Standard Life UK Smaller Companies Trust plc

Standard Life Investments

Annual Report and Financial Statements

30 June 2017

Financial Calendar

05 September 2017	Announcement of results for year ended 30 June 2017
29 September 2017	Payment of CULS interest
30 September 2017	CULS conversion date
26 October 2017	Annual General Meeting
30 October 2017	Payment of final dividend for 2016 / 2017
February 2018	Announcement of Half-Yearly Financial Report for six months ending 31 December 2017
30 March 2018	Final payment of CULS interest
31 March 2018	Final CULS conversion date
April 2018	Payment of interim dividend for 2017 / 2018

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Capital return for the year to 30 June 2017			As at 30 June 2017	
NAV per Share	Diluted NAV per Share	Share Price	Discount	Net Gearing
474.74p +33.0%	456.60p +32.2%	431.00p +36.4%	5.6%	1.7%
(2016: 356.90p)	(2016: 345.43p)	(2016: 316.00p)	(2016: 8.5%)	(2016: 3.6%)

Total Return for periods to 30 June 2017

	1 year	3 years	5 years	10 years
Diluted NAV per Share	+35.0%	+60.5%	+128.4%	+242.4%
Share Price	+38.9%	+61.4%	+129.8%	+284.7%

Strategic Report
Key Financial Highlights

As at 30 June 2017

Market Cap	Net Assets	Gross Assets
£294.2 million	£324.0 million	£337.1 million
+38.1%	+34.7%	+31.4%
(2016: £213.1m)	(2016: £240.6m)	(2016: £256.6m)

For the year to 30 June 2017

Revenue EPS	DPS	Ongoing Charges
6.42p	6.70p	
-5.0%	1.5%	1.08%
(2016: 6.76p)	(2016: 6.60p)	(2016: 1.13%)

Convertible Unsecured Loan Stock (CULS) as at 30 June 2017

CULS in Issue	CULS Price	CULS Yield
£13.3 million	168.00p	2.1%
	+27.8%	
(2016: £16.3m)	(2016: 131.50p)	(2016: 2.70%)

Strategic Report

Chairman's Statement

Allister Langlands

It gives me great pleasure to address shareholders for the first time as Chairman following my appointment on 22 August 2017. I have assumed the role of Chairman, as David Woods has decided to step down as he is no longer considered to be an independent Director, following the completion of the merger of Standard Life plc and Aberdeen Asset Management PLC. More detail is provided on page 9.

Performance

For the year ended 30 June 2017, the Company's diluted net asset value (NAV) total return, calculated on the basis that all dividends received are reinvested in additional shares, was 35.0%, compared with a total return of 29.1% for the Company's reference index, the Numis Smaller Companies ex Investment Companies Index. The share price total return, calculated on the same basis, was 38.9%. The better performance of the share price against the NAV is the result of the discount narrowing.

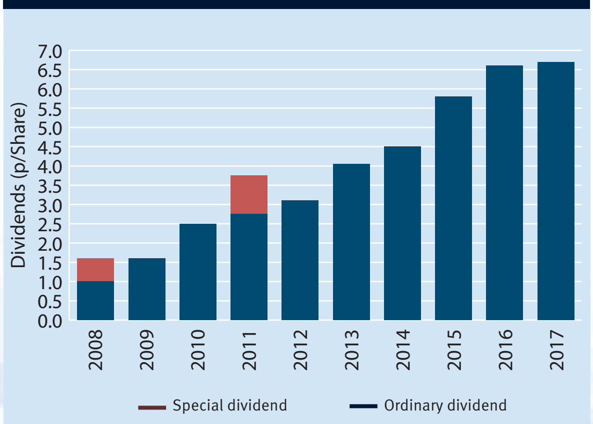
The Investment Manager's Report on pages 16 to 19 provides further information on stock performance and portfolio activity during the year, as well as the Investment Manager's outlook for UK smaller companies. The Board agrees with the Investment Manager's view that our emphasis on risk aversion, resilience, growth and momentum still feels right for the future and also that patient investors will be rewarded in the longer term.

Earnings and Dividend

The revenue return per share for the year ended 30 June 2017 was 6.42p (2016: 6.76p). Despite a significant reduction in special dividends received this year (£269k compared to £579k last year) underlying income from investments remained strong and increased by 3.6%. The Board is recommending an unchanged final dividend of 5.20p (2016: 5.20p). If approved, the final dividend, together with the interim dividend of 1.50p paid in April, will give a total dividend for the year of 6.70p and will represent an increase of 1.52% on last year.

Subject to shareholder approval at the Annual General Meeting on Thursday 26 October 2017, the final dividend will be paid on 30 October 2017 to shareholders on the register as at 29 September 2017 with an associated ex-dividend date of 28 September 2017.

Dividend History Chart



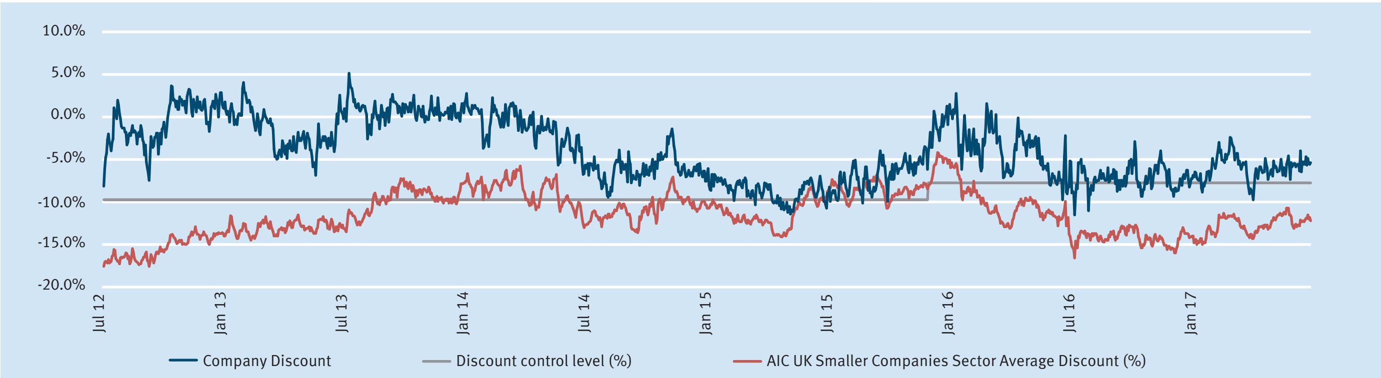
Strategic Report
Chairman's Statement

Discount Control

The discount at which the Company's shares traded relative to the diluted net asset value was 5.6% at 30 June 2017. The Company's shares have traded at an average discount of 6.8% over the year ended 30 June 2017. This compares with the average peer group discount of 13.8% for the same period.

The Board aims to ensure that the discount to the diluted cum-income net asset value does not exceed 8% in normal market conditions. The timing and scale of share buy-backs will be at the discretion of the Board. Full details of the Board's Discount Control Policy can be found on page 15.

As can be seen from the chart below, the discount has generally traded within the target range. The discount did however trade wider around the time of the Brexit referendum (June / July 2016), the conversion of a tranche of CULS (October 2016), Christmas 2016, on very low volumes, and in the week running up to the end of the tax year (March / April 2017). There were also individual days when the discount was outside 8% but in the view of the Board, it did not do so for long enough to establish a trend which required intervention. In each event, the Board discussed the merits of buying back shares to narrow the discount, and either bought in some shares or concluded that trading patterns were affected by other factors that could be expected to reverse in the short term and buying back shares would not be in all shareholders' best interests.



Key Performance Indicators (KPIs)

The KPIs by which performance of the Manager is measured are as follows:

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

A record of these KPIs, for the year under review, is included in the financial highlights on pages 4 and 5. The ten year record is included on page 24.

The diluted NAV total return of the Company over the five years to 30 June 2017 was 128.4%, while the share price total return was 129.8%. Over the same time frame, the Numis Smaller Companies ex Investment Companies Index returned 111.0%.

The Company's Shares traded at a materially narrower discount than the sector average throughout the period.

These results help confirm that the Manager is delivering against the investment objective set.

A review of the Company's performance, market background, investment activity and portfolio strategy during the year under review, as well as the Manager's investment outlook, is provided in the Investment Manager's Report which can be found on pages 16 to 19.

Gearing

The Board has given the Investment Manager discretion to vary the level of gearing between a net cash position of 5% and net gearing of 25% of net assets, depending on the Investment Manager's view of the outlook for smaller companies. At 30 June 2017, the net gearing, or borrowing level, was 1.7%.

In the year under review, the only borrowing was in the form of the Convertible Unsecured Loan Stock (CULS) which is due to expire on 31 March 2018. When they were issued in 2011, the Company was geared to over 11%.

The Board recognises that the ability to gear the portfolio through borrowing is a key feature of an investment trust and is actively reviewing its options with regards to additional funding as the CULS expire within the coming year.

Strategic Report
Chairman's Statement

Convertible Unsecured Loan Stock

The Company currently has £13.3 million 3.5% Convertible Unsecured Loan Stock 2018 (CULS) in issue. The last opportunities for the holders of CULS to convert their investment into Ordinary Shares will be on 30 September 2017 or when the CULS expires on 31 March 2018, at a fixed price per Ordinary Share of 237.2542p. In the event that any remaining holders do not elect to convert their CULS into Ordinary Shares prior to 31 March 2018, the Trustee, appointed when the CULS were issued, has the ability, at its sole discretion, to exercise the rights to convert the remaining CULS and sell the Ordinary Shares allotted on such conversion. In such an event, the proceeds, net of any administration costs, would be distributed to the former holders of the CULS. If this discretion is not exercised by the Trustee, the nominal value of any CULS not previously redeemed, purchased or converted will be repaid by the Company on 31 March 2018.

Issue of Shares

The only issuance of shares during the year was as a result of CULS conversions. 1,274,097 Ordinary Shares were issued from treasury, increasing the number of shares in issue by 1.89%.

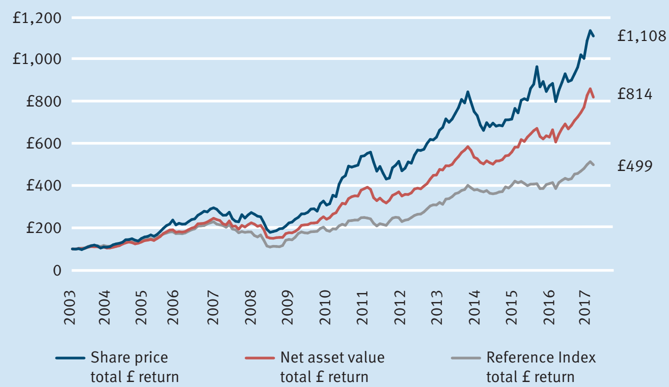
Share Buy-Backs

During the year, 443,818 shares representing 0.66% of the shares in issue, were bought back and held in treasury for a total cost of £1.54m and at a weighted average discount of 8.99%.

Investment Manager

The Board believes that the appointment of Standard Life Investments as Investment Manager continues to be in the long-term interests of shareholders. This conclusion has been reached on the basis of the strength of the long-term returns that the Manager has delivered for the Company and being confident that the process by which these returns have been generated remains appropriate for the objectives of the Company and that this process continues to be applied by the Manager, Harry Nimmo. Harry is Head of the Smaller Companies investment team at Standard Life Investments and has been the lead Portfolio Manager of the Company's investment portfolio since 2003. Since Standard Life Investments was appointed Manager to the Company on 1 September 2003, the Company has delivered an annualised diluted net asset value total return of 16.4% and has outperformed the Company's reference index by over 4.0% per annum.

Over a Decade of Strong Performance



Source: Thomson Reuters Datastream. Data as at 30 June 2017.
Rebased to 100 at 31 Aug 2003

Strategic Report
Chairman's Statement

Board Succession Planning

Following the merger of Standard Life plc and Aberdeen Asset Management PLC in August 2017, David Woods no longer qualifies as an independent Director under the Listing Rules, as a director is not considered independent if he or she serves on the board of more than one investment trust managed by the same group. David is also a non-executive director of Murray Income Trust PLC, which is now also managed by a subsidiary of Standard Life Aberdeen plc. As the Listing Rules also require that the Chairman of a Board must be independent, once the merger was completed, David brought forward the date upon which he stepped down as Chairman. He will retire from the Board following the AGM in October 2017 as previously announced. David has been a Director of the Company for over 11 years, including three years as Chairman and I would like to thank David for his long and distinguished service to the Company and wish him well in his retirement.

As a consequence of this, and as announced in May, Caroline Ramsay has taken on the role of Chair of the Audit and Management Engagement Committee.

We reported in the Interim Accounts that Tim Scholefield had joined the Board in February 2017. He will be proposed for election at the AGM in October 2017. Tim has extensive fund management experience, most recently as Head of Equities at Baring Asset Management and is already proving to be an invaluable addition to the Board.

AGM and London Presentation

The Annual General Meeting of the Company will be held at the offices of the Investment Manager, Standard Life Investments, 1 George Street, Edinburgh, EH2 2LL on Thursday, 26 October 2017. The meeting will start at 11.30am and will include a presentation from the Investment Manager. The Notice of Annual General Meeting can be found on pages 73 to 77 of this Annual Report.

In order to give shareholders in London an opportunity to meet the Board and the Manager, the Board intends to hold an investor presentation in the Manager's London office on Tuesday, 21 November 2017. Invitations have been sent to all recipients of the Annual Report and a copy can be downloaded from the Company's website www.standardlifeuksmallercompaniestrust.co.uk. As security at the Manager's office is tight, please ensure that you inform Computershare Investor Services plc if you are planning on attending. For security purposes, identification will also be required in order to gain entry to the building.

Standard Life Aberdeen

In March 2017, the Boards of Standard Life plc and Aberdeen Asset Management PLC announced their intention to merge the companies. This decision was approved by the shareholders of each company in June and the two companies came together in August 2017. Your Board is paying close attention to this and any possible implications for the management of your Company. It is still very early days, but the Board has been assured that the personnel and processes that have been pivotal in delivering the returns that shareholders have received will continue to operate for the Company.

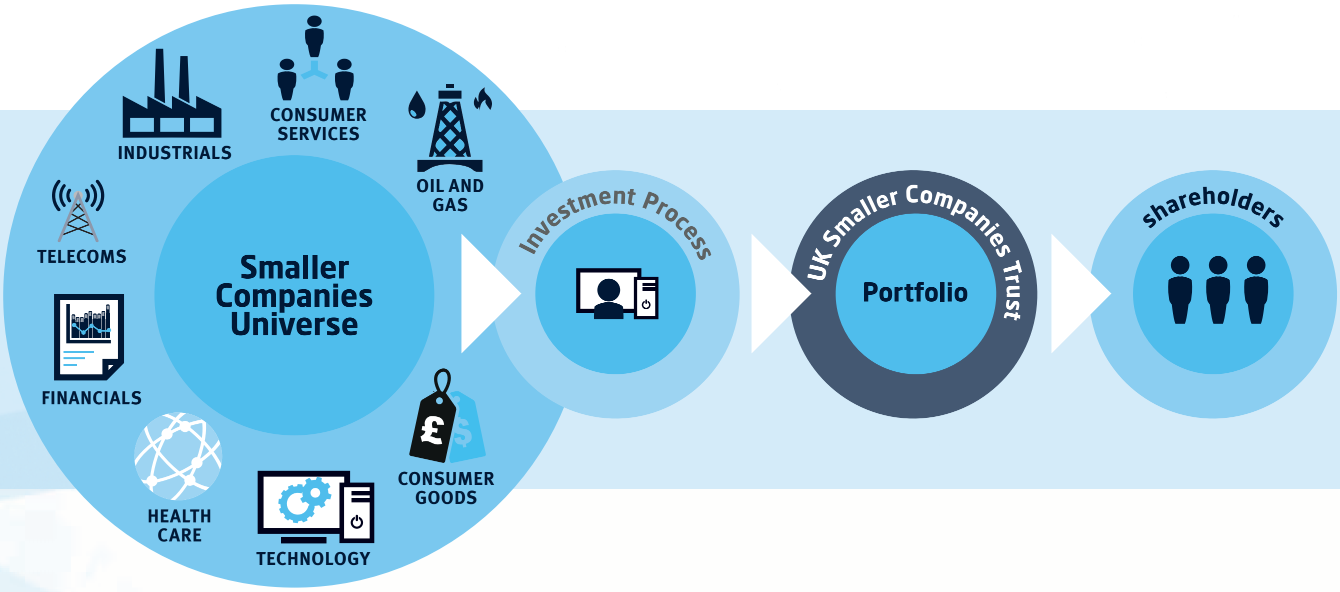
Outlook

In the last 15 months a number of events have occurred which will have significant bearing on the future macro-economic landscape and which were not foreseen by most commentators: the Brexit vote; the appointment of Donald Trump; the election of a minority government in the UK to name but three. Because these outcomes were unexpected, the immediate reaction was all the more acute as a result. The full implications of the Brexit decision, in particular, will take time to take effect, but the Board is encouraged by the performance of the Company since the referendum result and remains confident in the outlook for the Company over the long term. We expect the portfolio to continue to deliver strong earnings and dividend growth. The emphasis on risk aversion, quality and resilience, growth and momentum remains intact.

Allister Langlands
Chairman

4 September 2017

Strategic Report
Our Strategy



Standard Life UK Smaller Companies Trust plc offers an actively managed portfolio of equity shares of smaller and midsized 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' policy is that gearing will be between 5% and 25% of net assets (at the time of drawdown) in normal market conditions. The Directors have delegated responsibility to the Investment Manager, Standard Life Investments (Corporate Funds) Limited ("Investment Manager"), for the operation of the gearing level within the above parameters.

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

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 can be invested in companies that are constituents of the FTSE AIM Index.

Strategic Report
Investment Process

Standard Life Investments (SLI) provides the investment management expertise to the Company and Harry Nimmo of SLI has been the Portfolio Manager since 2003.

Investment philosophy and process

The Board has identified that SLI has a proven and repeatable investment process, which has delivered returns to shareholders over the last 13 years. The investment process adheres to SLI'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 process is flexible as it is appreciated that different factors drive markets at different times so the approach does not favour any one particular investment style. This provides opportunities to outperform throughout the economic cycle rather than only at specific times.

The Matrix

In managing the investment portfolio of the Company, the Focus on Change philosophy is enhanced by using SLI'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 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 Process

Investment characteristics

When building a portfolio of smaller companies, the Manager screens stocks using the Matrix and also considers a number of qualitative factors to help identify the best investment opportunities.

1. Sustainable growth

Companies in the portfolio will often produce niche products where demand is forecast to rise as these characteristics are the most predictive of future earnings and dividend growth.

2. Quality

The strength of each company's relationships with its customers or clients, the existence and importance of long-term contracts and the degree to which the company has any element of pricing power is important as it allows the company to pass on any cost increases and thereby maintain margins. The Manager will typically avoid companies with high or unsustainable levels of debt.

3. Buy for the long term

The Manager tries to identify the great companies of tomorrow and then hold them for the long term. This reduces the financial drag of high trading volumes.

4. Concentrate the effort

The Matrix helps identify the likely candidates for inclusion in the portfolio and reduces the risk that effort is spent on stocks that will not fulfil the criteria for inclusion within the portfolio.

5. Management longevity

Founders retaining positions of authority within the companies after flotation, along with longevity of tenure by CEOs are a positive signal. 4 of the top 10 holdings in the portfolio are still run by the company's founder. The significance of this is that founders tend to be much more attuned to the benefits of long-term investing than their successors, probably because of the scale of personal involvement.

6. Valuation is secondary

The Manager's research has led them to prefer to invest in companies which demonstrate positive earnings momentum as they believe that it is a reliable predictor of future performance.

Strategic Report

Principal Risks and Uncertainties

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

The Directors have adopted a robust framework of internal controls which is designed to monitor the principal risks and uncertainties facing the Company and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible. A description of the Directors' system of internal controls is set out in the Statement of Corporate Governance on pages 35 to 40.

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 Manager on stock selection, sector allocation, gearing and market outlook. Investment performance is reviewed in detail and discussed with the Manager at each Board meeting.

- **Capital structure and gearing risk:** The Company's capital structure, as at 30 June 2017, consisted of equity share capital comprising 68,251,333 Ordinary Shares and £13,253,889 nominal amount of CULS. The Company also held 3,375,842 Ordinary Shares in treasury.

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

- **Revenue and dividend risk:** In view of the Company's investment objective, which is to generate long-term capital growth by investment in UK quoted smaller companies, the Manager 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 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 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including the Companies Act 2006, the FCA Listing Rules, the FCA Disclosure and Transparency Rules, the Market Abuse Regulation, the Foreign Account Tax Compliance Act 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.

  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 appointed Standard Life Investments (Corporate Funds) Limited as its Alternative Investment Fund Manager (AIFM) and BNP Paribas Securities Services as its 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, further details of which may be found on page 28.

  The recent merger of Standard Life plc and Aberdeen Asset Management PLC creates additional supplier risk for the Company due to the potential for change in the way the Manager provides its services to the Company. The Board has received assurance that the key personnel and processes currently in place at the Manager will continue to operate for the Company. The Board will keep under close review any potential implications for the Company arising from the merger as the integration progresses.

- **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 Manager review regularly and discuss current geopolitical issues and seek appropriate expert advice, when necessary, in relation to managing any impacts on the Company.

  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.

Strategic Report

Management Policies

Reference Index

The Company uses the Numis Smaller Companies ex Investment Companies Index (the Numis Index) as its reference index and to assist in identifying potential investment opportunities. The Company will hold stocks outside the Numis Index, including stocks listed on FTSE AIM (the Alternative Investment Market). The Board has approved guidelines that permit the Manager to hold up to 50% of the value of the portfolio in companies listed on FTSE AIM (AIM).

The qualification criteria for being listed on AIM are less stringent than for a full listing on the London Stock Exchange. As a consequence, investors generally need to undertake higher degrees of due diligence, but recently the quality of the companies listing on AIM has improved and with it the returns from stocks on AIM have outstripped that of the Numis Index over 3 years, and are comfortably ahead of the returns from the large cap indices.

The investment process is centred on stock selection, not asset allocation. The weighting of stocks and sectors that make up the portfolio can differ significantly from the weightings of the Numis Index. For example, in the last couple of years, the portfolio has had no direct exposure to the Oil & Gas sector, despite the sector representing around 8% of the Numis Index in 2016. As a consequence, the returns generated by the portfolio may differ significantly from those generated by the Numis Index. However, the Board believe that the Manager's process of extended due diligence coupled with the quantitative analysis produced by the Matrix system will deliver returns in excess of those generated by the Numis Index over the longer term.

	NAV Total Return	Total Return			
	Std Life UK Smaller Companies	Numis Index	FTSE AIM	FTSE All-Share	FTSE 100
1 Year	35.0%	29.1%	38.5%	18.1%	16.9%
2 Years	40.6%	20.6%	31.6%	20.7%	21.4%
3 Years	60.5%	33.1%	28.4%	23.9%	21.6%
5 Years	128.4%	111.0%	51.9%	65.2%	58.2%
10 Years	242.4%	129.1%	-10.7%	68.5%	61.2%

Source: Thomson Reuters Datastream to 30 June 2017.

Discount Control Policy

The Board aims to maintain a discount level of less than 8% to the cum-income, diluted, net asset value under normal market conditions. In pursuit of this objective, the Board closely monitors the level of the discount and buys back shares in the market when it believes it is in the best interests of shareholders as a whole to do so. At each AGM, the Board seeks shareholder approval to buy back up to 14.99% of the Company's share capital.

The Company has a tender offer mechanism in place and the Board intends to continue to seek shareholder approval to enable it to carry out tender offers on a discretionary basis in circumstances where the Board believes that share buy-backs are not sufficient to maintain the discount at an appropriate level, although it expects that buy-backs should be the primary mechanism for managing the discount. The Board last exercised its discretion and conducted a tender offer in July 2015.

Employee, Environmental and Human Rights Policy

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

Strategic Report
Investment Manager's Report

Harry Nimmo
Portfolio Manager

The net asset value total return for the Company for the year to 30 June 2017 was 35.0% and the share price total return was 38.9%. By comparison, the UK smaller companies sector, as represented by the Numis Smaller Companies ex Investment Companies Index, generated a total return of 29.1%. Over the same period the FTSE 100 Index of the largest UK listed companies posted a total return of 16.9%. Standard Life Investments has managed the Company since 1 September 2003 and the share price at that time was 47.75p. The Company's share price total return has been 1,008.0% from then to the current period end, compared with a return on our reference index of 398.5%. The FTSE 100 Index total return was 187.7% over the same period.

Equity markets

At the time, the Brexit vote on 22 June 2016 was seen as a dire setback to the UK economy. It caused a sharp decline in the prices of many UK smaller companies in the final week of the Company's previous financial year. Thus, 30 June 2016 can conveniently be seen as the nadir prior to a sustained period of strength for smaller companies. Actually, the UK economy and in particular the Company's holdings, tended to perform better than expected. From a political perspective, the speedy appointment of Theresa May as Prime Minister removed the political vacuum and averted a crisis. Markets continued to respond to political events following Donald Trump's election victory. This was seen as bullish for the US and also the world economy. Furthermore, by the start of 2017, European economies had started to display sustained recovery following many years in the doldrums. Optimism continued right through until the most unexpected near failure of Theresa May at the election on 8 June 2017. "Sell in May and go away" just took on a whole new meaning. In June and July, around the election and afterwards, consumer confidence took a knock as Brexit negotiations became serious.

The period has been a tug of war between the top down "macro" investors and the "bottom up" stock pickers. The two company reporting periods in Autumn and in Spring provided reasons to be cheerful particularly within our stable companies. The Autumn reporting period last year provided an unusually buoyant clutch of results across technology, healthcare, manufacturing construction and consumer sectors. Spring was good but slightly more muted.

Strategic Report
Investment Manager's Report

Commodity prices diverged. Brent Crude found a range between $45 and $60 although it feels like this lower level might be tested as OPEC struggles to gain cohesion. Copper prices gained ground suggesting that the world economy and in particular the USA and China were in a good place. It is noticeable that copper prices responded upwards abruptly to Donald Trump's victory. Weaker gold prices through the year reflected lower levels of risk generally perceived in world markets as the VIX index (Chicago Board Options Exchange Index) reached record low levels.

US Fed Funds rates have moved up three times since October last year to a range of 1% to 1.25% reflecting Federal Reserve Chair Janet Yellen's determination to normalise monetary conditions and signal an end to quantitative easing. In the UK the opposite took place with what we consider to have been an unnecessary reduction to 0.25%.

The new issues market in the UK was more subdued and it is noticeable that the quality of new issues has gone down as compared with a golden period in 2015 and 2016.

The strength in the Alternative Investment Market (AIM) is noticeable with the FTSE AIM Index being up 38.5% in the past year compared with 29.1% for the Numis Smaller Companies ex Investment Companies Index. The private wealth management industry is fully on top of the tax benefits of AIM stocks, in particular ISA status and inheritance tax benefits. There is more to it than that however. Our analysis shows that there are more "proper" companies on AIM that make profits than there were five years ago. The number of the top 50 AIM companies paying dividends has risen from 8 to 34 since 2010. The decline in the significance of the commodity sectors coupled with a crop of strong new issues have led to the development of a much more broadly based sector exposure within the AIM market focused on growing and developing sectors and businesses. In my 2004 Manager's report, I stated that "The industry breakdown of the smaller companies market is vastly more attractive than ten years ago. It is now dominated by sectors where growth is evident and new company development is dynamic, such as IT, support services, retailing, media and healthcare". The same can now be said of AIM. Now, fully 44% of AIM is made up of IT, support services, retailing, media and healthcare, with the vast majority of them making profits and paying dividends, unlike during the techbubble era. This is why the Board of your Company has sanctioned the Company holding up to 50% of its assets in AIM listed stocks.

Performance

The Company underperformed in the first half of the financial year. The immediate impact of the unexpected US election result was negative. Investors reverted to "global macro" type, favouring recovery and commodities and de-emphasising quality, predictability and company fundamentals. It is noticeable that during reporting periods the Company performed better as our holdings came through with strong results.

In terms of sector exposure the main positives were being heavy in **Healthcare**, **Retailers** and **Food & Beverages** while not holding any **Oil & Gas** stocks. The only real negative sector weightings were not owning **Metals & Mining** stocks and being underweight in **Support Services**.

There was no bid activity for any of the holdings in the Company during the period in question.

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

Fevertree Drinks. For the second year running Fevertree made the strongest contribution to performance as the premium gin revolution continues to be felt around the world. Consumers have been impressed by the quality and provenance of Fevertree's products in comparison with erstwhile market leaders Schweppes and Britvic. Fevertree's share price rose by 137% over the year.

NMC Healthcare. The Abu Dhabi based healthcare provider traded strongly as it continued to benefit from changes in the law in Dubai which now obliges companies to provide health cover for all their foreign workers. Some well-timed acquisitions expanded their reach by medical category and by geography within the Gulf region.

First Derivatives. The Newry based "big fast data" company gained significant traction in several new market verticals such as market research analytics, utilities analysis and aerospace. They are now on a solid path of earnings revisions momentum.

CVS Group. The company is the leading consolidator of Veterinary Surgery practices in the UK. They also own chains in the Netherlands. They are gaining economies of scale as they make earning enhancing acquisitions. The specialist surgical units and pet crematoria are also performing strongly.

Gamma Communications. The telecoms service provider to small & medium sized businesses continued to consistently beat expectations.

Other strong performers were **Sanne Group**, the specialist fund administrator, **Medica**, a new issue that provides radiologist services to the NHS, **JD Sports Fashion**, the branded footwear led retailer who is expanding rapidly into Continental Europe and **Mattioli Woods**, a wealth management and employee benefit services provider.

Strategic Report
Investment Manager's Report

Again it was Numis Index constituents that we didn't own that were negative for performance. These were all Mining stocks - **Vedanta Resources**, the Indian copper producer, **Ferrexpo**, the Russian steel company, **Kaz Minerals**, the Kazakh copper producer and **Evraz**, another Russian steel producer were the biggest negatives. **Domino's Pizza** (UK & Ireland) and **EMIS** in GP's surgery software were weak throughout the year due to sub-par trading performances.

Dealing and Activity

The five largest additions to the portfolio were as follows:

RWS Holdings: RWS is a patent translation and intellectual property management business. Following the CTi and Luz acquisitions, RWS has true scale in key growth markets like North America and China. Relationships are now deeper with their customers particularly in the Pharmaceutical sector. China is a key growth market as research expenditure increases along with greater respect for international patent law. Translators at RWS have to have PhD level scientific training as well as language skills. This is not easily replicable.

Hilton Food Group: Hilton is a meat packer but no ordinary meat packer. They take over the entire beef logistics of a supermarket and manage the process on an open book, long-term basis. This delivers high returns and impeccable hygiene and provenance standards that are so important today. They have an international customer base across Europe and stretching to Australia.

James Fisher & Sons: James Fisher is a provider of a range of marine engineering services ranging from oil & gas through port services, defence, marine rescue, transportation and nuclear engineering. Organic growth is in the region of 5 to 10% but "bolt-on" acquisitions are being made regularly to push growth up into double digits. The business is international in its exposure.

Gooch & Housego: G&H is a leader in laser technology, in particular QSwitch technology in laser guided cutting. Other core product strengths would include undersea optical fibre couplings. This end market is accelerating as Amazon, Google, Facebook and others are building out their world wide networks. G&H are moving out from componentry to sub-systems. The business is most international in its orientations as well as being diversified by end markets, ranging from industrial through scientific research to aerospace and defence.

Ricardo: Ricardo is a diversified engineering consultancy slanted towards cars. Although it majors on emissions and fuel efficiency it is developing expertise in electric cars and autonomous vehicles. Non-auto segments include rail, environmental and defence.

The key period for dealing was in the three months post the Brexit vote. Our Matrix started to highlight more internationally focused business while UK orientated companies tended to show up as sells. The impact on the portfolio as a whole was to slant it significantly towards companies with international operations. This means that around 55% of the profits from the Company's portfolio are derived from outside the UK. For the Numis Smaller Companies ex Investment Companies Index as a whole that number would be around 45%.

There were fewer new issues in the year with just two, **Medica** and **Alfa Financial Software**. The former is a supplier of the scarce resource of radiologists to the NHS and private medical sector while the latter is a specialist in leasing software with an international client base. Other significant purchases included **Diploma**, the diversified specialist distributor and two new holdings, **ECO Animal Health** in animal antibiotics and **Gear4music**, the online distributor of musical instruments.

Our key sales were:

The largest sale in year was **Rightmove**, as it became too large a company for our smaller company portfolio. It is worth noting that the exit price for this holding was more than 5 times the book cost. On a similar vein it was time to say goodbye to **Shaftesbury,** the specialist in London retail property. This highly successful investment had been in the portfolio since 2004. A third stock fitting into this category was **Halma**, the specialist safety electronics company was sold as it moved up above our smaller company universe. Five other large sales of long standing holdings were **Secure Trust Bank**, **Lookers,** the auto dealer, **Computacenter** in IT hardware, **Dunelm** the retailer and **Victrex** in speciality chemicals. They all no longer complied with our matrix-led stock selection system. **Harvey Nash Group**, **Solid State**, **Sprue Aegis**, **Novae**, **Fusionex and Servelec** were sold as they no longer matched our buying criteria.

Sector Exposures: Our stock selection has produced a portfolio with significant exposure to growing sectors. It is noteworthy that four out of our top ten holdings are Healthcare companies. Indeed the Company holds fully three holdings specifically related to veterinary care:- **Dechra Pharmaceuticals**, **CVS**, the vet chain and **ECO Animal Health** in antibiotics. Food & Drink is an important sector for us now. Partly because of the success of **Fevertree** and **Nichols**, makers of Vimto, but also because of **Cranswick** and **Hilton Foods** in meat. The importance of provenance, knowing exactly where the meat comes from and extremely high standards in processing has not been lost on retailers following scares in this regard some years ago.

Strategic Report

Investment Manager's Report

The Company still has no exposure to Oil & Gas and Mining. At the smaller companies end of the market these sectors are often characterised by very high risk, cash consumptive business which in a period of uncertain commodity prices generally do not score well within our Matrix.

Income account

Dividend income that can be considered to be recurring rose by 3.6% to £5.417m, compared to £5.227m in 2016. However, total income in the year was £5.712m compared to £5.865m in 2016. The decline of 2.6% is largely explained by a reduction in the value of special dividends of over 50% from £579k to £269k. In the Outlook statement of the 30 June 2016 Manager's Report I referred to "the new wave of British smaller companies" that I expected to be "tomorrow's larger companies". There has been a natural recycling of assets from "large" more mature and thus higher yielding but slower growing companies into this "new wave". This has meant slower dividend growth in the short term but I anticipate that these companies will deliver improved capital and dividend growth in the future. It's the natural scheme of things in smaller companies.

Outlook

In March 2017, the starting gun was fired with the invoking of Article 50 of the Lisbon Treaty, bringing to an end the United Kingdom's membership of the European Union. 29 March 2019 is the target date for exit from the EU meaning that a deal needs to be apparent by October 2018 if the European and United Kingdom parliament are to have time to ratify the agreement.

There is just no way of predicting the turn of events. My guess is that the oscillation in views on the outcome will become increasingly fraught between now and October 2018. If the last year is anything to go by the last thing one should do is obsess about the macro scenarios.

If Brexit indeed works out badly for the UK it is worth remembering that our investment process focuses on quality, growth and business momentum. This should mean that our companies should be more resilient in poor market conditions related to an economic downturn in the UK. What is more, as I stated previously, the majority of our holdings have businesses that are international in their scope. Indeed a successful UK smaller company often has a business model that initially works in the UK but can then generate success in international markets. Fully seven out of our top ten largest holdings have made very significant breakthroughs outside the UK.

Investors should not become obsessed with Brexit, because in the long run, stock selection is more important than market timing, and investors and fund managers should focus on the long-term investment horizon; "running your winners" is an important maxim for our investment process. In the end, I am genuinely excited about the current line-up of stocks in the portfolio.

I see five to six years being the holding period one should be considering at the very least. In my experience that is the length of time required to deliver decent returns even through the trough of a bear market.

Our top ten holdings have an average holding period of 4 years and 4 months. On average, they have delivered a 507% return from when first purchased for the Company. They all score well on our stocks selection Matrix and may be held for some considerable time to come. Reliable "Winners" are hard to come by and should be nurtured for the long term.

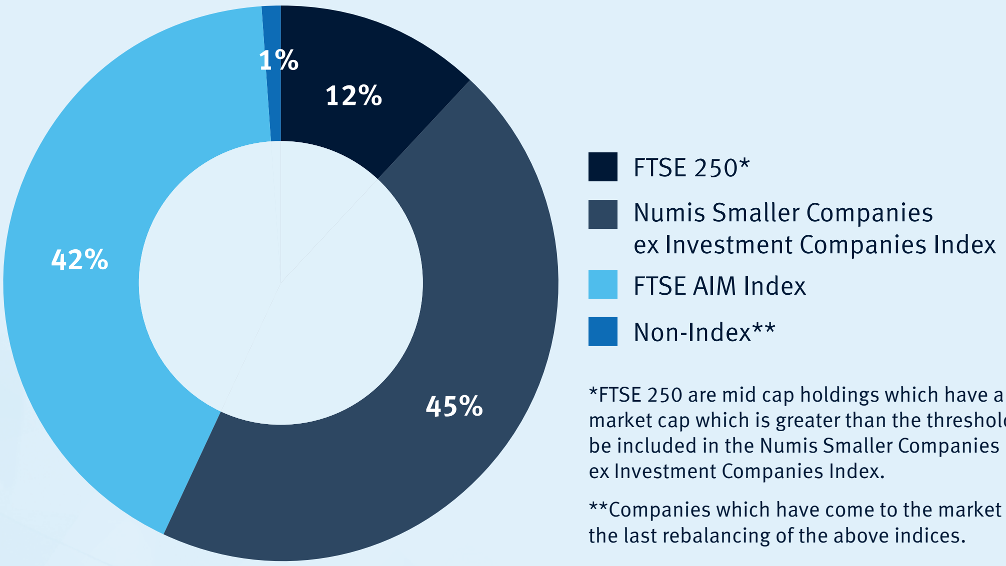
I also alluded earlier in this report to important changes in the character of AIM. This "junior" market in my view has finally come of age as a dynamic and successful venue for investing in growing smaller companies. Far more proper businesses, making money, paying dividends are in evidence. There is also broadly based sector exposure within AIM and in particular exposure to sectors that we have always found to be fertile ground for "tomorrow's larger company". Tax breaks certainly help to make AIM a great venue for investing in smaller companies that are creating wealth and jobs within the UK and further afield.

I reiterate that smaller company investing should be viewed as a long-term investment and we have no doubt that patient investors will be rewarded in the longer term. Our stable process has been seasoned by fully four economic cycles. I remain optimistic about the long-term performance of the Company.

Harry Nimmo
Standard Life Investments, Investment Manager
4 September 2017

Strategic Report
Our Portfolio

Market Cap Exposure
As at 30 June 2017



*FTSE 250 are mid cap holdings which have a market cap which is greater than the threshold to be included in the Numis Smaller Companies ex Investment Companies Index.

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

Strategic Report

Our Portfolio

Sector Exposure

As at 30 June 2017

- 21% CONSUMER SERVICES
- 23% INDUSTRIALS
- 17% CONSUMER GOODS
- 13% TECHNOLOGY
- 13% HEALTH CARE
- 7% FINANCIALS
- 5% TELECOMS
- 1% CASH & OTHER

Strategic Report

Portfolio Investments

As at 30 June 2017

Stock	Key Sector	Valuation as at 30 June 2017 £'000	Weight %	Valuation as at 30 June 2016 £'000
NMC Health	Health Care Equipment & Services	16,050	4.9	9,601
Fevertree Drinks	Beverages	13,864	4.2	6,610
First Derivatives	Software & Computer Services	12,104	3.7	6,722
Sanne Group	Support Services	10,687	3.2	5,042
Dechra Pharmaceuticals	Health Care Equipment & Services	10,574	3.2	7,290
CVS Group	General Retailers	10,419	3.1	6,471
Cranswick	Food Producers	10,094	3.1	7,513
Workspace	Real Estate Investment Trusts	9,776	3.0	7,240
Abcam	Pharmaceuticals & Biotechnology	9,750	3.0	7,712
JD Sports Fashion	General Retailers	9,722	2.9	8,129
Top ten investments		**113,040**	**34.3**	
Accesso Technology	Software & Computer Services	8,760	2.7	6,436
Gamma Communication	Mobile Telecommunications	8,610	2.6	5,390
Telecom Plus	Fixed Line Telecommunications	8,570	2.6	7,732
RWS	Support Services	8,086	2.5	-
Hilton Food Group	Food Producers	7,658	2.4	-
Hill & Smith Holdings	Industrial Engineering	7,543	2.3	3,341
Moneysupermarket.com	Media	7,364	2.2	7,896
Midwich	Support Services	7,040	2.1	3,605
4Imprint Group	Media	7,026	2.1	4,550
Ted Baker	Personal Goods	6,976	2.1	8,465
Top twenty investments		**190,673**	**57.9**	
Mattioli Woods	Financial Services	6,817	2.1	5,768
FDM Group	Software & Computer Services	6,699	2.0	3,969
GB Group	Software & Computer Services	6,448	1.9	5,982
Next Fifteen Communications	Media	6,401	1.9	3,788
Headlam	Household Goods & Home Construction	5,927	1.8	3,332
XP Power	Electronic & Electrical Equipment	5,632	1.7	3,608
Nichols	Beverages	5,534	1.7	4,134
Paypoint	Support Services	5,454	1.7	5,418
Joules Group	General Retailers	5,379	1.6	3,051
Dart	Travel & Leisure	5,156	1.6	3,815
Top thirty investments		**250,120**	**75.9**	

Strategic Report

Portfolio Investments

As at 30 June 2017

Stock	Key Sector	Valuation as at 30 June 2017 £'000	Weight %	Valuation as at 30 June 2016 £'000
Dominos Pizza	Travel & Leisure	5,115	1.6	4,985
Diploma	Support Services	5,081	1.5	-
Avon Rubber	Aerospace & Defense	5,032	1.5	5,238
Marshalls	Construction & Materials	4,916	1.5	2,410
Greggs	Food & Drug Retailers	4,875	1.5	5,238
Fisher (James) & Sons	Industrial Transportation	4,777	1.5	-
Eco Animal Health Group	Pharmaceuticals & Biotechnology	4,070	1.2	-
Medica	Health Care Equipment & Services	4,032	1.2	-
Big Yellow	Real Estate Investment Trusts	3,838	1.2	6,188
Ricardo	Support Services	3,703	1.1	-
Top forty investments		**295,559**	**89.7**	
Paragon	Financial Services	3,530	1.1	3,305
Eckoh	Software & Computer Services	3,370	1.0	2,842
Safestyle UK	General Retailers	3,254	1.0	3,042
Gear4Music	Leisure Goods	3,173	1.0	-
Boot (Henry)	Construction & Materials	2,863	0.9	1,799
Smart Metering Systems	Support Services	2,860	0.9	2,212
Gooch & Housego	Electronic & Electrical Equipment	2,665	0.8	-
Hostelworld	Travel & Leisure	2,587	0.8	969
Hotel Chocolat	Food Producers	2,457	0.7	1,180
Kainos	Software & Computer Services	2,413	0.6	1,185
Top fifty investments		**324,731**	**98.5**	
The Gym Group	Travel & Leisure	1,402	0.4	1,597
Motorpoint	General Retailers	1,384	0.4	1,988
Emis Group	Software & Computer Services	1,254	0.4	7,274
Alfa Financial Software	Software & Computer Services	816	0.3	-
Total Portfolio		**329,587**	**100.0**	

All investments are equity investments.

Number of holdings

54

Strategic Report

Ten Year Record

	Per Ordinary Share									
Year ended 30 June	Revenue return p	Ordinary Dividends p	Special Dividends p	Diluted Net asset value[1] p	Share price p	Discount[1] %	Expenses as a % of average cum income net asset value[2]	Net gearing ratio[3] %	Equity Shareholders' funds £m	Revenue reserves £m [4]
2008	1.94	1.00	0.60	139.14	119.50	14.1	1.30	4.7	46	0.96
2009	2.56	1.60	-	111.23	100.50	9.6	1.17	3.7	70	1.28
2010	2.86	2.50	-	154.04	136.50	11.4	1.17	1.0	97	1.76
2011	4.35	2.75	1.00	240.65	237.00	1.5	1.00	8.8	155	2.96
2012	3.50	3.10	-	215.61	203.00	5.8	0.96	5.8	140	2.80
2013	4.58	4.05	-	281.58	280.50	0.4	1.28	8.8	193	3.69
2014	5.05	4.50	-	298.92	281.25	5.9	1.19	(4.6)	219	4.34
2015	6.76	5.80	-	336.89	300.00	10.9	1.19	4.1	243	5.83
2016	6.76	6.60	-	345.43	316.00	8.5	1.13	3.6	241	6.50
2017	6.42	6.70	-	456.60	431.00	5.6	1.08	1.7	324	6.26

(1) Calculated with debt at par value and diluted for the effect of warrants in issue for the years ended 30 June 2008 to 30 June 2009 and the effect of CULS conversion from 31 March 2011 onwards.
(2) Calculated as an average of shareholders funds throughout the year for the years ended 30 June 2008 to 30 June 2017
(3) Net gearing ratio calculated as debt less cash invested in AAA rated money market funds and short-term deposits divided by net assets.
(4) Revenue reserves are reported prior to paying the final dividend for the year.

The performance fee was removed on 1 July 2012 but up to 30 June 2012 it was allocated 100% to capital when payable.

Future Strategy

The Board and Manager intend to maintain the strategic policies set out in the Strategic Report for the year ending 30 June 2018 as it is believed that these are in the best interests of shareholders.

Approval of Strategic Report

The Strategic Report was approved by the Board of Directors on 4 September 2017 and signed on its behalf by:

Allister Langlands
Chairman

4 September 2017

Governance

Board of Directors

The Board of Directors of the Company is a highly experienced group of individuals with deep insights into investment trusts and the financial services world. The Board works closely with the Investment Manager, Standard Life Investments, to deliver shareholder value.

The Board is responsible for stewardship, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management.

Governance
Board of Directors

Allister Langlands
Chairman

Allister was appointed as a Director on 1 July 2014 and was appointed Chairman on 22 August 2017 and Chairman of the Nomination Committee. Allister is a chartered accountant and was, until 2014, Chairman of John Wood Group PLC, having served as chief executive from 2007 to 2012 and previously as deputy chief executive from 1999 and as group finance director from 1991. He is also independent non-executive Chairman of Maven Income and Growth VCT 5 plc. Allister was, until July this year, Chairman of Exova Group plc and a non-executive director of WS Atkins plc.

Carol Ferguson
Senior Independent Director

Carol was appointed as a Director on 4 February 2009 and is the Company's Senior Independent Director. She is a chartered accountant. Carol is Chairman of Invesco Asia Trust plc, a non-executive director of BlackRock Greater Europe Investment Trust plc, and is the senior independent director of Vernalis plc where she also chairs the Audit Committee.

Caroline Ramsay
Director

Caroline was appointed as a Director on 22 August 2016 and was appointed Chairman of the Audit and Management Engagement Committee on 22 August 2017. Caroline is currently a non-executive Director of Aegon UK where she also chairs the Audit Committee. She is a non-executive director of Tesco Underwriting Limited and Brit Syndicates Limited and is a member of the Financial Conduct Authority's Regulatory Decisions Committee. Until June 2015, Caroline was the Group Chief Auditor for RSA plc having held previous senior positions at RSA plc including UK Chief Financial Officer. After qualifying and practising as a chartered accountant with KPMG, she held various roles within Aviva Plc.

Tim Scholefield
Director

Tim was appointed as a Director on 20 February 2017. Tim is an Associate of the Society of Investment Professionals and previously held roles at Royal Sun Alliance Investments and Scottish Widows Investment Partnership. He was, until 2014, Head of Equities at Baring Asset Management. Tim is currently Chairman of City Merchants High Yield Trust Ltd, a non-executive Director of F&C Capital and Income Investment Trust Plc and Fidelity Asian Values Plc. In addition, he is a member of the Investment Committee of the General Medical Council and is Chairman of the Investment Management Certificate Panel.

David Woods
Director

David was appointed as a Director on 5 May 2005 and was Chairman from February 2014 to August 2017. As announced, David intends to retire from the Board following the conclusion of the 2017 AGM. David qualified as a Fellow of the Institute of Actuaries in 1973 and has spent more than 40 years working in the life insurance and investment industries both in the UK and abroad. He is a non-executive director of Murray Income Trust PLC. He is also Chairman of the Pension Fund Trustees for all of the UK companies in the Sopra Steria Group. Earlier this year, David retired from the Board of Phoenix Group Holding PLC.

Governance

Directors' Report

The Directors present their report and the audited Financial Statements of the Company for the year ended 30 June 2017.

Principal Activity and Status

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

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

Capital Structure

The Company's issued share capital at 30 June 2017 and as at the date of this Annual Report, consisted of 68,251,333 Ordinary Shares of 25 pence, with voting rights, and £13,253,889 nominal of CULS (2016 – 67,421,054 Ordinary Shares and £16,276,812 nominal of CULS). The CULS are listed on the London Stock Exchange and are tradeable assets.

As at 30 June 2017 and as at the date of this Annual Report, there were 3,375,842 Ordinary Shares held in treasury representing approximately 4.9% of the issued share capital as at that date (30 June 2016 – 4,206,121 (6.2%)).

During the year, the Company issued a total of 1,274,097 Ordinary Shares from treasury. This comprised 378,514 Ordinary Shares issued as a result of the eleventh conversion of CULS as at 30 September 2016 and 895,583 Ordinary Shares issued as a result of the twelfth conversion of CULS as at 31 March 2017.

During the year, the Company bought back 443,818 Ordinary Shares into treasury representing 0.65% of the shares in issue as at 30 June 2017 (2016 – 3,470,930 Ordinary Shares bought back into treasury following the 30 June 2015 tender offer).

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

Discount Control

On 1 December 2015, the Board announced that it had decided to reduce the hard discount target level at which the Company operates from 10% to 8% of diluted net asset value. The Board also announced that, under normal market conditions, it would aim to use its 14.99% share buy-back authority approved by shareholders at the 2015 AGM to seek to maintain a discount level of less than 8% to diluted net asset value. Share buy-backs will only be made where the Board believes it to be in the best interests of shareholders as a whole and the making and timing of share buy-backs will be at the discretion of the Board. The Board is seeking to renew its buy-back authority at the forthcoming AGM. The Board also intends to continue to seek shareholder approval to enable it to carry out tender offers in circumstances where the Board believes that share buy-backs are not sufficient to maintain the discount at an appropriate level.

Convertible Unsecured Loan Stock

The Company issued £25 million nominal of CULS on 28 March 2011. The Board believes that this structural gearing enhances the Manager's ability to increase capital returns. The net proceeds of the issue were used to repay the existing debt facility and the balance is available to be invested by the Manager in accordance with the Company's investment policy.

The CULS offers a coupon of 3.5% per annum and may be converted into Ordinary Shares on 30 September and 31 March each year up to 31 March 2018 at a fixed price per Ordinary Share of 237.2542p. Any holder of CULS is entitled to convert part or all of their holding into Ordinary Shares. Further information on conversion may be found in the announcement made by the Company on 23 August 2017, a copy of which may be downloaded from the Company's website (see page 70: Key Contacts for details) or by consulting the reverse side of the CULS certificate.

In the event that any remaining holders do not elect to convert their CULS into Ordinary Shares prior to 31 March 2018, the Trustee, appointed when the CULS were issued, has the ability, at its sole discretion, to exercise the rights to convert the remaining CULS and sell the Ordinary Shares allotted on such conversion. In such an event, the proceeds, net of any administration costs, would be distributed to the former holders of the CULS. If this discretion is not exercised by the Trustee, the nominal value of any CULS not previously redeemed, purchased or converted will be repaid by the Company on 31 March 2018.

The twelfth interest payment to holders of CULS, covering the period from 31 March 2017 to 29 September 2017, shall be made to holders of CULS on 29 September 2017. The payment will be made to holders of CULS on the CULS register as at close of business on 1 September 2017. The ex-dividend date is 31 August 2017.

Governance

Directors' Report

Directors

Biographies of the Directors of the Company who served throughout the year ended 30 June 2017 are shown on page 26. Tim Scholefield was appointed to the Board on 20 February 2017 and his biographical details are also set out on page 26.

The Directors' interests in the Ordinary share capital and CULS of the Company at 30 June 2017 and 30 June 2016, which were unchanged as at the date of this Annual Report, are shown in the table on page 34.

As announced on 22 August 2017, David Woods stepped down as Chairman of the Company and will retire from the Board following the conclusion of the 2017 AGM and will not seek re-election. Allister Langlands has assumed the role of Chairman and has stepped down as Chair of the Audit and Management Engagement Committee. Caroline Ramsay has taken over that role. Tim Scholefield, having been appointed to the Board during the year under review, will offer himself for election at the 2017 AGM. All of the other Directors will retire and, being eligible, will offer themselves for re-election as Directors at the 2017 AGM to be held on 26 October 2017. The Board's policy on tenure may be found in the Statement of Corporate Governance on page 37.

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

Directors' and Officers' Liability Insurance

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

Investment Management Agreement

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

A new IMA was entered into on 7 July 2014, appointing Standard Life Investments (Corporate Funds) Limited as the Company's Alternative Investment Fund Manager (AIFM), as required by the Alternative Investment Fund Managers Directive (AIFMD). The commercial terms of the IMA were updated by way of a side letter to the IMA dated 16 and 22 March 2016 and provided for a new fee structure and new notice period. Accordingly, from 1 January 2016, the management fee is charged applying the rate of 0.85% to the first £250m of total assets, reducing to 0.65% on total assets above this threshold, and there is no performance fee. From 1 January 2016, the IMA is terminable by either party on not less than six months' notice (previously one years' notice). In the event of termination on less than the agreed notice period, compensation is payable in lieu of the unexpired notice period. Company secretarial and administrative services are provided by Maven Capital Partners UK LLP under a separate agreement with the Manager.

The Board has reviewed both the terms of the IMA and the performance of the Manager for the year ended 30 June 2017 and is of the opinion that the continuing appointment of the Manager, on the terms set out in the IMA (as amended), is in the best interest of shareholders as a whole. The key factors taken into account in reaching this decision were the commitment, investment skills and experience of the Manager's personnel and the long-term record of its performance in managing smaller company equities.

Within the Income Statement, 75% of the investment management fee has been charged to capital for the year ended 30 June 2017. Further details of the fees are shown in Note 3 to the Financial Statements.

Substantial Interests

Information provided to the Company by major shareholders pursuant to the FCA's Disclosure and Transparency Rules are published by the Company via a Regulatory Information Service.

The table below sets out the interests in 3% or more of the issued share capital of the Company, of which the Board was aware, as at 30 June 2017.

Fund Manager	Number of Shares	%
Brewin Dolphin	7,509,309	11.00
Hargreaves Lansdown	5,767,658	8.45
Alliance Trust Savings	4,632,603	6.79
M&G Investment Management	4,602,263	6.74
Standard Life Investments	3,763,923	5.51
Investec Wealth & Investment	3,685,620	5.40
Transact	3,542,783	5.19
Speirs & Jeffrey	2,856,006	4.18
West Yorkshire Pension Fund	2,059,694	3.02

Source: RD:IR

Directors' Report

The table below sets out the interests in 3% or more of the issued share capital of the Company, of which the Board was aware, as at 31 August 2017 (being the last practicable date prior to the publication) of this Annual Report.

Name of shareholder	Number of Ordinary Shares	%
Brewin Dolphin	7,673,112	11.24
Hargreaves Lansdown	5,877,075	8.61
Aberdeen Standard Investments	4,733,743	6.94
Alliance Trust Savings	4,617,754	6.77
M&G Investment Management	4,589,254	6.72
Investec Wealth & Investment	3,839,736	5.63
Transact	3,424,095	5.02
Speirs & Jeffrey	2,896,541	4.24
West Yorkshire Pension Fund	2,059,694	3.02

Source: RD:IR

Going Concern

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

The Company had no bank borrowings at 30 June 2017 (2016: nil).

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on page 14 and, having reviewed forecasts detailing revenue and liabilities, the Directors believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of the Financial Statements. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

Viability Statement

In accordance with Provision C.2.2 of the UK Corporate Governance Code published in April 2016 and Principle 21 of the AIC Code of Corporate Governance published in July 2016, the Board has assessed the Company's prospects for a five year period. The Board considers five years to be an appropriate period for an Investment Trust company with a portfolio of equity investments and based on the financial position of the Company as detailed in the Strategic Report of this Annual Report.

The Board has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities and draws attention to the following points which the Board took into account in its assessment of the Company's future viability:

a) The Company's investments are traded on the London Stock Exchange and there is a spread of investments held.

b) The Company is closed ended in nature and therefore does not require to sell investments when shareholders wish to sell their shares.

c) The Company's cash balance (including money market funds) at 30 June 2017 was £7.6m.

d) The Board has considered the principal risks faced by the Company, together with the steps taken to mitigate these risks, as detailed in the Strategic Report and in the Statement of Corporate Governance and referred to in Note 15 of the Financial Statements and has concluded that the Company would be able to take appropriate action to protect the value of the Company. The Company takes any potential risks to its ongoing success and ability to perform very seriously and works hard to ensure that risks are kept to a minimum at all times.

e) Due to the nature of the business of the Company and the nature of its investments and to the Company's long history, the Board are able to conclude that expenses are predictable and modest in relation to asset values.

f) There are no capital commitments currently foreseen that would alter the Board's view.

As detailed in the Financial Highlights on pages 4 and 5, the Company has performed strongly over the past year and since the appointment of the current Investment Manager in 2003. The Directors consider the Company's future prospects to be positive, as highlighted in the Chairman's Statement on pages 6 to 9.

In assessing the Company's future viability, the Board has assumed that investors will wish to continue to have exposure to the Company's activities, in the form of a closed ended entity, performance will continue to be satisfactory, and the Company will continue to have access to sufficient capital.

Therefore, after careful consideration of the Company's current position and future prospects and taking into account its risk-aware attitude, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of its assessment.

Governance

Directors' Report

Independent Auditor

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

The Board announced in the 2016 Annual Report that it intended to put the audit of the Company out to tender. Following the completion of an audit tender process, the detail of which can be found in the Report of the Audit and Management Engagement Committee on pages 41 to 43, the Board is recommending to shareholders that KPMG LLP be approved as the Company's new auditor at the AGM on 26 October 2017.

Global Greenhouse Gas Emissions

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

Additional Information

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

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

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 35 to 40. The Company's Articles of Association may only be amended by a Special Resolution passed at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the IMA with the Manager, further details of which are set out on page 28, the Company is not aware of any contractual or other agreements which are essential to its business which could reasonably be expected to be disclosed in the Directors' Report.

Annual General Meeting

The Notice of the Annual General Meeting, which will be held on Thursday, 26 October 2017, and related notes may be found on pages 73 to 77 of this Annual Report.

Issue of Ordinary Shares by the Company

Among the Resolutions being put to the AGM as Ordinary Business, Resolution 10, which is an Ordinary Resolution, will, if passed, renew the Directors' authority to allot new Ordinary Shares up to a nominal value of £1,706,283. This will allow the Directors to allot up to 6,825,132 Ordinary Shares (being approximately 10% of the issued share capital of the Company as at the date of this Annual Report) (excluding treasury shares).

Resolution 11, which is a Special Resolution, will, if passed, renew the Directors' existing authority to allot new Ordinary Shares or sell treasury shares for cash without the new Ordinary Shares first being offered to existing shareholders in proportion to their existing holdings. This will give the Directors authority to make limited allotments or sell shares from treasury of up to a nominal value of £1,706,283, being up to 6,825,132 Ordinary Shares, representing approximately 10% of the total ordinary issued share capital, excluding treasury shares. The authority to issue shares on a non pre-emptive basis includes shares held in treasury (if any) which the Company sells or transfers, including pursuant to the authority conferred by Resolution 10. Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them.

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

As at 30 June 2017 and as at the date of this Annual Report there were 3,375,842 Ordinary Shares held in treasury representing approximately 4.9% of the Company's issued capital as at 30 June 2017 (30 June 2016: 4,206,121 (6.2%)).

The authorities being sought under Resolutions 10 and 11 shall expire at the conclusion of the next AGM in 2018 or, if earlier, on the expiry of 15 months from the date of the passing of the Resolutions, unless such authority is renewed prior to such time. The Directors have no current intention to exercise these authorities and will only do so if they believe it is advantageous and in the best interests of shareholders.

Directors' Report

Purchase of the Company's Ordinary Shares

The Company's buy-back authority was last renewed at the AGM on 27 October 2016. Special Resolution 12 renews the Board's authority to make market purchases of the Company's Ordinary Shares in accordance with the provisions contained in the Companies Act 2006 and the FCA's Listing Rules. Accordingly, the Company will seek the authority to purchase up to a maximum of 14.99% of the issued share capital (excluding treasury shares) at the date of passing of Resolution 12 (being approximately 10,230,874 Ordinary Shares as at the latest practicable date prior to the publication of this document) at a minimum price of not less than 25 pence per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

The Board does not intend to use this authority to purchase the Company's Ordinary Shares, unless to do so would result in an increase in the net asset value per Ordinary Share and would be in the best interests of shareholders. Any Ordinary Shares purchased shall either be cancelled or held in treasury. The authority being sought shall expire at the conclusion of the AGM in 2018 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 12 unless such authority is renewed prior to such time.

Sale of treasury shares

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

Tender Offers

In addition to the authority that is being sought by the Company under Resolution 12 to purchase its own shares of 25 pence each, Special Resolution 14 grants the Board the authority to implement one or more tender offers and to repurchase up to a maximum of 10% of the Company's issued share capital in the financial year prior to the conclusion of the next AGM to be held in 2018. If Resolution 14 is passed the tender offers will be structured by way of an on-market offer by a market-maker and the price will be an amount equal to the realisation value of the assets attributable to the shares tendered, as at the latest practicable date before such tender, less an exit charge of 2%. The shares will subsequently be bought back by the Company from the market-maker at the same price and cancelled or held in treasury.

If Resolution 14 is passed, such authority will expire at the conclusion of the Company's next AGM in 2018, unless renewed prior to that date.

Any future tender offer will be conducted at the Board's discretion in circumstances where the Board believes that share buy-backs are not sufficient to maintain the discount at an appropriate level. Any tender offers will be conducted in accordance with the FCA's Listing Rules and the rules of the London Stock Exchange. If the Board decides to implement a tender offer, shareholders will be notified prior to each tender offer of the full terms and conditions of the tender offer and the procedure for tendering shares.

Notice of Meeting

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

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where it is considered to be in the interests of all shareholders. If Resolution 15 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the AGM in 2018 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 15, unless renewed prior to such time.

Recommendation

Your Board considers Resolutions 1 to 10 inclusive and Resolution 13, which are all Ordinary Resolutions, and Resolutions 11, 12, 14 and 15, all of which are Special Resolutions, to be in the best interests of the Company and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders vote in favour of Resolutions 1 to 15 inclusive to be proposed at the AGM on 26 October 2017.

By order of the Board,

Maven Capital Partners UK LLP
Company Secretary

4 September 2017

Directors' Remuneration Report

This report has been prepared, in accordance with the requirements of Section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. An Ordinary Resolution for the approval of this report will be put to the members of the Company at the forthcoming AGM. The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report on pages 45 to 49.

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

As at 30 June 2017, the Company had five non-executive Directors and their biographies are shown in the Board of Directors section of this Annual Report on page 26. The names of the Directors who served during the year together with the fees paid during the year are shown in the table on page 34.

At the 2014 AGM, Shareholders approved the Company's Remuneration Policy for the three-year period ending 30 June 2017 (99.73% of the votes were cast in favour of the Company's Remuneration Policy and 0.27% votes were cast against). It is the Board's intention that the Company's Remuneration Policy, which is detailed below and which remains unchanged since approved by shareholders at the 2014 AGM, be put to a shareholders' vote at least once every three years and accordingly, an Ordinary Resolution for the approval of the Company's Remuneration Policy for the three years to 30 June 2020 will be proposed at the 2017 AGM.

Remuneration Policy

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

A copy of the Remuneration Policy may be inspected by the members of the Company at its Registered Office.

During the year ended 30 June 2017, the Board was not provided with advice or services by any person in respect of its consideration of the Directors' remuneration. However, in the application of the Board's policy on Directors' remuneration, the Committee reviews the fees paid to the directors of other investment trust companies.

The level of Directors' fees remained unchanged for the year to 30 June 2017 and remained at the level agreed from 1 July 2015 being £30,000 for the Chairman, £23,000 for the Chairman of the Audit and Management Engagement Committee and £20,000 for each other Director.

During the year ended 30 June 2017, the Board carried out a review of the Remuneration Policy and the level of Directors' fees and recommended that the rates of remuneration should be increased by 5% for the year to 30 June 2018. From 1 July 2017, the Chairman's fee will be £31,500, the Chairman of the Audit & Management Engagement Committee will be £24,150 and £21,000 for each other Director. The Committee considered that the revised total Directors' remuneration is reasonable when compared to other similar investment trust companies in its peer group.

Governance

Directors' Remuneration Report

Directors' Fees and Total Remuneration

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

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

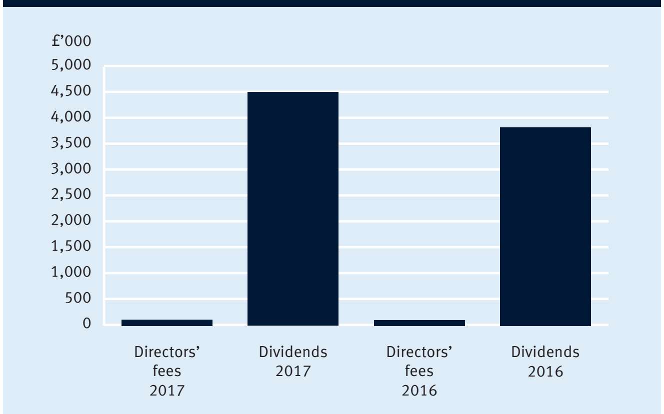
Notwithstanding the Articles, the Board has agreed that all Directors should retire annually and seek re-election at the AGM. There is no notice period and no provision for compensation upon early termination of appointment, save for any arrears of fees which may be due.

During the year ended 30 June 2017, no communication has been received from shareholders regarding Directors' remuneration. The Remuneration Policy and the level of fees payable is reviewed annually by the Board and it is intended that the current policy will continue for the year ending 30 June 2018.

Relative Cost of Directors' Remuneration

To enable shareholders to assess the relative importance of spend on Directors' remuneration, the chart below shows for the years ended 30 June 2016 and 30 June 2017, the cost of Directors' fees compared with the level of dividend distribution.

Relative Cost of Directors' Remuneration (£'000)



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

At the AGM held on 27 October 2016, the results in respect of the Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 30 June 2016 was as follows:

	Percentage of votes cast for	Percentage of votes cast against
Directors' Remuneration Report	99.86%	0.14%

A Resolution will be put to shareholders at the 2017 AGM to approve the Directors' Remuneration Report for the year ended 30 June 2017.

Directors' and Officers' Liability Insurance

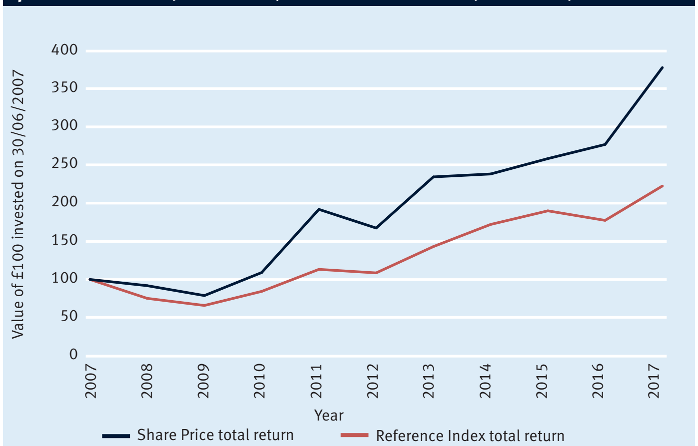
The Company purchases and maintains liability insurance covering the Directors and Officers of the Company. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

Company Performance

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

The graph below compares the total returns on an investment of £100 in the Ordinary Shares of the Company for the ten years to 30 June 2017, assuming all dividends are reinvested, with the total shareholder return on a notional investment of £100 from the Numis Smaller Companies excluding Investment Companies Index. This index was chosen for comparison purposes as it is the Company's reference index.

Total cumulative Ordinary share price total return for ten year period ended 30 June 2017 (rebased to 100 at 30 June 2007)



Source: Thomson Reuters Datastream

Governance

Directors' Remuneration Report

Directors' Remuneration (audited)

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

Director	Year ended 30 June 2017 Fees £	Year ended 30 June 2017 Taxable expenses £	Year ended 30 June 2017 Total £	Year ended 30 June 2016 Fees £	Year ended 30 June 2016 Taxable expenses £	Year ended 30 June 2016 Total £
David Woods	30,000	543	30,543	30,000	0	30,000
Allister Langlands	23,000	1,224	24,224	23,000	1,381	24,381
Carol Ferguson	20,000	3,260	23,260	20,000	1,295	21,295
Caroline Ramsay[1]	17,204	4,556	21,760	-	-	-
Lynn Ruddick[2]	6,667	2,902	9,569	20,000	1,611	21,611
Tim Scholefield[3]	7,083	531	7,614	-	-	-
Donald MacDonald[4]	-	-	-	12,590	-	12,590
Total	**103,954**	**13,016**	**116,970**	**105,590**	**4,287**	**109,877**

1. Caroline Ramsay appointed 22 August 2016
2. Lynn Ruddick retired 27 October 2016
3. Tim Scholefield appointed 20 February 2017
4. Donald MacDonald retired 16 February 2016

The above amounts exclude any employers' national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and none of the Directors received compensation for loss of office or non-cash benefits for the year ended 30 June 2017 (2016: £nil).

There are no outstanding Directors' fees payable at the year ended 30 June 2017 (2016: £nil).

Directors' Interests (audited)

The Directors' Interests in the Ordinary share capital and CULS of the Company, which remain unchanged as at the date of this report, are shown below. There is no requirement for Directors to hold shares in the Company.

	Ordinary Shares held at 30 June		CULS held at 30 June	
	2017	2016	2017	2016
David Woods	5,000	5,000	980	980
Carol Ferguson	44,512	31,727	12,446	12,446
Allister Langlands	95,000	95,000	-	-
Caroline Ramsay	4,545	-	-	-
Tim Scholefield	3,964	-	-	-
Total	**153,021**	**131,727**	**13,426**	**13,426**

Approval

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

Allister Langlands
Director

4 September 2017

Governance

Statement of Corporate Governance

Introduction

The Board is accountable to the Company's shareholders for high standards of corporate governance and this statement describes how the Company applies the main principles identified in the UK Corporate Governance Code ("the Governance Code") issued in April 2016. The Governance Code is available from the website of the Financial Reporting Council at www.frc.org.uk. The Association of Investment Companies ("the AIC") has published its own Code on Corporate Governance ("the AIC Code"), by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide"), (July 2016 editions), which provide a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest alternative approaches to those set out in the Governance Code. Both the AIC Code and AIC Guide are available from the AIC website at www.theaic.co.uk.

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

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

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

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

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

The Board

Following the appointment of Caroline Ramsay on 22 August 2016 and Tim Scholefield on 20 February 2017, the Board, of three males and 2 females, consists of a non-executive Chairman, Allister Langlands, and four non-executive Directors. The names and biographies of those Directors who held office at 30 June 2017 and at the date of this Annual Report, appear on page 26 and indicate their range of investment, industrial, commercial and professional experience. Carol Ferguson is the Company's Senior Independent Director.

Other than David Woods, who serves on the board of more than one investment trust managed by the same group, all Directors are considered under the Codes to be independent of Standard Life Investments (Corporate Funds) Limited ("the Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

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

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to review of quarterly management accounts;
- monitoring Companies Act 2006 requirements such as approval of the Half-Yearly Financial Report and Annual Report and Financial Statements and approval and recommendation of any dividend;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;
- appointment and removal of the Manager and the terms and conditions of the Investment Management Agreement relating thereto; and
- London Stock Exchange/UK Listing Authority/Financial Conduct Authority - responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his/her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with

Governance

Statement of Corporate Governance

his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations which will require to be authorised by the Board. Authorisations given by the Board will be reviewed at each Board meeting.

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

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

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

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

The Board formally met on five occasions during the year ended 30 June 2017. Details of attendance by each of the Directors and Committee members at Board and other Committee meetings are shown in the table below. Between meetings, the Board maintains regular contact with the Manager.

The primary focus at regular Board meetings is a review of investment performance and associated matters including gearing, marketing and investor relations, peer group information and industry issues.

	Board Meetings	Audit and Management Engagement Committee Meetings	Nomination Committee
Allister Langlands	5 (5)	2 (2)	2 (2)
Carol Ferguson	5 (5)	2 (2)	2 (2)
Caroline Ramsay	5 (5)	2 (2)	2 (2)
Lynn Ruddick[1]	2 (2)	1 (1)	–
Tim Scholefield[2]	2 (2)	1 (1)	1 (1)
David Woods	5 (5)	2 (2)	2 (2)

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

[1] Lynn Ruddick retired from the Board following the conclusion of the AGM on 27 October 2016.

[2] Tim Scholefield was appointed on 20 February 2017.

In addition, members of the Board attended a total of seven additional meetings in the year including the AGM of the Company and other committee meetings dealing with matters such as the approval of the annual and interim results, the issue of Ordinary Shares following CULS conversions, discount control and the audit tender process.

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

External Agencies

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

Board Committees

The terms of reference for each of the two Board Committees, which are reviewed annually, are available for download from the Company's website: www.standardlifeuksmallercompaniestrust.co.uk

Audit and Management Engagement Committee

Information regarding the composition, responsibilities and activities of the Audit and Management Engagement Committee are detailed in the Report of the Audit and Management Engagement Committee on pages 41 to 43.

Governance

Statement of Corporate Governance

Nomination Committee

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

The main responsibilities of the Committee include:

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

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

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

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

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

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

Lynn Ruddick, a Director who served during the year to 30 June 2017, retired from the Board following the conclusion of the 2016 AGM on 27 October 2016.

David Woods, a Director who served during the year to 30 June 2017, retired as Chairman on 22 August 2017 and will retire from the Board following the conclusion of the 2017 AGM and will not stand for re-election.

Carol Ferguson, Allister Langlands and Caroline Ramsay will retire, and being eligible, will each offer themselves for re-election as a Director at the 2017 AGM.

During the year, the independent search consultancy, Trust Associates Limited, was used to assist in the selection of a new Director. This company has no other relationship with the Company or with any of the Directors. The search was successful and Tim Scholefield was appointed to the Board on 20 February 2017. Accordingly, Tim Scholefield, having been appointed as a Director during the year, will stand for election at the 2017 AGM.

In their absence, each of Carol Ferguson, Caroline Ramsay and Tim Scholefield have been evaluated by their fellow Directors. The Board considers that none of their other commitments (as set out on page 26 of this Annual Report) interfere with the discharge of their responsibilities to the Company and is satisfied that they individually make sufficient time available to serve the Company effectively. There have been no significant changes to the other commitments of each of

Statement of Corporate Governance

Carol Ferguson, Caroline Ramsay and Tim Scholefield. The outcome of this evaluation was satisfactory in each case. The Board considers that, due to their individual skills, experience and commitment, Carol Ferguson and Caroline Ramsay each merit re-election as a Director and shareholders are encouraged to support the AGM resolutions in respect of their individual re-elections. The Board considers that due to his individual skills, experience and commitment, Tim Scholefield merits election as a Director and shareholders are encouraged to support the AGM resolution for his election.

The Committee, at their meeting in February 2017, noting that David Woods had indicated his intention to retire from the Board following the conclusion of the 2017 AGM, considered the skills, experience and commitment of Allister Langlands and recommended to the Board that he be appointed Chairman following the retirement of David Woods. The Board consider that none of his other commitments (as set out on page 26 of this Annual Report) interfere with the discharge of his responsibilities to the Company and is satisfied that he will make sufficient time available to serve the Company as Chairman effectively. There have been no significant changes to the other commitments of Allister Langlands.

As reported in the Chairman's Statement, David Woods retired as Chairman of the Company on 22 August 2017 due to him no longer being considered independent under the Listing Rules following the merger of Standard Life plc and Aberdeen Asset Management PLC. Allister Langlands assumed the role of Chairman at that time.

The Board considers it appropriate that Allister Langlands be recommended as a Director and that he continue to serve as Chairman of the Company. Accordingly, shareholders are encouraged to support the AGM resolution in respect of his re-election.

The Board will carry out a performance evaluation of Allister Langlands as Chairman as part of the next Board Evaluation process in 2018.

As permitted under the FCA's Listing Rules, which allow the Company to dispense with appointing a separate remuneration committee, the Nomination Committee fulfils the requirement to review regularly the level of Directors' remuneration. The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 32 to 34.

Although the Company does not have a formal policy on diversity, as detailed on page 37, consideration of Board diversity forms part of the responsibilities of the Nomination Committee.

Communication with Shareholders

The Company reports formally to shareholders twice a year by way of the Half-Yearly Financial Report and the Annual Report which each include an analysis of the risks and uncertainties facing the Company. A monthly factsheet is published on the Company's website and is available to all shareholders on request: see Key Contacts (page 70) for details. The Company's net asset value is published each business day. In addition, details of all portfolio investments are published via the London Stock Exchange and the Company's website on a monthly basis (monthly in arrears).

Further details of the Company's policy on shareholder communications, including documents to be made available on the Company's website, may be found on page 71.

The Directors are always available to discuss issues of concern or areas of uncertainty with any shareholders and key contacts for the Company may be found on page 70.

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

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

Each person attending the AGM as a proxy is entitled to vote on a show of hands. A separate resolution is proposed in respect of each substantially separate issue. The results of proxy voting are relayed to shareholders after the resolutions have been voted on by a show of hands. The result of any poll will subsequently be made available on the Company's website. In order to ensure that detailed discussion of key issues is possible, the Company normally aims to circulate to shareholders the Annual Report and the Notice of AGM not less than 20 working days before the date of the meeting.

The Directors undertake a programme of inviting major shareholders to discuss issues of governance or strategy with the Chairman or Senior Independent Director. In addition, the Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.

The Notice of Annual General Meeting on pages 73 to 77 sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report on pages 30 and 31. Separate resolutions are proposed for each substantive issue.

Shareholders have direct access to the Company, including the Chairman and the Senior Independent Director by contacting the Company Secretary. See Key Contacts (page 70) for details.

Governance

Statement of Corporate Governance

Internal Control and Risk Management

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

Following publication by the Financial Reporting Council of "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" ("the FRC Guidance"), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and is regularly reviewed by the Board and accords with the FRC Guidance. The Board has reviewed the effectiveness of the system of internal control and risk management. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are detailed in the Strategic Report on page 14.

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

- the Manager prepares management reports which allow the Board to assess the Company's activities and review its performance;
- the Board and Manager have agreed a defined investment policy and relevant reports, including performance statistics and investment valuations, are submitted to each Board meeting;
- as a matter of course the Manager's internal audit and compliance departments continually review the operations of the Manager and other service providers;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to rely upon the Manager's systems and internal audit procedures;
- the Board reviews Internal Control reports by BNP Paribas Securities Services as Depositary and Custodian;
- the Board receives and reviews the annual Internal Control Reports published by the Manager and the Administrator; and
- bi-annually the Audit and Management Engagement Committee formally carries out an assessment of internal control and risk management by considering documentation from the Manager and the Company Secretary, including the internal audit and compliance functions and taking account of risk management problems or compliance breaches identified previously, and reports to the Board on its conclusions. At the conclusion of these reviews, the Board decides whether any changes to the system of internal control are required.

With effect from 7 July 2014 (and as amended by a side letter dated 16 and 22 March 2016), the Company entered into arrangements to comply with the Alternative Investment Fund Managers Directive (AIFMD). The Company appointed Standard Life Investments (Corporate Funds) Limited as its Alternative Investment Fund Manager (AIFM) and BNP Paribas Securities Services as its Depositary.

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

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

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

Corporate Governance, Stewardship and Proxy Voting

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

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

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

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

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

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

Socially Responsible Investment Policy

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

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

By order of the Board,

Maven Capital Partners UK LLP
Company Secretary

4 September 2017

Governance

Report of the Audit and Management Engagement Committee

Audit and Management Engagement Committee

The Directors have established an Audit and Management Engagement Committee.

Membership

The Committee comprises all five current non-executive Directors. Details of the experience and qualifications of the Directors are set out on page 26. The Board is satisfied that all members of the Committee have a sufficient level of recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates. The Committee was chaired during the year by Allister Langlands, who was appointed Chairman of the Committee from 1 March 2015. As reported, Allister Langlands stepped down as Chairman of the Committee on 22 August 2017 when he assumed the role of Chairman of the Company following David Woods' retirement as Chairman of the Company on that day. Caroline Ramsay was appointed as Chair of the Committee on 22 August 2017.

Responsibilities

The main responsibilities of the Committee include:

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

Management Engagement matters

In relation to its responsibilities for management engagement, the Committee annually reviews matters concerning the Investment Management Agreement (IMA) between the Company and the Manager. Details of the IMA and the annual review performed by the Committee may be found on page 28 of the Directors' Report.

Review of Key Risks

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

During its review of the Company's financial statements for the year ended 30 June 2017, the Committee considered the two key risks detailed below:

Valuation, existence and ownership of the investment portfolio

How the risk was addressed – The Company uses the services of an independent custodian (BNP Paribas Securities Services) to hold the assets of the Company. An annual internal control report is received from the custodian and reviewed by the audit committee. This provides details of the custodian's control environment. The investment portfolio is reconciled regularly by the Manager and the year end reconciliation is also reviewed by the Independent Auditor. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts including a full portfolio listing are prepared quarterly and are considered at the quarterly meetings of the Board. The portfolio is reviewed by the Independent Auditor annually at the year end. The valuation of investments is undertaken in accordance with the accounting policies disclosed in notes 1 b) and 1c) to the financial statements on page 54.

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

Governance

Report of the Audit and Management Engagement Committee

Recognition of dividend income

How the risk was addressed – The recognition of dividend income is undertaken in accordance with accounting policy note 1 (d) to the accounts on page 54. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the specific circumstances. The management accounts are reviewed by the Board on a quarterly basis and discussions take place with the Manager regarding the allocation of any special dividends that have been received. The allocation of material special dividends is also reviewed by the Independent Auditor.

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

Review of Risk Reporting

The Committee met twice during the year under review, on 22 August 2016 and 20 February 2017 and at each Meeting considered the key risks detailed above and the corresponding internal control and risk reports provided by the Manager and the Company Secretary. No significant weaknesses in the control environment were identified and it was also noted that there had not been any adverse comment from the Independent Auditor and that the Independent Auditor had not identified any significant issues in its audit report. The Committee, therefore, concluded that there were no significant issues which required to be reported to the Board.

At its meeting in August 2017, the Committee reviewed the ongoing requirements for the 2017 Annual Report in relation to narrative reporting, enhanced audit reporting and the 2016 UK Corporate Governance Code. The Committee also reviewed the performance of the Manager and concluded that this was satisfactory and that the continued appointment of the Manager on the present terms was in the continued best interests of shareholders as a whole.

Review of Financial Reporting

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

The Committee, when considering the draft Annual Report and Financial Statements for the year ended 30 June 2017, reviewed the Company's financial statements and approved the Company's accounting policies and members of the Committee applying their recent and relevant financial experience concluded that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable knowledge of the investment trust industry in general and of investments trusts in particular.

The Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities on page 44.

Review of the Effectiveness of the Independent Auditor

At its meeting in August 2017, the Committee also reviewed, for recommendation to the Board, the Audit Report from the Independent Auditor and the draft Annual Report and Financial Statements for the year ended 30 June 2017, along with the amount of the final dividend for the year then ended. At its meeting in February 2017, the Committee reviewed the Half Yearly Report and also considered the performance of Ernst & Young LLP as Independent Auditor.

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

Report of the Audit and Management Engagement Committee

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

The Independent Auditor's Report is on pages 45 to 49. Details of the amounts paid to Ernst & Young LLP during the year for audit and non-audit services are set out in Note 4 to the Financial Statements.

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

As reported in the Annual Report for the year to 30 June 2016, in light of EU regulation and the FRC guidance on audit tenders, which required the Company to rotate Ernst & Young prior to 2020, the Board agreed to put the audit out to tender during 2017 for the audit of the Company for the year to 30 June 2018.

The Committee considered the FRC Guidance on Audit Tenders and established a process that involved a request for submission of a detailed tender document, followed by a meeting with representatives of the Committee. The Committee carried out a review of auditors active in the investment trust sector and compiled a short list of four firms, each of which were invited to submit a tender. Ernst & Young LLP did not participate in the tender due to the rules on the mandatory rotation of auditors. Following the audit tender process, the Committee recommended to the Board that KPMG LLP (KPMG) be appointed as auditor to the Company for the year ended 30 June 2018, subject to shareholders' approval. KPMG's experience demonstrated within the investment trust sector supported the decision that they would be the most suitable firm to provide audit services to the Company.

At a meeting of the Board in May 2017, the Board considered the recommendation from the Committee and following a presentation by KPMG, agreed to recommend to shareholders that KPMG be approved as the Company's new auditor at the AGM on 26 October 2017.

It should be noted that KPMG will rotate the Senior Statutory Auditor responsible for the audit every five years.

A Resolution for the appointment of KPMG as Independent Auditor for the year ended 30 June 2018 will be put to the 2017 AGM.

For and on behalf of the Committee

Caroline Ramsay
Chairman

4 September 2017

Governance

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

The work carried out by the auditor does not involve a review of the corporate and financial information included on the Company's website and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

Directors' Responsibilities Statement

Each Director confirms, to the best of their knowledge, that:

- the financial statements, prepared in accordance with UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Company as at 30 June 2017 and for the year to date;
- the Strategic Report includes a fair review of the development and performance of the business and the financial position of the Company together with a description of the principal risks and uncertainties that the Company faces; and
- the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Company's position and performance, business model and strategy.

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

Allister Langlands
Chairman

4 September 2017

Financial Statements

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

Our opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Standard Life UK Smaller Companies Trust plc's which comprise:

- Statement of Comprehensive Income for the year ended 30 June 2017;
- Statement of Financial Position as at 30 June 2017;
- Statement of Changes in Equity for the year ended 30 June 2017;
- Statement of Cash Flows for the year ended 30 June 2017; and
- Related Notes 1 to 19 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures set out on page 14 in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 14 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 29 in the Annual Report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 29 in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	▸ Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment. ▸ Incorrect valuation and existence of the investment portfolio
Materiality	▸ Overall materiality of £3.2 million (2016: £2.4 million) which represents 1% of equity shareholder's funds.

Financial Statements

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 42 in the Report of the Audit and Management Engagement Committee). The investment income receivable by the Company during the year directly drives the Company's ability to make a dividend payment to shareholders. The investment income receivable for the year to 30 June 2017 was £5.7 million (2016: £5.8 million) as disclosed in Note 2 to the financial statements. If the Company is not entitled to receive the dividend income recognised in the financial statements or the income recognised does not relate to the current financial year, this will impact the extent of the profits available to fund dividend distributions to shareholders. The accounting treatment adopted has a direct impact on the profits available for distribution to shareholders of the Company by way of dividends. In particular this can be affected by the incorrect allocation of special dividends between revenue and capital. In addition, there is also a risk that inappropriate journal entries applied to the income account could result in a manipulation of the Company's revenue to support performance and dividend targets.	**We have performed the following procedures:** We assessed the Administrator's and the Manager's systems to gain an understanding of the process in relation to the revenue recognition particularly in relation to the identification of special dividends. We agreed on a sample basis dividend rates from independent sources and recalculated the income based on the appropriate holdings. We traced dividends receivable, using the rates and entitlements from an independent source for a sample of investments held at dividend entitlement dates, to the income reports. We agreed 100% of accrued dividends to an independent source and traced a sample of items to the post year end bank statements. We have reviewed the recognition criteria applied to the special dividends received during the year above our testing threshold to ensure that the accounting treatment adopted is consistent with our interpretation of the underlying commercial circumstances giving rise to these dividends. We tested the appropriateness of manual journal entries posted to the income account during the year and other adjustments made in the preparation of the financial statements.	**The results of our procedures are:** We have no matters to communicate with respect to our review of the process in relation to revenue recognition, including the identification of special dividends. We noted no issues in agreeing the rates and entitlement for a sample of dividends received on the income receipts report to an independent source. We noted no issues in tracing dividends receivable, using the rates and entitlements from an independent source for a sample of investments held at dividend entitlement dates, to the income reports; and We noted no issues in agreeing 100% of accrued dividends to an independent source and tracing a sample of items to the post year end bank statement. We ensured that the accounting treatment adopted for special dividends above our testing threshold was consistent with the underlying Company announcements provided and our understanding of the circumstances giving rise to the related dividends. We noted no issues in testing the appropriateness of manual journal entries posted to the income account during the year and other adjustments made in the preparation of the financial statements.

Financial Statements

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

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incorrect valuation and existence of the investment portfolio (as described on page 41 in the Report of the Audit and Management Engagement Committee). The valuation of the assets held in the investment portfolio at 30 June 2017 was £329.6 million (2016: £248.9 million) and consisted entirely of listed equities. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.	**We performed the following procedures:** We assessed the Administrator's and the Manager's processes and controls to gain an understanding of the investment pricing for quoted investments. We compared 100% of the prices used to value the investment portfolio to an independent source. We reviewed pricing exception reports as at 30 June 2017 for unusual or static movements in prices. To confirm the existence of the assets held as at 30 June 2017 we independently obtained confirmation from the Depositary of all securities held at the year end and agreed all securities held from the Company's records to those of the Depositary.	**The results of our procedures are:** We have no matters to communicate with respect to our review of the process in relation to the investment pricing for quoted investments. We noted no issues in agreeing 100% of the prices used to value the investment portfolio to an independent source. We noted no issues in reviewing the pricing exception reports. We noted no differences between the confirmation obtained from the Depositary and the Company's records.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation and effectiveness of controls, changes in the business environment and other factors when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £3.24 million (2016: £2.41 million), which is 1% (2016: 1%) of equity shareholders' funds. We have used equity shareholders' funds as the basis for setting materiality since it is the basis for the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality was 75% of materiality, being £2.43 million (2016: £1.81 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.21 million (2016: £0.23 million) for the revenue column of the Statement of Comprehensive Income, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Management Engagement Committee that we would report all audit differences in excess of £0.16 million (2016: £0.12 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations in forming our opinion.

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

Other information

The other information comprises the information included in the Annual Report set out on pages 67 to 77 including the Strategic Report set out on pages 4 to 24 and Governance Reports set out on pages 25 to 44 other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 44 –** the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit and Management Engagement Committee reporting set out on pages 41 to 43 –** the section describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 35 –** the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10 R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- based on the work undertaken in the course of the audit:

  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;

  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

  - the information given in the Statement of Corporate Governance set out on pages 35 to 40 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures and in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules) is consistent with the financial statements and has been prepared in accordance with applicable legal requirement; and

  - information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in:

- the Strategic Report or Directors' Report; or

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

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

- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a Statement of Corporate Governance has not been prepared by the Company.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit and Management Engagement Committee and Company Secretary and review of the Company's documented policies and procedures.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition relating to the allocation of special dividends, calculation and allocation of option premiums or inappropriate journal entries. Further discussion of our approach is set out in the section on key audit matters above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit and Management Engagement Committee, we were appointed as auditors by the Board of Directors and signed an engagement letter on 5 February 2016. We were appointed by the Company at the AGM on 22 August 2016 to audit the financial statements for the year ending 30 June 2017. The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ending 30 June 2000 to 30 June 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Management Engagement Committee.

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

4 September 2017

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Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	2017			2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments held at fair value	9	-	84,529	84,529	-	7,422	7,422
Currency gains		-	-	-	-	1	1
Income	2	5,712	-	5,712	5,865	-	5,865
Investment management fee	3	(625)	(1,874)	(2,499)	(566)	(1,699)	(2,265)
Other administrative expenses	4	(569)	(16)	(585)	(559)	-	(559)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		**4,518**	**82,639**	**87,157**	**4,740**	**5,724**	**10,464**
Finance costs	5	(180)	(540)	(720)	(209)	(628)	(837)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		**4,338**	**82,099**	**86,437**	**4,531**	**5,096**	**9,627**
Taxation	6	-	-	-	(26)	-	(26)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		**4,338**	**82,099**	**86,437**	**4,505**	**5,096**	**9,601**
RETURN PER ORDINARY SHARE:							
BASIC	8	**6.42p**	**121.50p**	**127.92p**	**6.76p**	**7.66p**	**14.42p**
DILUTED	8	**6.07p**	**111.60p**	**117.67p**	**6.28p**	**7.51p**	**13.79p**

The total column of this statement represents the profit and loss account of the Company. The 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

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

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

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Statement of Financial Position

As at 30 June 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	9		329,587		248,945
CURRENT ASSETS					
Debtors	10	964		1,280	
Investments in AAA rated Money Market funds		7,371		7,231	
Cash and short term deposits		247		6	
		8,582		**8,517**	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	11	(1,028)		(874)	
3.5% Convertible Unsecured Loan Stock 2018	12	(13,125)		-	
		(14,153)		**(874)**	
NET CURRENT (LIABILITIES)/ASSETS			(5,571)		7,643
TOTAL ASSETS LESS CURRENT LIABILITIES			**324,016**		**256,588**
Creditors: amounts falling due after more than one year					
3.5% Convertible Unsecured Loan Stock 2018	12	-		(15,959)	
			-		(15,959)
NET ASSETS			**324,016**		**240,629**
CAPITAL AND RESERVES					
Called-up share capital	13		17,907		17,907
Share premium account			19,805		19,805
Equity component of Convertible Unsecured Loan Stock 2018	12		1,470		1,470
Special reserve			34,109		32,645
Capital reserve			244,399		162,300
Revenue reserve			6,326		6,502
EQUITY SHAREHOLDERS' FUNDS			**324,016**		**240,629**
NET ASSET VALUE PER ORDINARY SHARE:					
BASIC	14		**474.74p**		**356.90p**
DILUTED	14		**456.60p**		**345.43p**

The Financial Statements on pages 50 to 66 were approved by the Board of Directors on 4 September 2017 and were signed on its behalf by:

Allister Langlands, Director

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

Financial Statements

Statement of Changes in Equity

For the year ended 30 June 2017

	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 2016	17,907	19,805	1,470	32,645	162,300	6,502	240,629
Return on ordinary activities after taxation	-	-	-	-	82,099	4,338	86,437
Share Buybacks	-	-	-	(1,544)	-	-	(1,544)
Issue of Ordinary Shares from Treasury from conversion of 3.5% Convertible Unsecured Loan Stock 2018 (see note 12)	-	-	-	3,008	-	-	3,008
Dividends paid (see note 7)	-	-	-	-	-	(4,514)	(4,514)
BALANCE AT 30 JUNE 2017	**17,907**	**19,805**	**1,470**	**34,109**	**244,399**	**6,326**	**324,016**

For the year ended 30 June 2016

	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 2015	17,907	19,805	1,470	40,558	157,204	5,832	242,776
Return on ordinary activities after taxation	-	-	-	-	5,096	4,505	9,601
Issue of Ordinary Shares from Treasury from conversion of 3.5% Convertible Unsecured Loan Stock 2018 (see note 12)	-	-	-	3,408	-	-	3,408
Repurchase of Ordinary Shares into Treasury from Tender Offer	-	-	-	(11,321)	-	-	(11,321)
Dividends paid (see note 7)	-	-	-	-	-	(3,835)	(3,835)
BALANCE AT 30 JUNE 2016	**17,907**	**19,805**	**1,470**	**32,645**	**162,300**	**6,502**	**240,629**

The capital reserve at 30 June 2017 is split between realised of £91,051,000 and unrealised of £153,348,000 (30 June 2016 realised £75,033,000 and unrealised £87,267,000).

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

The accompanying notes are an integral part of the Financial Statements.

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Statement of Cash Flows

For the year ended 30 June 2017

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
RETURN ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS AND TAXATION	87,157	10,464
Adjustment for:		
Net gains on investments	(84,529)	(7,422)
Dividend income	(5,686)	(5,806)
Interest income	(26)	(59)
Dividends received	5,984	5,363
Interest received	29	58
Decrease in other debtors	-	2
Increase/(decrease) in other creditors	105	(43)
Decrease/(increase) in overseas withholding tax	25	(3)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**3,059**	**2,554**
INVESTING ACTIVITIES		
Purchases of investments	(56,623)	(52,800)
Sales of investments	60,557	64,038
Purchases of AAA rated Money Market funds	(58,059)	(56,938)
Sales of AAA rated Money Market funds	57,919	58,945
NET CASH INFLOW FROM INVESTING ACTIVITIES	**3,794**	**13,245**
FINANCING ACTIVITIES		
Bank and loan interest paid	(554)	(664)
Repurchase of Ordinary Shares	(1,544)	(11,321)
Dividends paid	(4,514)	(3,835)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(6,612)**	**(15,820)**
INCREASE/(DECREASE) IN CASH	**241**	**(21)**
ANALYSIS OF CHANGES IN CASH DURING THE YEAR		
Opening balance	6	27
Increase/(decrease) in cash as above	241	(21)
CLOSING BALANCE	**247**	**6**

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Notes to the Financial Statements

For the year ended 30 June 2017

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe that this is appropriate for the reasons outlined in the Directors' Report on page 29.

(b) Investments

Investments have been designated upon initial recognition as fair value through profit or loss in accordance with IAS 39. As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments (as adopted for use in the EU). This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices or closing prices sourced from the London Stock Exchange.

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

(c) AAA rated money market funds

The AAA rated money market funds are used by the Company to provide additional short term liquidity. Due to their short term nature, they are recognised in the financial statements as a current asset and are included at fair value through profit and loss.

(d) Income

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

(e) Expenses and interest payable

Expenses are accounted for on an accruals basis. Expenses are charged to the capital column of the Statement of Comprehensive Income when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs are allocated 25% to revenue and 75% to the capital columns of the Statement of Comprehensive Income in line with the Board’s expectation of returns from the Company’s investments over the long term in the form of revenue and capital respectively (see notes 3 and 5).

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

(f) Dividends payable

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

(g) Capital reserve

Gains and losses on realisation of investments and changes in fair values which are readily convertible to cash, without accepting adverse terms, are transferred to the capital reserve. This reserve also includes gains and losses from foreign currency exchange differences. Additionally, expenses, including finance costs, are charged to this reserve in accordance with (e) above.

Revenue reserve
This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income.

(h) Taxation

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

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

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

(i) Other reserves

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

(j) Foreign currency

Non-monetary assets and liabilities denominated in foreign currency carried at fair value through profit or loss are converted into Sterling at the rate of exchange ruling at the year end date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Statement of Comprehensive Income.

(k) 3.5% Convertible Unsecured Loan Stock 2018

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

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

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

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

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

(l) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the Company to make judgements, estimates and assumptions that affect amounts reported for assets and liabilities as at reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that the actual outcomes could differ from those estimates, possibly significantly. The judgements relate to the fair value of financial instruments.

(m) Cash and cash equivalents

Cash comprises bank balances and cash held by the Company. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Income

	2017 £'000	2016 £'000
Income from investments		
UK dividend income	4,628	4,405
Overseas dividend income	789	822
Special dividends	269	579
	5,686	**5,806**
Other income		
Interest from AAA rated Money Market funds	26	59
	26	**59**
Total income	**5,712**	**5,865**

3. Investment management fee

	2017 £'000	2016 £'000
Investment management fee	2,499	2,265
Charged to capital reserve	(1,874)	(1,699)
	625	**566**

The balance due to Standard Life Investments (Corporate Funds) Limited at the year end was £673,000 (2016 - £542,000).

For further details see note 18 Transactions with the Manager.

Notes to the Financial Statements

4. Administrative expenses

	2017 £'000	2016 £'000
Secretarial fees	180	181
Directors' fees	104	106
Auditor's remuneration:		
fees payable to the Company's auditor for the audit of the Company's annual accounts	26	22
fees payable to the Company's auditor and its associates for non-audit services - iXBRL conversion	2	2
Registrar's fees	33	17
Professional fees	58	43
Custody fees	15	15
Depositary fees	58	52
Other expenses	93	121
	569	**559**

The balance due to the Company Secretary at the year end was £44,877 (2016: - £40,432)
The 2016 expenses in relation to Auditor's fees, Registrar's fees and Professional fees include credits for prior year over accruals. The underlying fees for 2016 were Auditor's fees £26,000, Registrar's fees £32,000 and Professional fees £58,000.
The 2017 'Other expenses' include a credit of £50,000 in relation to prior year over accruals for marketing expenditure.
£16,000 of stamp duty has been charged to the capital account.

5. Finance costs

	2017 £'000	2016 £'000
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	546	634
Effective Interest Rate adjustments	102	131
Amortisation of 3.5% Convertible Unsecured Loan Stock 2018 issue expenses	72	72
	720	**837**
Charged to capital reserve	(540)	(628)
Charged to revenue reserve	**180**	**209**

6. Taxation

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of charge for year						
Overseas taxation	–	–	–	**26**	–	**26**

(b) Provision for deferred taxation

At 30 June 2017, the Company had unutilised management expenses and loan relationship losses of £52,059,000 (2016 - £48,480,000). No deferred asset has been recognised on the unutilised management expenses and loan relationship losses as it is unlikely there will be suitable taxable profits from which the future reversal of the deferred asset could be deducted.

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Notes to the Financial Statements

(c) Factors affecting current tax charge for year

UK corporation tax at an effective rate of 19.75% (2016: 20.00%)

The differences are explained below.

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net profit on ordinary activities before taxation	**4,338**	**82,099**	**86,437**	4,531	5,096	9,627
Corporation tax at an effective rate of 19.75% (2016: 20.00%)	857	16,215	17,072	906	1,019	1,925
Effects of:						
Non-taxable UK dividend income	(944)	–	(944)	(959)	–	(959)
Non-taxable overseas dividends	(120)	–	(120)	(143)	–	(143)
Excess management expenses and loan relationship losses	207	477	684	199	465	664
Capital returns (e.g. gains on investments not subject to tax)	–	(16,692)	(16,692)	–	(1,484)	(1,484)
Writing off prior year withholding tax	–	–	–	23	–	23
Total tax charge	**–**	**–**	**–**	**26**	**–**	**26**

7. Dividends

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the period:		
2016 final dividend of 5.20p per share (2015 - 4.40p) paid on 03 November 2016	3,504	2,902
2017 interim dividend of 1.50p per share (2016 - 1.40p) paid on 07 April 2017	1,010	933
	4,514	**3,835**

The proposed 2017 final dividend for the year is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158 - 1159 of the Corporation Taxes Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £4,274,000 (2016 - £4,505,000).

	2017 £'000	2016 £'000
2017 interim dividend of 1.50p per share (2016 - 1.40p) paid on 7 April 2017	1,010	933
2017 final dividend of 5.20p per share (2016 - 5.20p) payable on 30 October 2017	3,549	3,504
	4,559	**4,437**

The amount payable for the proposed final dividend is based on the Ordinary Shares in issue as the date of approval of this report (4 September 2017) which satisfies the requirement of Section 1159 Corporation Tax Act 2010.

Dividends have been paid out of revenue reserves.

8. Return per Ordinary Share

	2017		2016	
	p	£'000	p	£'000
Basic				
Revenue return	6.42	4,338	6.76	4,505
Capital return	121.50	82,099	7.66	5,096
Total return	**127.92**	**86,437**	**14.42**	**9,601**
Weighted average number of Ordinary Shares in issue		67,569,244		66,603,376
Diluted				
Revenue return	6.07	4,487	6.28	4,665
Capital return	111.60	82,545	7.51	5,575
Total return	**117.67**	**87,032**	**13.79**	**10,240**
Weighted average number of Ordinary Shares in issue		73,965,603		74,281,569

The calculation of the diluted total, revenue and capital returns per Ordinary Share are 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 is the weighted average number used in the basic calculation plus the number of Ordinary Shares deemed to be issued for no consideration on exercise of all Convertible Unsecured Loan Stock 2018 (CULS). The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary Shares of 6,396,359 (2016 - 7,678,193) to 73,965,603 (2016 - 74,281,569) Ordinary Shares.

Where dilution occurs, the net returns are adjusted for items relating to the Convertible Unsecured Loan Stock ("CULS"). Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted. CULS finance costs for the period £648,000 (2016 - £765,000) and unamortised issues expenses £53,000 (2016 - £126,000) are reversed.

9. Investments

	2017 £'000	2016 £'000
Fair value through profit or loss		
Opening fair value	248,945	252,517
Opening fair value gains on investments held	(87,267)	(96,282)
Opening book cost	**161,678**	**156,235**
Additions at cost	56,680	52,800
Disposals - proceeds	(60,567)	(63,794)
- realised gains on sales	18,448	16,437
Closing book cost	**176,239**	**161,678**
Closing fair value gains on investments held	153,348	87,267
Closing fair value	**329,587**	**248,945**
Gains on investments		
Realised gains on sales	18,448	16,437
Increase/(decrease) in fair value gains on investments held	66,081	(9,015)
Net gains on investments held at fair value	**84,529**	**7,422**

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

Notes to the Financial Statements

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

	2017 £'000	2016 £'000
Purchases	212	178
Sales	48	59
	260	**237**

10. Debtors

	2017 £'000	2016 £'000
Amounts due from brokers	10	–
Dividends receivable	934	1,235
Tax recoverable	6	31
Other debtors	14	14
	964	**1,280**

11. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Interest payable	134	142
Investment management fee payable	673	542
Sundry creditors	221	190
	1,028	**874**

12. 3.5% Convertible Unsecured Loan Stock 2018

	Nominal amount £'000	Liability Component £'000	Equity Component £'000
As at 30 June 2017			
Opening balance	16,277	15,959	1,470
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary Shares	(3,023)	(3,008)	-
Effective interest rate adjustments on 3.5% Convertible Unsecured Loan Stock 2018	-	102	-
Amortisation	-	72	-
Closing balance	**13,254**	**13,125**	**1,470**

Notes to the Financial Statements

	Nominal amount £'000	Liability Component £'000	Equity Component £'000
As at 30 June 2016			
Opening balance	19,773	19,164	1,470
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary Shares	(3,496)	(3,408)	-
Effective interest rate adjustments on 3.5% Convertible Unsecured Loan Stock 2018	-	131	-
Amortisation	-	72	-
Closing balance	**16,277**	**15,959**	**1,470**

On 10 October 2016 the Company converted £898,071 (08 October 2015 £1,588,511) nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 into 378,514 (2016 - 669,513) Ordinary Shares. Also on 13 April 2017 (14 April 2016) the Company converted £2,124,852 (2016 - £1,907,259) nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 into 895,583 (2016 - 803,871) Ordinary Shares.

As at 30 June 2017, there was £13,253,889 (2016 - £16,276,812) nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 in issue. The loan stock can be converted at the election of holders into Ordinary Shares during the months of March and September each year throughout their life up until 31 March 2018 at a fixed price per Ordinary Share of 237.2542p. Interest is paid on the 3.5% Convertible Unsecured Loan Stock 2018 on 30 September and 31 March each year.

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

13. Called up share capital

	2017 £'000	2016 £'000
Authorised:		
	37,500	37,500
Issued and fully paid:		
68,251,333 (2016 – 67,421,054) Ordinary Shares of 25p each - equity	17,063	16,855
Held in treasury:		
3,375,842 (2016 - 4,206,121) Ordinary Shares of 25p each - equity	844	1,052
	17,907	**17,907**

	2017 Ordinary shares Number	2016 Ordinary shares Number
Opening balance	67,421,054	69,418,600
Conversion of CULS	1,274,097	1,473,384
Share buybacks	(443,818)	-
Tender offer	-	(3,470,930)
Closing balance	**68,251,333**	**67,421,054**

During the year the Company issued 1,274,097 Ordinary Shares from Treasury following the receipt of elections to convert by holders of the Company's 3.5% Convertible Unsecured Loan Stock 2018.

During the year the Company repurchased 443,818 Ordinary Shares to Treasury.

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

The cost of the shares brought back was £11,199,000 excluding tender offer costs of £122,000 which were charged against the special reserve during the year to 30 June 2016.

14. Net asset value per share

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

	2017	2016
Basic net asset value per share		
Net assets attributable (£'000)	324,016	240,629
Number of Ordinary Shares in issue at year end (excluding shares held in treasury)	68,251,333	67,421,054
Net asset value per share	474.74p	356.90p
Diluted net asset value per share		
Net assets attributable (£'000)	337,141	256,588
Potential number of Ordinary Shares in issue at year end (excluding shares held in treasury)	73,837,699	74,281,549
Net asset value per share	456.60p	345.43p

The diluted net asset value per Ordinary share as at 30 June 2017 has been calculated on the assumption that £13,253,889 3.5% Convertible Unsecured Loan Stock 2018 are converted at 237.25p per share, giving a total of 73,837,699 Ordinary Shares. Where dilution occurs, the net assets are adjusted for items relating to the convertible loan stock.

Net asset value per share - debt converted
In accordance with the Company's understanding of the current methodology adopted by the AIC, convertible financial instruments are deemed to be 'in the money' if the cum income (debt at fair value) net asset value ("NAV") exceeds the conversion price of 237.25p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 30 June 2017 the cum income (debt at fair value) NAV was 474.74p and thus the CULS 2018 were 'in the money'.

15. Financial instruments

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

The main risks the Company faces from its financial instruments are (i) market price risk (comprising interest rate risk, currency risk and other price risk), (ii) liquidity risk and (iii) credit risk. There was no material currency risk to the Company for the period.

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

(i) Market price risk

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

Notes to the Financial Statements

Interest rate risk
Interest rate movements may affect:

- the level of income receivable on cash deposits and money market funds;
- interest payable on the Company's variable rate borrowings.

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

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

During the year ended 30 June 2017, the Company's had no revolving credit facility in place. The Board regulates the overall level of gearing by raising or lowering the level of the credit facility.

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

Interest risk profile
The interest rate risk profile of the portfolio of financial assets and liabilities at the year end date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
As at 30 June 2017				
Assets				
AAA rated Money Market funds	-	0.34	-	7,371
Cash deposits	-	-	-	247
Total assets	**-**	**-**	-	**7,618**
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	0.75	3.50	13,125	-
Total liabilities	**-**	**-**	**13,125**	-

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
As at 30 June 2016				
Assets				
AAA rated Money Market funds	-	0.60	-	7,231
Cash deposits	-	-	-	6
Total assets	**-**	**-**	-	**7,237**
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	1.75	3.50	15,959	-
Total liabilities	**-**	**-**	**15,959**	-

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

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

Notes to the Financial Statements

All financial liabilities are measured at amortised cost.

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's:

- profit for the year ended 30 June 2017 and net assets would increase / decrease by £76,000 (2016 : increase / decrease by £72,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and money market funds.

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets and the stock selection process, as detailed on pages 12 and 13, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are mainly listed on the London Stock Exchange.

Other price risk sensitivity
If market prices at the year end date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 30 June 2017 would have increased / decreased by £32,959,000 (2016 - increase / decrease of £24,895,000). This is based on the Company's equity portfolio held at each year end.

(ii) Liquidity risk

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

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

	Expected cash flows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
As at 30 June 2017				
3.5% Convertible Unsecured Loan Stock 2018	13,717	232	13,485	-
	13,717	**232**	**13,485**	**-**

	Expected cash flows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
As at 30 June 2016				
3.5% Convertible Unsecured Loan Stock 2018	17,413	285	284	16,844
	17,413	**285**	**284**	**16,844**

Notes to the Financial Statements

(iii) Credit risk

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

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

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

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

Credit risk exposure
In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 30 June was as follows:

	2017		2016	
	Statement of Financial Position £'000	Maximum exposure £'000	Statement of Financial Position £'000	Maximum exposure £'000
Current assets				
Debtors	964	964	1,280	1,280
AAA rated Money Markets funds	7,371	7,371	7,231	7,231
Cash and short term deposits	247	247	6	6
	8,582	**8,582**	**8,517**	**8,517**

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

16. Capital Management

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

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

The Company's capital comprises the following:

	2017 £'000	2016 £'000
Equity		
Equity share capital	17,907	17,907
Reserves	306,109	222,722
Liabilities		
CULS	13,125	15,959
	337,141	**256,588**

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Notes to the Financial Statements

	2017 £'000	2016 £'000
3.5% Convertible Unsecured Loan Stock 2018	13,125	15,959
Cash and AAA rated Money Market funds	(7,618)	(7,237)
Net debt	**5,507**	**8,722**
Net assets	**324,016**	**240,629**
Gearing (%)	**1.7**	**3.6**

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

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

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

The Company does not have any externally imposed capital requirements.

17. Fair Value hierarchy

FRS 102 requires an entity to classify fair value measurement 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 (2016 – 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 (2017 – £329,587,000; 2016 - £248,945,000) have therefore been deemed as Level 1.

The Company's CULS are actively traded on a recognised stock exchange. The fair value of the CULS (2017 - £22,267,000; 2016 - £21,404,000) has therefore been deemed Level 1.

18. Transactions with the Manager

The Company has an agreement with Standard Life Investments (Corporate Funds) Limited ('SLI') for the provision of management services. During the 6 months ended 31 December 2015, the management fee paid to SLI was 0.85% per annum of the total net assets of the Company after deducting current liabilities ('total assets').

The fee is chargeable 25% to revenue and 75% to capital. From 1 January 2016, the management fee has been charged applying the rate of 0.85% to the first £250m of total assets, reduced to 0.65% on total assets above this threshold. The contract is terminable by either party on six months (previously twelve months) notice.

19. Related party transactions

Standard Life Investments (Corporate Funds) Limited received fees for its services as Investment Manager and Company Secretary. Company secretarial and administrative services are provided by Maven Capital Partners UK LLP under a separate agreement with the Manager. Further details are provided in notes 3 & 4. The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 32 to 34. The Directors' shareholdings are detailed on page 34.

Additional Information

Glossary

Convertible Unsecured Loan Stock (CULS)	CULS is a loan to the Company in the form of bonds. It was issued in March 2011 and expires in March 2018. It can be converted into Ordinary Shares at the rate of 1 Ordinary Share = 237.2542p of CULS.
Coupon	The interest payable on the CULS. In the case of the Company, it is paid half yearly in March and September.
CULS Yield	The coupon on the CULS is 3.5% of the nominal value of £1.00. The yield is the coupon divided by the current price, expressed as a percentage.
Diluted NAV	The net assets per share assuming that all the CULS have been converted in to Ordinary Shares.
Discount and Premium	A discount is the percentage by which the market price of an investment trust is lower than the Net Asset Value per share. A premium is the percentage by which the market price per share of an investment trust exceeds the Net Asset Value per share.
Dividend cover	For investment trusts, this is calculated as the value of year end Revenue Reserves, after adjusting for any unpaid final dividends, divided by the total cost of dividends paid by the Company to shareholders. A figure of 1 implies that the Company would be able to pay next years' dividend even if all the portfolio holdings did not pay any dividend.
Dividend Per Share (DPS)	The total of all dividends paid by the Company over the year per share.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Earnings Per Share (EPS)	The net income after tax of the Company divided by the weighted average number of shares in issue during the year. In an investment trust this is made up of Revenue EPS and Capital EPS.
Ex-dividend date (XD date)	The date when an investor needs to be holding a share in order to qualify for a forthcoming dividend. The XD date is normally about a month before the dividend is paid.
Index or indices	A market index calculates the average performance of its constituents, normally on a weighted basis. It provides a means of assessing the overall state of the economy and provides a comparison against which the performance of individual instruments can be assessed.
Market Capitalisation (Market Cap)	The latest price of an Ordinary Share multiplied by the number of shares in issue.
Net Asset Value per share (NAV)	Net Assets divided by the number of Ordinary Shares in issue produces the Net Asset Value per share.
Net Assets or Shareholders' Funds	Total assets less current and long-term liabilities.
Net Gearing	Net borrowings (both short and long-term, less cash held in the portfolio) as a percentage of shareholders' funds.
Ongoing Charges	Ongoing Charges are the Company's total expenses as a percentage of average daily shareholders' funds. Formally referred to as TER (Total Expense Ratio).
Realised gains / losses	The profit / loss on the sale of investments during the year.
Revenue EPS	The net income from dividends and interest received, after tax, of the Company divided by the weighted average number of shares in issue during the year.
Revenue Reserves	The total of undistributed revenue earnings from prior years. This is available for distribution to shareholders by way of dividend.
Total Return	The theoretical return including reinvesting each dividend in additional shares in the Company on the day that the shares go ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the ex-dividend date.
Unrealised gains / losses	The profit / loss on the revaluation of the investment portfolio at the end of the period.

Additional Information

Company's History

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

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

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

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

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

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

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

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

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

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

During the year ended 30 June 2016, following the 30 June 2015 tender offer which completed on 28 July 2015, a total of 3,470,930 Ordinary Shares were tendered and bought back into treasury. The Company issued a total of 1,473,384 Ordinary Shares from treasury. This issue comprised 669,513 Ordinary Shares issued from treasury as a result of the ninth conversion of CULS as at 30 September 2015 and 803,871 Ordinary Shares issued from treasury as a result of the tenth conversion of CULS as at 31 March 2016.

During the year ended 30 June 2017, the Company bought back 443,818 Ordinary Shares into treasury. The Company also issued a total of 1,274,097 Ordinary Shares from treasury. This issue comprised 378,514 Ordinary Shares issued from treasury as a result of the eleventh conversion of CULS as at 30 September 2016 and 895,583 Ordinary Shares issued from treasury as a result of the twelfth conversion of CULS as at 31 March 2017.

As at 30 June 2017 and as at the date of this Annual Report, there were 68,251,333 Ordinary Shares in issue, with voting rights and 3,375,842 Ordinary Shares held in treasury. There was also £13,253,889 of CULS in issue.

Additional Information

Company's History

Year ended 30 June	Ordinary shares bought back for cancellation	Ordinary shares bought back into treasury	Issued from treasury	Ordinary shares issued	Ordinary shares in issue (excluding treasury shares)	Convertible Unsecured Loan Stock Issued	Convertible Unsecured Loan Stock Exercised	Convertible Unsecured Loan Stock Total	Warrants exercised	Warrants bought back	Warrants lapsed	Total Warrants in issue
1994	-	-	-	-	69,436,770	-	-	-	-	-	-	13,886,996
1995	-	-	-	-	69,525,796	-	-	-	89,026	-	-	13,797,970
1996	-	-	-	-	69,527,676	-	-	-	1,880	-	-	13,796,090
1997	-	-	-	-	69,528,656	-	-	-	980	1,592,201	-	12,202,909
1998	-	-	-	-	69,529,717	-	-	-	1,061	6,075,144	-	6,126,704
1999	-	-	-	-	69,530,267	-	-	-	550	1,350,000	-	4,776,154
2000	-	-	-	-	69,543,990	-	-	-	13,723	1,671,143	-	3,091,288
2001	-	-	-	-	69,601,685	-	-	-	57,695	-	-	3,033,593
2002	2,200,000	-	-	-	67,403,646	-	-	-	1,961	-	-	3,031,632
2003	-	-	-	-	67,403,646	-	-	-	-	-	-	3,031,632
2004	-	-	-	-	67,403,646	-	-	-	-	-	-	3,031,632
2005	-	-	-	-	67,404,646	-	-	-	1,000	-	-	3,030,632
2006	-	-	-	-	67,404,746	-	-	-	100	-	-	3,030,532
2007	34,823,217	-	-	-	32,583,790	-	-	-	2,261	117,791	-	2,910,480
2008	-	559,175	-	-	32,037,585	-	-	-	12,970	-	-	2,897,510
2009	-	-	-	29,961,251	63,163,381	-	-	-	1,164,545	-	1,732,965	-
2010	-	-	-	-	63,163,381	-	-	-	-	-	-	-
2011	-	3,670,243	4,229,418	825,000	64,547,556	£25,000,000	-	£25,000,000	-	-	-	-
2012	-	-	-	452,349	64,999,905	-	£64,929	£24,935,071	-	-	-	-
2013	-	-	-	1,650,000	66,665,988	-	£38,184	£24,896,887	-	-	-	-
2014	-	-	-	4,717,598	71,383,586	-	£4,312,437	£20,584,450	-	-	-	-
2015	-	2,307,155	98,580	243,589	69,418,600	-	£811,868	£19,772,582	-	-	-	-
2016	-	3,470,930	1,473,384	-	67,421,054	-	£3,495,770	£16,276,812	-	-	-	-
2017	-	443,818	1,274,097	-	68,251,333	-	£3,022,923	£13,253,889	-	-	-	-

Additional Information

Key Contacts

Directors
Allister Langlands (Chairman)
Carol Ferguson
Caroline Ramsay
Tim Scholefield
David Woods

Investment Manager
Standard Life Investments (Corporate Funds) 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

Independent Auditor
Ernst & Young LLP
25 Churchill Place
London E14 5EY

Solicitors
Dickson Minto
16 Charlotte Square
Edinburgh EH2 4DF

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

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

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

Additional Information

Shareholder Information

Buying Shares in the Company

The Company's shares are traded on the London Stock Exchange and can be bought and sold through a stock broker, financial adviser or via an investment platform.

Share Register Enquiries

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

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

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

Shareholder Communications

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

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

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

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

If you wish to change your election for the Annual Report and other shareholder communications, please contact the Company's Registrars at www.investorcentre.co.uk/contactus or via the Key Contacts detailed on page 70.

Savings Scheme and ISA

The Standard Life Investment Trust Savings Plan and ISA was closed on 5 June 2015 and transferred to Alliance Trust Savings. Investor enquiries about administration and applications should now be directed to Alliance Trust Savings on 01382 573737 or contact@alliancetrust.co.uk.

Disability Act

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

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

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

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

Share Information

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

Further information on the Company may be found on the Company's website at: www.standardlifeuksmallercompaniestrust.co.uk

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

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

Additional Information
Shareholder Information

Other Information

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

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Standard Life Investments (Corporate Funds) Limited, is required to be made available to investors.

Leverage

The Company's maximum and average actual leverage levels at 30 June 2017 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	300.0%	200.0%
Actual	101.7%	104.1%

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

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

Remuneration

The Company's AIFM is subject to the Remuneration requirements of the AIFM Directive on a proportionate basis in respect of its activities as AIFM for a range of Alternative Investment Funds ('AIFs'). Total assets under management of the AIFM were £15.7billion at 31 December 2016, of which £8.5billion of assets were AIFs subject to the AIFM Directive. The NAV of the Company was £276.3million as at 31 December 2016.

The AIFM does not employ any direct staff. The board of the AIFM are employees of Standard Life Investments Limited ('SLI') and are subject to the SLI and Standard Life Aberdeen plc group policies as regulated by the Financial Conduct Authority ('FCA'). SLI is subject to the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') Remuneration Requirements under SYSC 19C on a proportionate basis. The board of the AIFM has responsibility for the risk management arrangements as they relate to the AIFM fund range.

The investment processes are subject to the governance structure of SLI and the board of the AIFM monitors the effectiveness in meeting strict criteria at an AIF level. The board of the AIFM discharges its duties via regular reporting and review at board meetings and via allocation of executive responsibilities, in relation to AIFM, within the SLI management team.

The AIFM has no identified staff outwith its board. The board of the AIFM has six individuals who are AIFM Remuneration Code Staff ('AIFM Code Staff'), i.e. individuals whose activities have a material impact on the risk profile of the AIFM, or the AIFs that it manages. During the year there were a further four individuals on the board who retired during the year and also qualify as AIFM Code Staff up to the dates of their retirement. The aggregate remuneration for these ten individuals, apportioned for the AIFM duties they have performed, for the year 31 December 2016 is £231,732.

AIFM Code Staff are monitored in respect of their performance in line with the SLI Remuneration Policy which is designed to meet the regulatory requirements of BIPRU and the AIFM Directive. The Remuneration Committees of SLI and Standard Life Aberdeen plc review and approve remuneration for AIFM Code Staff. More information on the remuneration policies of Standard Life Aberdeen plc are disclosed on the following web page: https://www.standardlife.com/dotcom/our-company/governance/fca-remuneration-code-disclosure.page

Annual General Meeting
Notice of Meeting

Notice is hereby given that the Annual General Meeting of Standard Life UK Smaller Companies Trust plc will be held at the offices of Standard Life Investments Limited, 1 George Street, Edinburgh EH2 2LL at 11.30am on Thursday, 26 October 2017 for the following purposes:

ORDINARY BUSINESS

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

1. To receive and consider the Directors' Report and Financial Statements for the year ended 30 June 2017, together with the Independent Auditor's report thereon.

2. To receive and approve the Directors' Remuneration Report for the year ended 30 June 2017.

3. To receive and approve the Directors' Remuneration Policy for the three-years to 30 June 2020.

4. To declare a final dividend of 5.20 pence per Ordinary Share.

5. To re-elect Carol Ferguson as a Director of the Company.

6. To re-elect Allister Langlands as a Director of the Company.

7. To re-elect Caroline Ramsay as a Director of the Company.

8. To elect Tim Scholefield as a Director of the Company.

9. To appoint KPMG LLP as Independent Auditor and to authorise the Directors to determine their remuneration.

10. Authority to allot shares

    That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £1,706,283 (equivalent to 6,825,132 Ordinary Shares), being approximately 10% of the nominal value of the issued share capital (excluding treasury shares) of the Company, as at the date of this Notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, unless previously revoked, varied or extended or renewed by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

11. Disapplication of pre-emption rights

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

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

    b) shall be limited to the allotment, or sale out of treasury, of equity securities up to an aggregate nominal value of £1,706,283 (equivalent to 6,825,132 Ordinary Shares), being approximately 10% of the nominal value of the issued share capital of the Company, as at the date of this Notice.

Annual General Meeting

Notice of Meeting

12. Authority to make market purchases of shares

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

Provided always that:

(a) the maximum number of Shares hereby authorised to be purchased shall be 10,230,874 Shares, representing 14.99% of the Company's issued share capital at the date of the passing of this Resolution (excluding treasury shares);

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

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

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

SPECIAL BUSINESS

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

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

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

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

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

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

(d) this power shall be limited to the sale of shares having an aggregate nominal value of £1,706,283 (equivalent to 6,825,132 Ordinary Shares), being approximately 10% of the nominal value of the issued share capital of the Company, as at the date of this Notice and provided further that the number of shares to which this power applies shall be reduced from time to time by the number of Shares which are allotted or sold out of treasury for cash as if Section 561(1) of the Companies Act 2006 did not apply pursuant to the power conferred on the Directors by Resolution 11 set out above; and

Annual General Meeting
Notice of Meeting

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

14. Tender Offers

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

(a) the maximum number of Shares hereby authorised to be purchased pursuant to one or more tender offer(s) is 6,825,132 shares representing 10% of the Shares in issue (excluding any Shares held in treasury) as at the date of this notice;

(b) the price which shall be paid for a Share pursuant to any such tender offer made by the Company under the authority conferred hereby shall be an amount equal to 98% of realisation value of all the assets attributable to the Shares tendered as at the latest practicable time before such tender offer; and

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

15. Notice of General Meeting

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

By order of the Board

Maven Capital Partners UK LLP
Company Secretary

Registered office:

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

4 September 2017

Annual General Meeting

Notice of Meeting

Notes:

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

2. To be valid, the appointment of a proxy, and the original or duly certified copy of the power of attorney or other authority, if any, under which it is signed or authenticated, should be sent to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the Meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at close of business on 24 October 2017 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. In each case, changes to entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID number 3RA50) by close of business on 24 October 2017 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

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

Annual General Meeting

Notice of Meeting

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

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

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

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

14. As at 6pm on 1 September 2017 (being the last practicable date prior to publication of this notice) the Company's issued share capital comprised 68,251,333 Ordinary Shares of 25p each. Each Ordinary share (other than any Ordinary Shares held in treasury) carries the right to one vote at a general meeting of the Company. The CULS do not have any voting rights at general meetings of the Company. Accordingly, the total number of voting rights in the Company as at 1 September 2017 was 68,251,333.

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

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

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

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

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

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

Managed by:
Standard Life Investments (Corporate Funds) Limited
1 George Street
Edinburgh EH2 2LL
Website: standardlifeinvestments.com