered Office:

Standard Life UK Smaller Companies Trust plc
c/o Maven Capital Partners UK LLP
1st Floor, Kintyre House
205 West George Street
Glasgow G2 2LW
Telephone: 0141 306 7400

Managed by:

Aberdeen Standard Fund Managers Limited
1 George Street
Edinburgh EH2 2LL