Standard Life UK Smaller Companies Trust plc

Half Yearly Report 31 December 2014

Contents

Investment 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 60 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 per cent. of total assets at the time of acquisition.

The Company may use derivatives for portfolio hedging purposes (i.e. only for the purpose of reducing, transferring or eliminating the investment risks in its investments in order to protect the Company's portfolio). Within the Company's Articles of Association, the maximum level of gearing is 100% of net assets. The Directors have set parameters of between 5% net cash and 25% net gearing (at time of drawdown) for the level of gearing that can be employed in normal market conditions. The Directors have delegated responsibility to the Investment Manager for the operation of the gearing level within the above parameters.

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.

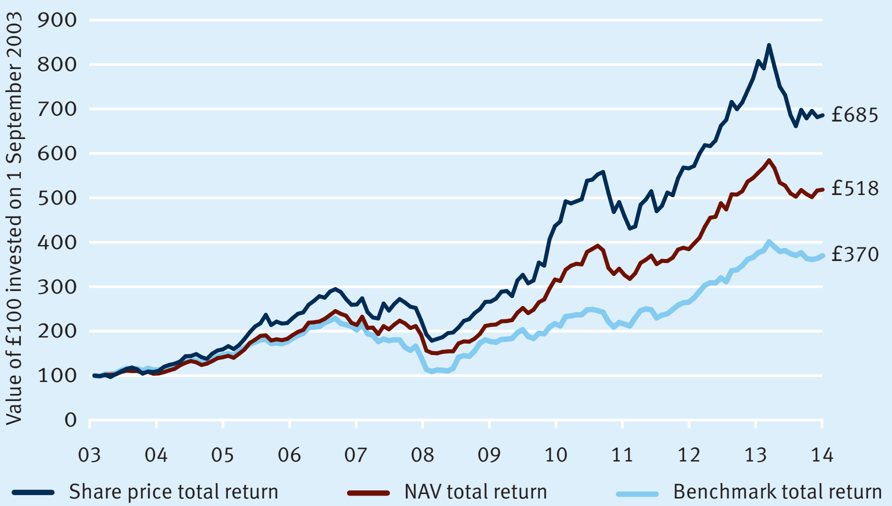
Financial Highlights

for the six months ended 31 December 2014

Total Return	Six months ended 31 December 2014
Diluted net asset value total return	1.6%
Share price total return	-0.1%
Benchmark total return	-1.3%

The Company's benchmark is the Numis Smaller Companies Index (excluding Investment Companies).
Total return assumes that dividends paid to shareholders are re-invested in shares at the time the shares are quoted ex-dividend.

Over a Decade of Strong Performance



Ten Largest Positions Relative to the Benchmark

Overweight Stocks	Company %	B'mark %	Relative %	Overweight Stocks	Company %	B'mark %	Relative %
Telecom Plus	4.3	0.7	3.6	Dunelm	2.4	0.0	2.4
Ted Baker	3.8	0.6	3.2	Moneysupermarket.com	3.1	0.8	2.3
Workspace	3.8	0.8	3.0	Avon Rubber	2.4	0.2	2.2
Emis	2.9	0.0	2.9	BTG	2.1	0.0	2.1
Abcam	2.7	0.0	2.7	Paypoint	2.5	0.4	2.1

Financial Highlights

for the six months ended 31 December 2014

Capital Return	31 December 2014	30 June 2014	% change
Net asset value per ordinary share - basic	307.74p	307.38p	+0.1%
Net asset value per ordinary share - diluted	299.57p	298.92p	+0.2%
Ordinary share price (mid-market)	277.75p	281.25p	-1.2%
Discount of share price to net asset value - basic	9.7%	8.5%	
Discount of share price to net asset value - diluted	7.3%	5.9%	
Numis Smaller Companies Index (excluding investment companies)	6,297.69	6,476.55	-2.8%
Total assets (£m)[1]	238.06	239.14	-0.5%
Equity shareholders' funds (£m)	218.78	219.42	-0.3%

Revenue return - for six months ended	31 December 2014	31 December 2013	% change
Revenue return per ordinary share - basic	2.06p	2.75p	-25.1%
Revenue return per ordinary share - diluted	1.90p	2.47p	-23.1%
Interim dividend per ordinary share	1.40p	1.27p	+10.2%

Gearing	31 December 2014	30 June 2014	% change
Gearing[2]	0.0%	4.6%	

Expenses	31 December 2014	30 June 2014	% change
Ongoing charges[3]	1.21%	1.19%	

[1] Calculated as Total Assets less Current Liabilities
[2] Net gearing ratio calculated as the total liability component of £19.3m of the Convertible Unsecured Loan Stock less the cash invested in AAA money market funds and cash and short term deposits, divided by net assets.
[3] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.

Strategic Report

Chairman's Statement

David Woods

Performance

The Company's diluted net asset value total return was 1.6% for the six months ended 31 December 2014. This compares with a total return of -1.3% for the Company's benchmark, the Numis Smaller Companies, Index (excluding Investment Companies). This relative outperformance over the benchmark by 2.9% over the period is pleasing although stockmarkets have proved challenging. The long term performance remains strong and is illustrated in the table below:

	3 years	5 years	10 years
Net asset value total return	63.1%	133.2%	320.4%
Share price total return	59.1%	137.6%	420.5%
Benchmark total return	74.6%	103.9%	190.8%
Peer group ranking	9/12	6/12	1/9

Sources : Thomson Datastream and JP Morgan Cazenove

The Investment Manager's Report on pages 10 to 15 provides further information on stock performance and portfolio activity during the year, as well as the Investment Manager's outlook for smaller companies. The Board agrees with the Manager's view that steady growth stocks should outperform cyclical stocks over the long term.

Earnings and Dividend

The revenue return per share for the six months ended 31 December 2014 was 2.06p (2013 – 2.75p). Underlying dividends, excluding special dividends, from investee companies have increased by 10% this year. However special dividends have reduced from £733,000 to £140,000 over the interim period.

The Board has decided to increase the interim dividend by 10.2% to 1.40p per share (2013: 1.27p per share) and this will be paid on 7 April 2015 to shareholders on the register as at 13 March 2015 with an associated ex-dividend date of 12 March 2015.

Gearing and CULS

The Board has given the Investment Manager discretion to vary the level of gearing between a net cash position

Chairman's Statement (continued)

of 5% and net gearing of 25% of net assets, depending on the Investment Manager's view of the outlook for smaller companies.

The Company currently has £20.0million 3.5% Convertible Unsecured Loan Stock 2018 (CULS) in issue and the Investment Manager is able to vary net gearing by adjusting the level of cash held by the Company. A small net cash position was maintained through the period until November 2014 reflecting a more cautious approach being adopted by the Manager. The Company ended the period with a small geared position of 0.04%.

During the period 243,589 ordinary shares were issued following elections by holders of the Company's 3.5% convertible unsecured loan stock 2018 to convert £577,944 nominal of CULS.

As a reminder to holders of the CULS, these can be converted into Ordinary shares on 31 March and 30 September of each year up to March 2018, at a fixed price per Ordinary share of 237.2542p.

Discount

The discount at which the Company's shares trade relative to the underlying diluted net asset value was 7.3% at 31 December 2014. The Company's shares have traded at an average discount of 3.1 per cent over the year ended 31 December 2014 (source: Winterflood Securities) and the Board will continue to monitor the discount level closely going forward. This discount compares favourably with the peer group average which was 10.1% at 31 December 2014.

Regular Tender Offers and Share Buy Backs

In light of the ordinary shares trading, on average, at a discount to net asset value of less than 6.5% for the three, six and twelve month periods to 28 November 2014 the Board exercised its discretion and did not conduct a tender offer at the 31 December 2014 tender date. The cost of the first two tenders, held in 2010, was approximately 6.5% of the net asset value of the shares tendered.

Chairman's Statement (continued)

It remains the Board's intention to maintain the regular tender at six monthly intervals and to offer shareholders the opportunity to tender their shares when it is in their interests to do so.

In addition during the period the Company bought back 532,567 ordinary shares into treasury at discounts ranging between 5.3% and 7.6% that enhanced the net asset value for shareholders.

AGM

For the second year in a row the AGM in London was well attended with a lively interaction between the Board, Managers and shareholders. The Board has decided to hold this year's AGM in Edinburgh although there will be a shareholder presentation in London in November at the Manager's office at the Gherkin. Details of both events will be sent out in due course.

Outlook

The Board remains confident in the outlook for the Company over the long term. The Investment Managers' investment process has delivered excellent returns for shareholders. We expect the portfolio to continue to deliver strong earnings and dividend growth. The emphasis on risk aversion, resilience, growth and momentum remains intact.

David Woods
Chairman

20 February 2015

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company are regularly reviewed by the Board and the Manager, Standard Life Investments (Corporate Funds) Limited. 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.

The major risks and uncertainties 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.
- **Capital structure and gearing risk:** The Company's capital structure, as at 31 December 2014, consisted of equity share capital comprising 71,094,608 Ordinary 25p shares and £20,006,506 nominal amount of Convertible Unsecured Loan Stock 2018. There were also 532,567 ordinary shares of 25p held in treasury. 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 is required to strike a balance more in favour of capital growth than revenue return. In normal circumstances, the Board intends to pay dividends commensurate with the year's income.

Principal Risks and Uncertainties (continued)

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.

- **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.
- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including the Companies Act 2006, the UKLA Listing Rules or the UKLA Disclosure and Transparency Rules, 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 the form of the Alternative Investment Fund Managers Directive ("AIFMD") which came into force in July 2011 and was fully implemented on 22 July 2014. The AIFMD introduces a new authorisation and supervisory regime for all investment trust fund managers and investment companies in the European Union. In accordance with the requirements of AIFMD, the Company has appointed Standard Life Investments (Corporate Funds) Limited as its AIFM and BNP Paribas Securities Services as its Depositary. The Board has put in place controls in the form of regular reporting from the AIFM and the depositary to ensure both are meeting their regulatory obligations in relation to the Company.

Going Concern

The factors which have an impact on Going Concern are set out in the Going Concern section of the Directors' Report in the Company's Annual Report and Accounts to 30 June 2014. As at 31 December 2014, there have been no significant changes to these factors. The Company had no bank borrowings at 31 December 2014. The Directors are mindful of the principal risks and uncertainties disclosed above. The Directors have reviewed the revenue forecast for the year ending 30 June 2015 and have considered the liability profile of the £20 million convertible unsecured loan stock which matures in 2018. As a result, the Directors believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the interim accounts.

Manager's Report

The UK smaller companies sector as represented by the Numis Smaller Companies Index (excluding Investment Companies) fell by 2.8% over the period. This compares with a rise in net asset value for the Trust of 0.2%, while the share price fell by 1.2%. Over the same period the FTSE100 Index of the largest UK listed companies fell by 2.6%. Standard Life Investments has managed the Trust since 1 September 2003. The Trust's share price at that time was 47.75p. The Trust share price has risen by 482% from then to the current period end compared with our benchmark which was up 169%.

Equity markets

The period in question has been somewhat volatile as markets have been buffeted by walls of worry and bouts of optimism. September and October, months where seasonally pessimism is at its highest, were dragged down by a range of concerns. The shooting down of a passenger jet by Russian nationalists over the Ukraine heightened geopolitical concerns and the potential for further tit for tat sanctions activity. European and particularly German economic growth that had been robust went into a comparative slowdown. Enormities committed by the Islamic State further emphasised regional instability. Further afield the Chinese economy showed signs of weakness. The spread of Ebola was even seen as a contributor to all the pessimism. In December there was a further period of weakness as the far left Syriza party, which pledged to negotiate debt relief for Greece, gained a lead in the polls ahead of an impending Greek general election (which they subsequently won). The precipitate collapse in oil prices in the fourth quarter of 2014, as the Saudis refused to support the price by limiting production, was seen as generally good for the world economy, causing a return of more optimism.

In general, markets returned to normality where share prices are mainly driven by the prospects for earnings. This was a welcome relief from the entirely share valuation driven market of the second quarter of 2014. Investors were more objective about investing on the relative merits of individual shares than by macro factors as was the case in the last quarter of the previous financial year. As such there was somewhat of a reversal of the trends visible in the second quarter of 2014 following the Janet Yellen speech of March regarding the end of quantitative easing, which was covered at length in the Trust's annual report to June 2014.

The comparative robustness of the UK economy meant that UK domestic stocks such as real estate were favoured by the market. Retailers however, although domestic in character, had a mixed performance. The clothing retailers in particularly were hurt by unseasonably warm weather in the important autumn selling season. Financials which are generally domestic also did well. Pharmaceuticals, some of which are turning into reliable growth stocks, recovered strongly. Oil & Gas and mining sectors however were decimated by the onslaught of weak commodity prices. Smaller Companies, being light in resource stocks of all kinds, benefited relative to large companies in the fourth quarter of 2014. On the flip side food producers benefited from lower input prices as agricultural commodities fell. A high proportion of agricultural costs are oil related.

The new issues market was more subdued with a considerable pull back from the excess of the second quarter of 2014. Bid activity was at a comparatively low level. Cambridge Silicon Radio (CSR) received a cash bid from Qualcom while Shire received a bid, later withdrawn, from Abbvie of the USA.

Shares listed on the Alternative Investment market (AIM) performed poorly particularly towards the end of the period given their heavy exposure to oil & gas and mining stocks. This capped a difficult year for the junior market.

Performance

The period in question saw the Trust's net asset value per share make steady progress against the Numis benchmark, particularly in the last quarter when the relative rate of progress improved. The Trust benefited from having a lower exposure to **oil and gas** than the benchmark. An overweight position in **emerging pharmaceuticals, food producers** and in particular **real estate** companies was beneficial to performance. Exposure to the emerging **challenger banks** segment was also positive.

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

Workspace, the London orientated managed work-centre company, had an outstanding second half of

Manager's Report

the year. Rental and net asset value growth have been well ahead of expectations.

Ted Baker is now the second largest holding in the Trust following good trading through the difficult autumn trading period for branded clothing companies. Their international expansion is moving full steam ahead with very good progress made in the USA.

BTG put on a spurt in the second half following the approval in the USA of their much less invasive treatment for varicose veins. Their business is now broadly based, profitable and growing rapidly.

Paddy Power has turned in very creditable growth in the period with a particularly good performance from their Australian business.

Abcam, the world leader in on-line antibodies, is showing a return to growth and signs that they are deploying their cash to a higher dividend pay-out.

The poorest performing companies were those either partly or wholly exposed to the oil & gas sector. These included **Amerisur Resources**, a Colombian based producer, **Gulf Marine Services**, an Abu Dhabi based oil services company, **Pressure Technologies** an oil-field equipment company and **Aveva Group**, an engineering design software company. **Hargreaves Lansdown** was also weak following signs that the new retail distribution review driven changes on the pricing of financial products may have some impact on margins.

Dealing and Activity

The most significant new additions to the portfolio were as follows:

The Trust bought into **Restaurant Group**. Their lead formats Frankie & Benny's, Chiquito's and Coast to Coast have strong new store programmes over the next five years. **Skyepharma** was added to the line-up. Their lead asthma drug Flutiform is now approved across Europe and Japan. **Sprue Aegis,** the European leader in smoke and carbon monoxide detectors which is benefitting from a tighter regulatory environment, was added. The Trust also bought the world's leading ship broker **Clarkson**. **Avon Rubber** was added given its pre-eminent position in gas masks for military and emergency service applications.

On the sell side the Trust took profits in **Hargreaves Lansdown**. This has been a successful holding since April 2009. It is now in the FTSE100 index and thus no longer a "smaller company". **Kentz Corp** received a cash bid from the Canadian oil services company SNC Lavalin. First purchased at 235p in June 2010 the cash bid came in at 930p. **Aveva** was sold due to its significant exposure to oil & gas exposure. **Esure** was sold as it no longer seems to have a particular competitive advantage over other insurers. Profits were taken in **SuperGroup** which appears to be a brand that is inordinately exposed to weather patterns.

The Trust has increased its exposure to the emerging pharmaceuticals sector through purchases of **BTG, Skyepharma, Clinigen, CVS** and **Dechra Pharmaceuticals**. The latter two are in the area of veterinary medicine and services. The so called "challenger bank" segment has been added to through purchases of **Paragon Group** and **Secure Trust Bank**. These banks are benefiting from the travails of the "high street" banks and are able to tap into the retail deposit base in a way that wasn't possible prior to the doubling of Bank of England deposit insurance guarantees. **Gamma Communicatons**, a value added telecoms services provider and **Fevertree**, the soft-drinks mixer business were the only new issues bought during the period in question. They have both performed strongly in the after-market.

Exposure to oil & gas has reduced significantly following complete sales of **Kentz, Amerisur Resources, Aveva, Rotork and James Fisher**. **Brainjuicer, Xaar, Brammer, Esure and Mysale** were sold entirely as they no longer comply with our investment process. The latter was a small starter holding that failed to live up to expectations.

Themes that resonate within the portfolio include **Emerging Pharmaceuticals** where a group of companies with good earnings growth prospects independent of the economic cycle are becoming apparent. **Real Estate** remains an over-weight position as a result of exposure to a number of London orientated niche operators. **Food Producers** are benefitting from falling input prices and a realisation that they need to develop partnerships with the best suppliers. **Software** remains a key sector too. Selectively some very high quality operators with good earnings visibility exist.

Outlook

The interest rate environment remains incredibly benign. Our economists are predicting that the Fed will tighten between June and September with the UK following suit a few months later, with oil prices having fallen adding a couple of percent to disposable income. The impact of this can already be seen in consumer spending patterns in the UK. In Europe the picture is more mixed. Economic stagnation in Southern Europe is still ingrained, with the recent election in Greece meaning that negotiations are tense over debt relief and the Euro. China's modest but controlled slowdown and a decent short term outlook in Japan are positives. All of this means that the economic backdrop to markets around the world look reasonably positive.

For the pessimists out there the relentless continuous application of quantitative easing must be a concern. Firstly, because it encourages the formation of an asset bubble as investors seek more risky income sources. It is notable for example that Private Equity is back outbidding the listed market for the purchase of businesses with KKR for example buying The Trainline.com just as it was about to list on the LSE and, secondly, in so far as weaning the world economy off QE is difficult and unpredictable. In an increasingly connected world unintended consequences that have not been forseen may come to pass.

Profit margins for cyclical industries are at levels that were last seen in 2007. Cyclical stocks, have now seen six years of recovery since the nadir of the banking crisis in early 2009 and after so many years of recovery have now delivered an earnings growth track record that make those of our consistent quality growth holdings look quite pedestrian. Some late cycle sectors such as real estate are taking up the running in terms of performance. All this suggests that we are now in the later stages of the up phase in this economic cycle.

The new issues market has quietened down since a year ago although it is still open for business. Acquisition activity remains surprisingly modest from trade buyers looking for growth.

Manager's Report

Smaller Company valuations are actually not overstretched right now with the Price Earnings ratio of the Numis Smaller Companies Index as calculated by professors Dimson and Marsh being just above that of the FTSE All Share Index. The trouble is that markets will be assuming that the economic cycle has in fact not been banished to oblivion and that the next turn in the cycle is downwards. This means that Smaller Companies as a more cyclical sector will gradually de-rate until an actual economic downturn occurs. Whilst no down-turn is currently envisaged our feeling is that it pays in the long run to be vigilant and to remain cautious. Perhaps a by-product of this is that dividend growth is now starting to tail off with what seems to me to be less in the way of special dividends being paid. This reflects a greater degree of medium term caution from company Finance Directors.

To this end nothing has changed with our process. It has generally worked well over the past ten years and we see no reason for this to change. The vast majority of our companies have net cash positions and can grow from internally generated cash-flows in a predictable way. This all gives us great confidence in the long term outlook for the Trust. Our aim is to be exposed to predictable growth, but in a lower risk way as there is always risk out there particularly in this inter-dependent global financial system. Given that uncertainty remains behind every corner, our emphasis on risk aversion, resilience, growth and momentum still feels right for the future.

Harry Nimmo
Head of Smaller Companies
Standard Life Investments

20 February 2015

Top Twenty Investments

At 31 December 2014

	Value £'000	% of Portfolio
Telecom Plus	9,364	4.3
Workspace	8,415	3.8
Ted Baker	8,403	3.8
Moneysupermarket.com	6,698	3.1
Emis Group	6,425	2.9
Paragon	6,088	2.8
Abcam	5,831	2.7
Paypoint	5,400	2.5
Dunelm	5,288	2.4
Avon Rubber	5,179	2.4
Big Yellow	4,817	2.2
Dechra Pharmaceuticals	4,785	2.2
Computacenter	4,763	2.2
BTG	4,637	2.1
CVS Group	4,500	2.1
Rightmove	4,496	2.1
Paddy Power	4,235	1.9
Diploma	4,223	1.9
Smart Metering Systems	4,163	1.8
Sprue Aegis	4,084	1.8
Top twenty investments	**111,794**	**51.0**
Other investments (44)	107,466	49.0
Total Portfolio	**219,260**	**100.0**

Sector Distribution

At 31 December 2014

	Portfolio Weightings %	Numis Smaller Companies Index (excluding investment companies) Weightings %
Oil & gas	1.4	2.5
Basic materials	1.4	5.7
Industrials	22.2	25.7
Consumer goods	11.3	8.5
Health care	9.6	4.1
Consumer services	21.0	21.4
Telecommunications	5.6	2.7
Utilities	—	0.6
Technology	12.9	8.7
Financials	14.6	20.1
Total equity investments	**100.0**	**100.0**

Income Statement

	Note	Six months ended 31 December 2014 (unaudited)		
		Revenue £'000	Capital £'000	Total £'000
Net gains on investments held at fair value		–	2,225	2,225
Currency losses		–	–	–
Income	2	2,139	–	2,139
Investment management fee		(251)	(754)	(1,005)
Administrative expenses		(299)	–	(299)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		1,589	1,471	3,060
Finance costs		(118)	(354)	(472)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		1,471	1,117	2,588
Taxation	3	(1)	–	(1)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		**1,470**	**1,117**	**2,587**
BASIC RETURN PER ORDINARY SHARE	5	**2.06p**	**1.56p**	**3.62p**
DILUTED RETURN PER ORDINARY SHARE	5	**1.90p**	**1.59p**	**3.49p**

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

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

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

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

Income Statement

Six months ended 31 December 2013 (unaudited)			Year ended 30 June 2014 (audited)		
Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
—	36,846	36,846	—	14,399	14,399
—	(5)	(5)	—	(13)	(13)
2,512	—	2,512	4,860	—	4,860
(259)	(776)	(1,035)	(526)	(1,580)	(2,106)
(238)	—	(238)	(566)	—	(566)
2,015	36,065	38,080	3,768	12,806	16,574
(138)	(414)	(552)	(262)	(786)	(1,048)
1,877	35,651	37,528	3,506	12,020	15,526
(6)	—	(6)	(6)	—	(6)
1,871	**35,651**	**37,522**	**3,500**	**12,020**	**15,520**
2.75p	**52.49p**	**55.24p**	**5.05p**	**17.33p**	**22.38p**
2.47p	**45.93p**	**48.40p**	**4.66p**	**15.90p**	**20.56p**

Reconciliation of Movements in Shareholders' Funds

Six months ended 31 December 2014 (unaudited)

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000
Balance at 30 June 2014	17,846	19,309	1,470
Return on ordinary activities after taxation	—	—	—
Issue of shares	—	—	—
Buyback of Shares	(133)	—	—
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	61	495	—
Dividends paid (see note 4)	—	—	—
BALANCE AT 31 DECEMBER 2014	**17,774**	**19,804**	**1,470**

Six months ended 31 December 2013 (unaudited)

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000
Balance at 30 June 2013	16,666	7,225	1,470
Return on ordinary activities after taxation	—	—	—
Issue of shares	463	5,179	—
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	260	2,025	—
Dividends paid (see note 4)	—	—	—
BALANCE AT 31 DECEMBER 2013	**17,389**	**14,429**	**1,470**

Reconciliation of Movements in Shareholders' Funds

Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
—	46,871	129,582	4,340	219,418
—	—	1,117	1,470	2,587
—	—	—	—	—
133	(1,472)	—	—	(1,472)
—	—	—	—	556
—	—	—	(2,306)	(2,306)
133	**45,399**	**130,699**	**3,504**	**218,783**

Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
—	46,871	117,562	3,690	193,484
—	—	35,651	1,871	37,522
—	—	—	—	5,642
—	—	—	—	2,285
—	—	—	(1,954)	(1,954)
—	**46,871**	**153,213**	**3,607**	**236,979**

Reconciliation of Movements in Shareholders' Funds

Year ended 30 June 2014 (audited)

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000
Balance at 30 June 2013	16,666	7,225	1,470
Return on ordinary activities after taxation	—	—	—
Issue of shares	725	8,434	—
Issue of 3.5% Convertible Unsecured Loan Stock 2018	455	3,650	—
Dividends paid (see note 4)	—	—	—
BALANCE AT 30 JUNE 2014	**17,846**	**19,309**	**1,470**

Reconciliation of Movements in Shareholders' Funds

Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
—	46,871	117,562	3,690	193,484
—	—	12,020	3,500	15,520
—	—	—	—	9,159
—	—	—	—	4,105
—	—	—	(2,850)	(2,850)
—	**46,871**	**129,582**	**4,340**	**219,418**

Balance Sheet

	Note	As at 31 December 2014 (unaudited) £'000	As at 31 December 2013 (unaudited) £'000	As at 30 June 2014 (audited) £'000
NON-CURRENT ASSETS				
Investments held at fair value through profit or loss		219,260	239,645	212,603
CURRENT ASSETS				
Debtors and prepayments		327	796	1,348
AAA Money Market funds		19,338	18,823	29,798
Cash and short term deposits		28	4	5
		19,693	19,623	31,151
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Other creditors		(890)	(874)	(4,617)
NET CURRENT ASSETS		**18,803**	**18,749**	**26,534**
NON-CURRENT LIABILITIES				
3.5% Convertible Unsecured Loan Stock 2018		(19,280)	(21,415)	(19,719)
NET ASSETS		**218,783**	**236,979**	**219,418**
CAPITAL AND RESERVES				
Called-up share capital		17,774	17,389	17,846
Share premium account		19,804	14,429	19,309
Equity component of Convertible Unsecured Loan Stock 2018		1,470	1,470	1,470
Capital Redemption Reserve		133	—	—
Special reserve		45,399	46,871	46,871
Capital reserve		130,699	153,213	129,582
Revenue reserve		3,504	3,607	4,340
EQUITY SHAREHOLDERS' FUNDS		**218,783**	**236,979**	**219,418**
BASIC NET ASSET VALUE PER ORDINARY SHARE	8	**307.74p**	**340.71p**	**307.38p**
DILUTED NET ASSET VALUE PER ORDINARY SHARE	8	**299.57p**	**327.29p**	**298.92p**

Cash Flow Statement

	Six months ended 31 December 2014 (unaudited) £'000	Six months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
NET RETURN ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS AND TAXATION	3,060	38,080	16,574
Adjustment for:			
Gains on investments	(2,225)	(36,846)	(14,399)
Currency losses	—	5	13
REVENUE BEFORE FINANCE COSTS AND TAXATION	835	1,239	2,188
Decrease in accrued income	243	706	364
Increase in other debtors	(4)	(500)	(2)
Increase in other creditors	20	84	104
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,094	1,529	2,654
Net cash outflow from servicing of finance	(360)	(436)	(828)
Net overseas tax	(1)	(6)	(6)
Net cash (outflow)/inflow from financial investment	(7,392)	7,570	15,200
Equity dividends paid	(2,306)	(1,954)	(2,850)
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	(8,965)	6,703	14,170
Net cash inflow/(outflow) from management of liquid resources	10,460	(12,355)	(23,330)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	1,495	(5,652)	(9,160)
FINANCING			
Issue of shares	—	5,642	9,159
Buyback of Shares	**(1,472)**	**—**	**—**
NET CASH INFLOW FROM FINANCING	**23**	**5,642**	**9,159**
INCREASE/(DECREASE) IN CASH	**23**	**(10)**	**(1)**

Cash Flow Statement

	Six months ended 31 December 2014 (unaudited) £'000	Six months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT			
Increase/(decrease) in cash as above	23	(10)	(1)
Net change in liquid resources	(10,460)	12,355	23,330
Other non-cash movements	439	2,147	3,835
Movement in net debt in the period	(9,998)	14,492	27,164
Opening net debt	10,084	(17,080)	(17,080)
CLOSING NET DEBT	**86**	**(2,588)**	**10,084**
REPRESENTED BY:			
Cash and short term deposits	28	4	5
Money Market funds	19,338	18,823	29,798
Debt due in more than one year	(19,280)	(21,415)	(19,719)
	86	**(2,588)**	**10,084**

Notes to the Financial Statements

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared in accordance with applicable UK Accounting Standards, with pronouncements on half-yearly reporting issued by the Accounting Standards Board 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 and the net asset value per share figures have been prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

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

(b) Dividends payable

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

2. Income

	Six months ended 31 December 2014 £'000	Six months ended 31 December 2013 £'000	Year ended 30 June 2014 £'000
Income from investments			
UK dividend income	1,838	2,283	4,153
REIT income	117	31	151
Overseas dividend income	124	167	464
	2,079	2,481	4,768
Other income			
Interest from Money Market funds	60	31	92
	60	31	92
Total income	**2,139**	**2,512**	**4,860**

Notes to the Financial Statements

3. Taxation

The taxation charge in the Income Statement represents irrecoverable overseas taxation.

4. Dividends

	Six months ended 31 December 2014 £'000	Six months ended 31 December 2013 £'000	Year ended 30 June 2014 £'000
Ordinary dividend on equity shares:			
2014 final dividend of 3.23p per share (2013 - 2.90p)	2,306	1,954	1,954
2014 interim dividend of 1.27p per share	—	—	896
	2,306	**1,954**	**2,850**

5. Return per share

	Six months ended 31 December 2014 p	Six months ended 31 December 2013 p	Year ended 30 June 2014 p
Basic			
Revenue return	2.06	2.75	5.05
Capital return	1.56	52.49	17.33
Total return	**3.62**	**55.24**	**22.38**
Weighted average number of Ordinary shares for basic return per share	**71,404,385**	**67,914,134**	**69,340,457**

Notes to the Financial Statements

The figures above are based on the following:

	Six months ended 31 December 2014 £'000	Six months ended 31 December 2013 £'000	Year ended 30 June 2014 £'000
Revenue return	1,470	1,871	3,500
Capital return	1,117	35,651	12,020
Total return	**2,587**	**37,522**	**15,520**

	Six months ended 31 December 2014 p	Six months ended 31 December 2013 p	Year ended 30 June 2014 p
Return per share			
Diluted			
Revenue return	1.90	2.47	4.66
Capital return	1.59	45.93	15.90
Total return	**3.49**	**48.40**	**20.56**
Weighted average number of Ordinary shares for diluted return per share	**79,971,942**	**77,950,770**	**78,911,644**

The figures above are based on the following:

	Six months ended 31 December 2014 £'000	Six months ended 31 December 2013 £'000	Year ended 30 June 2014 £'000
Revenue return	1,521	1,923	3,676
Capital return	1,269	35,807	12,548
Total return	**2,790**	**37,730**	**16,224**

Notes to the Financial Statements

The calculation of the diluted total, revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard 22, “Earnings per Share”. 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 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 8,567,557 (31 December 2013 - 10,036,636 and 30 June 2014 - 9,571,187) to 79,971,942 (31 December 2013 - 77,950,770 and 30 June 2014 - 78,911,644) 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 and unamortised issues expenses are reversed.

6. Capital reserve

The capital reserve reflected in the Balance Sheet at 31 December 2014 includes gains of £69,214,000 (31 December 2013 - £122,274,000; 30 June 2014 - £78,185,000) which relate to the revaluation of investments held at the reporting date.

7. Transaction costs

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

	Six months ended 31 December 2014 £'000	Six months ended 31 December 2013 £'000	Year ended 30 June 2014 £'000
Purchases	143	125	278
Sales	26	29	67
	169	**154**	**345**

8. Net asset value

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

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

Notes to the Financial Statements

	Six months ended 31 December 2014	Six months ended 31 December 2013	Year ended 30 June 2014
Basic net asset value per share			
Total shareholders' funds	£218,783,000	£236,979,000	£219,418,000
Number of ordinary shares in issue at the period end (excluding shares held in treasury)	71,094,608	69,554,370	71,383,586
Net asset value per share	307.74p	340.71p	307.38p
Diluted net asset value per share			
Total shareholders' funds	£238,239,000	£258,594,000	£239,317,000
Number of ordinary shares in issue at the period end (excluding shares held in treasury)	79,527,127	79,009,724	80,059,702
Net asset value per share	299.57p	327.29p	298.92p

During the year the Company repurchased 532,567 Ordinary shares at a cost of £1,472,000. In October 2014 £577,944 (2013 - £2,463,662) nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 was converted into 243,589 (2013 - 1,038,382) new Ordinary shares.

As at 31 December 2014 there were 71,094,608 Ordinary shares in issue (31 December 2013 - 69,554,370 and 30 June 2014 - 71,383,586). Since 31 December 2014, the Company has repurchased 661,318 Ordinary shares.

The diluted net asset value per Ordinary share as at 31 December 2014 has been calculated on the assumption that £20,006,506 (31 December 2013 - 22,433,225 and 30 June 2014 - 20,584,450) 3.5% Convertible Unsecured Loan Stock 2018 are converted at 237.25p per share, giving a total of 79,527,127 (31 December 2013 - 79,009,724 and 30 June 2014 - 80,059,702) 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 31 December 2014 the cum income (debt at fair value) NAV was 307.74p (30 June 2014 - 307.38p, 31 December 2013 - 340.71p) and thus the CULS 2018 were 'in the money'.

9. The financial information in this report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the year ended 30 June 2014 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

10. This Half-Yearly Report was approved by the Board on 20 February 2015

Directors' Responsibility Statement

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

- the condensed set of Financial Statements have been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports"; and
- the Interim Management Report includes a fair review of the general conditions required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure and Transparency Rules.

The Half-Yearly Financial Report, for the six months ended 31 December 2014, comprises an Interim Management Report, in the form of the Chairman's Statement, the Directors' Responsibility Statement and a condensed set of Financial Statements, which has not been audited or reviewed by the auditors pursuant to the APB guidance on Review of Interim Financial Information.

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

David Woods

Chairman

20 February 2015

How to Invest in Standard Life UK Smaller Companies Trust

Investors may subscribe to Standard Life UK Smaller Companies Trust ("the Company") through Standard Life's Savings Scheme, Individual Savings Account ('ISA') or Individual Savings Account transfer ('ISA transfer'). Alternatively, investors may buy shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or financial adviser.

The Company currently conducts its affairs so that its shares can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCAs rules in relation to non-mainstream investment products and intends to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream products because they are shares in a UK Listed investment trust.

Investment Trust Savings Scheme

Standard Life's Savings Scheme is a straightforward way to invest in the Company. The minimum investment through Standard Life's Savings Scheme is £100 per month or a £1,000 lump sum. 0.5% Government stamp duty, which is currently payable on all share purchases, is deducted from each investment made. There is no maximum amount that can be invested in the Company through Standard Life's Savings Scheme and there is no initial, exit or annual management charge.

Investment Trust ISA

Standard Life's Stocks and Shares ISA is a tax efficient savings vehicle as investors pay no additional income tax or capital gains tax on any money generated by their investments. An ISA allows investors to maximise the amounts placed in stocks and shares. Investors have the opportunity to invest in the Company's ISA up to £15,000 in the tax year 2014/2015. Like the Savings Scheme, the minimum investment in Standard Life's ISA is a £1,000 lump sum or £100 per month. 0.5% Government stamp duty is deducted from each investment made, however, there is no initial, exit or annual management charge.

Investment Trust ISA Transfer

Investors may also gain access to the Company by transferring any existing ISA investments to a Standard Life ISA.

How to Invest in Standard Life UK Smaller Companies Trust

How to Invest

For further information on how to invest and an application pack containing full details of the products and their charges, please go online to www.standardlifeinvestments.co.uk/its or alternatively call Standard Life Investments on 0845 60 24 247. Lines are open from 9 a.m. to 5 p.m. Monday to Friday. We recommend that you speak to your usual financial adviser to find out if Standard Life Investments' products are suitable for you.

Risk Warnings – General

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs may not be maintained.

Company Information and Contact Details

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Lynn Ruddick (Chairman, Audit and Management Engagement Committee)
Carol Ferguson (Senior Independent Director)
Allister Langlands
Donald MacDonald

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