Standard Life UK Smaller Companies Trust plc

Half Yearly Report 31 December 2015

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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.

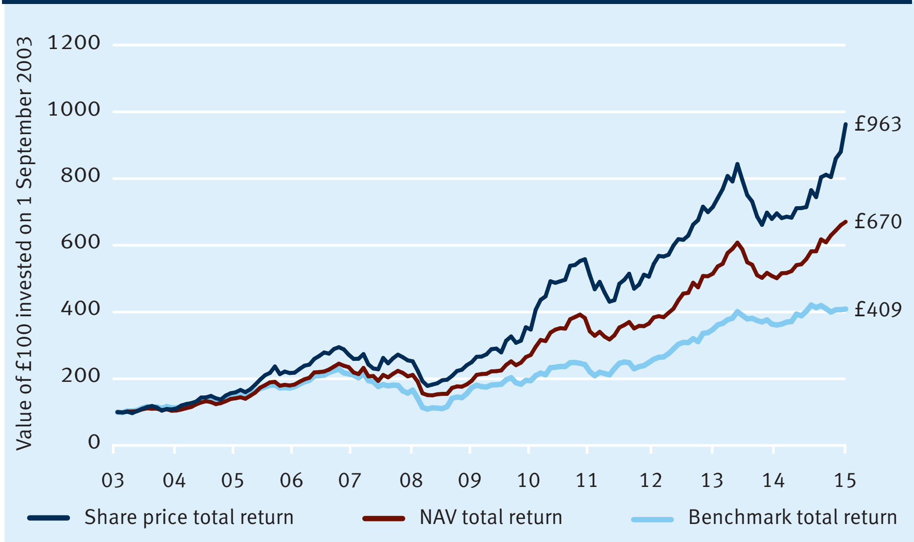
Financial Highlights

for the six months ended 31 December 2015

Total Return	Six months ended 31 December 2015
Diluted net asset value total return	15.2%
Share price total return	29.4%
Benchmark total return	-1.0%

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 as at 31 December 2015

Overweight Stocks	Company %	B'mark %	Relative %	Overweight Stocks	Company %	B'mark %	Relative %
Emis Group	3.2	0.0	3.2	Moneysupermarket.com	3.8	1.3	2.5
CVS Group	3.0	0.0	3.0	GB Group	2.5	0.0	2.5
Ted Baker	3.7	0.8	2.9	Abcam	2.4	0.0	2.4
Rightmove	2.7	0.0	2.7	Paddy Power	2.4	0.0	2.4
Workspace	3.6	1.0	2.6	Telecom Plus	2.8	0.5	2.3

Financial Highlights

for the six months ended 31 December 2015

Capital Return	31 December 2015	30 June 2015	% change
Net asset value per ordinary share			
Basic	397.47p	349.73p	+13.7%
Diluted	380.33p	336.89p	+12.9%
Ordinary share price	383.00p	300.00p	+27.7%
Discount/(premium) of ordinary share price to net asset value			
Basic	3.6%	14.2%	
Diluted	(0.7%)	10.9%	
Benchmark capital return	6,766.66	6,930.22	-2.4%
Total assets (£m)[1]	282.51	261.94	+7.9%
Shareholders' funds (£m)	264.79	242.78	+9.1%

Revenue return - for six months ended	31 December 2015	31 December 2014	% change
Revenue return per ordinary share - basic	2.46p	2.06p	+19.4%
Revenue return per ordinary share - diluted	2.28p	1.90p	+20.0%
Interim dividend per ordinary share	1.40p	1.40p	—

Gearing	31 December 2015	30 June 2015
Gearing[2]	4.9%	4.1%

Expenses	31 December 2015	30 June 2015
Ongoing charges[3]	1.14%	1.19%

[1] Calculated as Total Assets less Current Liabilities
[2] Net gearing ratio calculated as the total liability component of £17.7m 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 15.2% for the six months ended 31 December 2015. This compares with a total return of -1.0% for the Company's benchmark, the Numis Smaller Companies Index (excluding Investment Companies). This remarkable outperformance over the benchmark by 16.2% is very pleasing and has been achieved in a period where stock markets have proved challenging. The long term performance remains strong and is illustrated in the table below:

	1 year	3 years	5 years	10 years
Net asset value total return	29.7%	68.7%	98.2%	322.7%
Share price total return	40.4%	68.4%	95.7%	428.4%
Benchmark total return	10.6%	48.6%	75.5%	151.7%
Peer group ranking (NAV TR)*	1/12	5/11	3/11	1/13

Sources: Thomson DataStream and *JP Morgan Cazenove

The Investment Manager's Report 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 quality 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 2015 was 2.46p (2014 – 2.06p), with underlying dividends from investee companies increasing by 8.9% over the interim period.

The Board is proposing an interim dividend of 1.40p per share (2014: 1.40p per share) and this will be paid on 7 April 2016 to shareholders on the register as at 11 March 2016 with an associated ex-dividend date of 10 March 2016.

Gearing and CULS

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.

Chairman's Statement (continued)

The Company currently has £18.2 million 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. At 31 December 2015, the net gearing or borrowing level was 4.9%.

During the period 669,513 Ordinary shares were issued on 8 October 2015 following elections by holders of the Company's 3.5% Convertible Unsecured Loan Stock 2018 to convert £1,588,511 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 / Premium

The premium at which the Company's shares trade relative to the underlying diluted net asset value was 0.7% at 31 December 2015. The Company's shares have traded at an average discount of 6.7% over the year ended 31 December 2015 (source: Winterflood Securities) and the Board will continue to monitor the discount level closely going forward.

The year-end premium compares favourably with the peer group average discount which was 6.0% at 31 December 2015.

The Board has decided to reduce the hard discount target level that the Company operates from 10% to 8% of diluted net asset value. The Board will aim to use its 14.99% share buy-back authority (approved by shareholders in October 2015) to seek to maintain a discount level of less than 8% to diluted net asset value under normal market conditions. 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 absolute discretion of the Board. In addition, the Board 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.

Regular Tender Offers and Share Buy Backs

The Board exercised its discretion and conducted a tender offer in July 2015. 3,470,930 Ordinary shares were tendered on 28 July 2015 at

Chairman's Statement (continued)

a price of 322.66p per share and placed into treasury. There were no other share buy backs or share allotments.

Shareholder relations

Following 2 years of holding the AGM in London, the 2015 AGM was held in Edinburgh. The Board also held a shareholder presentation in London which, although not a formal AGM, was nevertheless well attended. The Board has decided to hold this year's AGM on Thursday, 27 October 2016 at the Manager's office at 30 St. Mary Axe, London. Full details of the event will be sent out with the Annual Report.

Board succession

Donald MacDonald stepped down from the Board on 16 February 2016 after 23 years of outstanding service to the Trust. For the first 21 years of those 23 years, Donald led the Company as its Chairman and ably steered it to the success it has had over a long period. More recently, he has continued to operate as a diligent and effective Non-Executive Director and the Board has been extremely fortunate to be able to benefit from his contribution. We wish him well in his retirement.

Lynn Ruddick has intimated that she will step down at the AGM following the 30 June 2016 year end. The Nomination Committee is currently carrying out a search for new directors and will continue to focus on the Company's ongoing succession planning.

Outlook

Since the beginning of 2016 and against a difficult economic background, world markets have been volatile and challenging. More comment on this can be found in the Manager's Report. Nevertheless, the Board remains confident in the outlook for the Company over the long term. The Investment Manager's 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

19 February 2016

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 2015, consisted of equity share capital comprising 66,617,183 Ordinary 25p shares and £18,184,071 nominal amount of Convertible Unsecured Loan Stock 2018. There were also 5,009,992 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

Principal Risks and Uncertainties (continued)

Board intends to pay dividends 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.

- **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, the UKLA Disclosure and Transparency Rules or the Alternative Investment Fund Managers Directive ("the AIFMD"), could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers to the Company, could also lead to reputational damage or loss.

  The AIFMD was fully implemented with effect from 22 July 2014 and introduced 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 the AIFMD, the Company has appointed Standard Life Investments (Corporate Funds) Limited as its Alternative Investment Fund Manager ("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 responsibilities in relation to the Company.

  With effect from 1 January 2016, new tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common

Reporting Standard for Automatic Exchange of Financial Account Information ("The Common Reporting Standard") is being introduced.

The legislation will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, Standard Life UK Smaller Companies Trust plc will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders, and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, entered onto the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders https://www.gov.uk/government/publications/exchange-of-information-account-holders.

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 2015. As at 31 December 2015, there have been no significant changes to these factors. The Company had no bank borrowings at 31 December 2015. 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 2016 and have considered the liability profile of the £18.2 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 1.0% in total return terms over the six months to 31 December 2015. This compares with a net asset value total return for the Trust of 15.2% and a share price total return of 29.4%. Over the same period the FTSE 100 Index of the largest UK listed companies fell by 2.6%. Standard Life Investments has managed the Trust since 1 September 2003. The share price at that time was 47.75p and has risen by 702% from then to the current period end compared with our benchmark which was up 189%.

Equity markets

The period in question was dominated by issues over the health of the world economy and most particularly by that of China. The most obvious manifestation of this was the oil and copper price. Subsidiary concerns for markets included the health of emerging markets and their various currencies. Following on from this was concern over the levels of debt racked up by oil and gas companies where lending had been based on oil price forecasts that have turned out to be very optimistic. A further stage removed is a general concern over the search for income in an era of very low inflation and the rise of high yield low grade debt. Banks internationally are aggressive lenders again and at very fine terms. We saw the first interest rate rise in the US at the end of the year, however recent concern over evidence of developing economic weakness and issues over the health of the European banking systems means future interest rate rises are less likely.

The indirect consequences of this were weak performances from sectors directly associated with oil & gas, mining, engineering and industrial sectors in general, particularly those associated with export to China.

The oil price itself fell precipitously from $60 a barrel in mid-June when some market commentators felt that there was a recovery in prospect, to a low point of $27 a barrel by mid-January. Some medium sized explorers such as Afren failed altogether with many more likely to follow in the near future. Copper and iron ore prices fell by around 30% in the period in question. Saudi Arabia continues to produce aggressively, partly to discourage fracking and other unorthodox sources but also as a weapon in its proxy war with Iran which is on the point of re-entering the world market as a producer following the end of trade sanctions. The oil price is now around 75% down from highs and the situation bears close comparison with the 1986 collapse with which there are real parallels.

The resource heavy FTSE 100 Larger Companies Index thus under-performed the Numis Smaller Companies Index for much of the period except for a brief FTSE 100 rally in September associated with a momentary recovery of sentiment towards resource stocks and the Chinese economy. Meanwhile the UK and US economies showed decent strength although generally there was a slight slowing in growth and corporate profits compared with the first half of 2015.

Performance

The period in question was characterised by a period of significant out-performance of your Trust which was magnified by a substantial narrowing of the discount. By December the Trust's shares regained the status of trading at a premium to net asset value albeit for a brief period. The key drivers were the Trust's lack of exposure to Oil & Gas, Mining and Engineering stocks. Helpfully the Trust was heavily exposed to the UK consumer, through Retailers, Leisure and Media, also growth sectors like Software and Healthcare and UK orientated sectors in general such as Real Estate and Financials.

Bid activity played a part. Our substantial holding in **Quintain Estates and Development** was acquired by Lone Star of Texas. Furthermore, the **PaddyPower/Betfair** combination was seen as a very powerful player in the on-line sports betting market going forward.

A number of old favourites returned some really quite spectacular returns in the half year. As previously mentioned the **PaddyPower** share price was up a helpful 66%. **Moneysupermarket, EMIS, Rightmove, CVS Group, GB Group, Domino's Pizza** and **JD Sports** all rose by between 23% and 35%, all driven by trading that was ahead of expectations. Special mention must be made for **FeverTree Drinks** the premium mixer drinks company where the share price rose by an amazing 110%.

Manager's Report

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

Fevertee Drinks managed to come out twice with "profit warnings" where they stated that earnings would be significantly ahead of expectations as they continue to gain share as a result of the premium gin revolution around the world. Consumers have been impressed by the quality and provenance of Fevertree in comparison with erstwhile market leaders.

PaddyPower has rocketed following the merger announcement with Betfair. Paddy's superlative marketing prowess combined with Betfair's unique betting exchange capabilities opens up intriguing product promotion and margin enhancement possibilities. This share has returned in excess of 1100% since it was first bought in December 2004.

Moneysupermarket is continuing to gain ground on other more one dimensional price comparison sites.

Rightmove continues to be a very "giving" share. Their market leading credentials meant that the company showed its true class up against Zoopla and Agents Mutual.

Abcam, an old favourite which has been in the Trust since 2007, recovered after showing signs that it was regaining its old growth form.

The losers were comparatively thin on the ground, the most notable being **Paragon Group**, the challenger bank which specialises in buy to let lending. The Chancellor has moved aggressively to discourage buy to let lending by disallowing setting mortgage interest against profits and by adding 3% on to stamp duty for landlords. **AG Barr** lost ground, not helped by poor summer trading and a whispering campaign targeted at the issue of obesity caused by excessive sugar consumption. **Clarkson** and **James Fisher** suffered because of partial exposure to oil and gas markets. **Diploma** was impacted by continued weak trading in its industrial end markets.

Dealing and Activity

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

The Trust added significantly to its holding in **JD Sports Fashion** which continues to trade very strongly as it expands into Europe. A new holding was taken in **Solid State** the electronics company that specialises in ruggedised products for military and justice applications only to have their security tagging contract with the Ministry of Justice delayed. A new holding in **Dart Group**, the owner of Jet2 Airways was added. This airline will benefit from falling oil prices and the renewal of its fleet. More **NMC Healthcare**, the Abu Dhabi based hospital company was added. The Trust participated in a placing in IT PR company **Next Fifteen Communications**. The Trust also took a holding in new issue **"The Gym Group"**, a fast growing value for money fitness chain. The IT professional sourcing company **FDM Group** was also bought. The shares continue to trade strongly.

Our key sales were:

Eleven holdings were sold completely. Profits were taken in **BTG, James Fisher, Moss Bros** and **AG Barr**, mainly because the matrix score, our stock screening process, fell into negative territory. Residual holdings in **Gulf Marine Services** and **Amerisur Resources** were sold because of concerns over the future of the oil price. **Latchways**, **Globo, Skyepharma** and **Hilton Foods** were also sold because of poor matrix scores. Other significant partial sales where substantial profits were taken include **Ted Baker** and **Rightmove** where the holdings became too big. **Diploma** and **Sprue Aegis** were also partially sold.

Outlook

There is much economic debate around whether low oil prices are good or bad for the world economy and markets. At the time of writing negativity and pessimism are in the ascendant on this issue. The doom-mongers contend that low oil prices are the real evidence that the Chinese economy is weakening and could enter what they call a "hard landing" or actual recession. As the Chinese economy has been driving the growth of the world economy of late this is negative. Further trouble is brewing as the world but particularly the US oil & gas, mining and dependent engineering stocks have taken on debt and are in no position to service this debt.

Manager's Report

These pessimists further contend that Saudi Arabia, in particular will implode into political chaos under the weight of economic crisis they have wrought with their aggressive production policies.

I am more optimistic than that. Low oil prices most likely for a long time are good for the resource poor developed and indeed developing world, providing a significant boost to consumer spending in those countries. It is also most helpful to the cost structures of many energy intensive industries in manufacturing and transportation. The regime of the House of Saud showed itself to be surprisingly robust in the second half of the 1980s in the previous post oil price collapse period. Taking again that period as an example, whole sections of the oil & gas industry collapsed during that period including many major banks in Texas and Oklahoma. The world economy and markets were able to ride out the storm excepting the market crash of 1987 which turned out to be a temporary event unrelated to the oil price. The Chinese economy is slowing but this is only to be expected as China moves into a new less energy intensive phase of its development. Negatives do remain. Ultra low interest rates are encouraging undisciplined lending. The recovery has been going on for a very long time and corporate operating margins have returned to peak levels. The European economy is still sluggish requiring a fresh round of quantitative easing style stimulation. The geo-political situation remains messy in Eastern Europe and the Middle East. Closer to home trading statements from consumer stocks over Christmas have been lacklustre although much of this can be blamed on the weather.

Recent market weakness in early 2016 does mean that market valuations are no longer stretched. The UK does remain a well-managed economy able to achieve in excess of 2% growth in 2016. More than 70% of the profits of the holdings in the Trust are derived from the UK.

Our process remains unchanged. Our emphasis on risk aversion, resilience, growth and momentum still feels right for the future. Caution should be the watch-word although we do expect a positive out-turn for the year. Markets have turned febrile in the New Year. Major sector reversals are taking place as markets respond this way and that trying to gain meaning from the tit-bits of economic news as they become available.

Our returns in the past year have been extraordinarily good and at variance with the main market. I have to warn investors not to expect this situation to continue indefinitely. Gains will be given back and as alluded to above sharp reversals may take place in the months ahead. What I can say to investors is that I believe that long term they will be rewarded by remaining with our Trust and will continue to benefit from our process that has worked so well for so long.

Harry Nimmo
Head of Smaller Companies
Standard Life Investments

19 February 2016

Top Twenty Investments

At 31 December 2015

	Value £'000	% of Portfolio
Moneysupermarket.com	10,694	3.8
Ted Baker	10,409	3.7
Workspace	10,064	3.6
Emis Group	8,973	3.2
CVS Group	8,250	3.0
Telecom Plus	7,947	2.8
Computacenter	7,708	2.8
Rightmove	7,425	2.7
JD Sports Fashion	7,339	2.6
Greggs	7,096	2.5
Cranswick	6,905	2.5
GB Group	6,853	2.5
Dechra Pharmaceuticals	6,798	2.4
Abcam	6,661	2.4
Paddy Power	6,558	2.4
Big Yellow	6,386	2.3
NMC Health	6,232	2.2
Avon Rubber	6,100	2.2
Gamma Communications	6,024	2.2
Restaurant Group	5,988	2.1
Top twenty investments	**150,410**	**53.9**
Other investments (35)	128,626	46.1
Total Portfolio	**279,036**	**100.0**

Sector Distribution

At 31 December 2015

	Portfolio Weightings %	Numis Smaller Companies Index (excluding investment companies) Weightings %
Oil & gas	—	3.6
Basic materials	1.9	3.8
Industrials	16.3	23.8
Consumer goods	10.0	10.8
Health care	7.3	6.8
Consumer services	31.6	22.4
Telecommunications	5.0	0.9
Utilities	—	0.1
Technology	15.6	4.6
Financials	12.3	23.2
Total equity investments	**100.0**	**100.0**

Condensed Statement of Comprehensive Income

	Note	Six months ended 31 December 2015 (unaudited) Revenue £'000	Capital £'000	Total £'000
Net gains on investments held at fair value		—	34,283	34,283
Currency losses		—	(6)	(6)
Income	2	2,292	—	2,292
Investment management fee		(291)	(872)	(1,163)
Administrative expenses		(261)	—	(261)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		1,740	33,405	35,145
Finance costs		(110)	(331)	(441)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		1,630	33,074	34,704
Taxation	3	—	—	—
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		**1,630**	**33,074**	**34,704**
BASIC RETURN PER ORDINARY SHARE	5	**2.46p**	**49.92p**	**52.38p**
DILUTED RETURN PER ORDINARY SHARE	5	**2.28p**	**44.77p**	**47.05p**

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

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

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

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

Condensed Statement of Comprehensive Income

Six months ended 31 December 2014 (unaudited)		
Revenue £'000	Capital £'000	Total £'000
—	2,225	2,225
—	—	—
2,139	—	2,139
(251)	(754)	(1,005)
(299)	—	(299)
1,589	1,471	3,060
(118)	(354)	(472)
1,471	1,117	2,588
(1)	—	(1)
1,470	**1,117**	**2,587**
2.06p	**1.56p**	**3.62p**
1.90p	**1.59p**	**3.49p**

Condensed Statement of Changes in Equity

Six months ended 31 December 2015 (unaudited)

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000
Balance at 30 June 2015	17,907	19,805	1,470
Return on ordinary activities after taxation	—	—	—
Buyback of Shares from tender offer	—	—	—
Issue of Ordinary shares from Treasury from conversion of 3.5% Convertible Unsecured Loan Stock 2018	—	—	—
Dividends paid (see note 4)	—	—	—
BALANCE AT 31 DECEMBER 2015	**17,907**	**19,805**	**1,470**

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	—	—	—
Buyback of Shares	—	—	—
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	**17,907**	**19,804**	**1,470**

Condensed Statement of Changes in Equity

Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
40,558	157,204	5,832	242,776
—	33,074	1,630	34,704
(11,337)	—	—	(11,337)
1,544	—	—	1,544
—	—	(2,902)	(2,902)
30,765	**190,278**	**4,560**	**264,785**

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
(1,472)	—	—	(1,472)
—	—	—	556
—	—	(2,306)	(2,306)
45,399	**130,699**	**3,504**	**218,783**

Condensed Statement of Financial Position

	Notes	As at 31 December 2015 (unaudited) £'000	As at 30 June 2015 (audited) £'000
NON-CURRENT ASSETS			
Investments held at fair value through profit or loss		279,036	252,517
CURRENT ASSETS			
Debtors and prepayments		309	1,105
Investments in AAA Money Market funds		4,730	9,238
Cash and short term deposits		5	27
		5,044	10,370
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors		(1,568)	(947)
NET CURRENT ASSETS		**3,476**	**9,423**
NON-CURRENT LIABILITIES			
3.5% Convertible Unsecured Loan Stock 2018		(17,727)	(19,164)
NET ASSETS		**264,785**	**242,776**
CAPITAL AND RESERVES			
Called-up share capital		17,907	17,907
Share premium account		19,805	19,805
Equity component of Convertible Unsecured Loan Stock 2018		1,470	1,470
Special reserve		30,765	40,558
Capital reserve		190,278	157,204
Revenue reserve		4,560	5,832
EQUITY SHAREHOLDERS' FUNDS		**264,785**	**242,776**
BASIC NET ASSET VALUE PER ORDINARY SHARE	8	**397.47p**	**349.73p**
DILUTED NET ASSET VALUE PER ORDINARY SHARE	8	**380.33p**	**336.89p**

Condensed Statement of Cash Flows

	Six months ended 31 December 2015 (unaudited) £'000	Six months ended 31 December 2014 (unaudited) £'000
NET RETURN ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS AND TAXATION	35,145	3,060
Adjustment for:		
Gains on investments	(34,283)	(2,225)
Currency losses	6	—
Decrease in accrued income	548	243
Increase in other debtors	(3)	(4)
Increase in other creditors	633	20
Net overseas tax	—	(1)
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,046	1,093
INVESTING ACTIVITIES		
Net cash inflow/(outflow) from investing activities	8,009	(7,392)
FINANCING ACTIVITIES		
Interest paid	(346)	(360)
Equity dividends paid	(2,902)	(2,306)
Net cash inflow from management of liquid resources	4,508	10,460
Buyback of Shares	(11,337)	(1,472)
(DECREASE)/INCREASE IN CASH AND SHORT TERM DEPOSITS	**(22)**	**23**
ANALYSIS OF CHANGES IN CASH DURING THE PERIOD		
Opening cash and short term deposits	27	5
(Decrease)/increase in cash and short term deposits as above	**(22)**	**23**
CLOSING CASH AND SHORT TERM DEPOSITS	**5**	**28**

Notes to the Financial Statements

1. Accounting policies

Basis of accounting

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

These condensed financial statements are the first since FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) came into effect for accounting periods beginning on or after 1 January 2015. An assessment of the impact of adopting FRS 102 has been carried out and found that no restatement of balances as at the transition date, 1 January 2014, or comparative figures in the Condensed Statement of Financial Position or the Condensed Statement of Comprehensive Income is considered necessary.

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

2. Income

	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000
Income from investments		
UK dividend income	1,931	1,838
REIT income	162	117
Overseas dividend income	172	124
	2,265	2,079
Interest income		
Interest from AAA Money Market funds	27	60
	27	60
Total income	**2,292**	**2,139**

3. Taxation

The taxation expenses reflected in the Condensed Statement of Comprehensive Income is based on management's best estimate of the weighted annual corporation tax rate expected for the full financial year. The estimated annual tax rate used for the year to 30 June 2016 is 20.00%.

The 31 December 2014 taxation represents irrecoverable overseas taxation.

4. Dividends	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000
Ordinary dividend on equity shares: 2015 final dividend of 4.40p per share (2014 - 3.23p)	2,902	2,306
	2,902	**2,306**

5. Return per share	Six months ended 31 December 2015 p	Six months ended 31 December 2014 p
Basic		
Revenue return	2.46	2.06
Capital return	49.92	1.56
Total return	**52.38**	**3.62**
Weighted average number of Ordinary shares	**66,253,317**	**71,404,385**

Notes to the Financial Statements

The figures above are based on the following:

	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000
Revenue return	1,630	1,470
Capital return	33,074	1,117
Total return	**34,704**	**2,587**

	Six months ended 31 December 2015 p	Six months ended 31 December 2014 p
Return per share		
Diluted		
Revenue return	2.28	1.90
Capital return	44.77	1.59
Total return	**47.05**	**3.49**
Weighted average number of Ordinary shares	**74,281,580**	**79,971,942**

The figures above are based on the following:

	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000
Revenue return	1,691	1,521
Capital return	33,256	1,269
Total return	**34,947**	**2,790**

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 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 8,028,263 (31 December 2014 - 8,567,557) to 74,281,580 (31 December 2014 - 79,971,942) Ordinary shares.

Where dilution occurs, the net returns are adjusted for items relating to the 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 Condensed Statement of Financial Position at 31 December 2015 includes gains of £122,082,000 (30 June 2015 - £96,282,000) which relate to the revaluation of investments held at the reporting date.

Notes to the Financial Statements

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 Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000
Purchases	72	143
Sales	31	26
	103	**169**

8. Net asset value

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

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

Notes to the Financial Statements

	Six months ended 31 December 2015	Year ended 30 June 2015
Basic net asset value per share		
Total shareholders' funds	£264,785,000	£242,776,000
Number of Ordinary shares in issue at the period end (excluding shares held in treasury)	66,617,183	69,418,600
Net asset value per share	397.47p	349.73p
Diluted net asset value per share		
Total shareholders' funds	£282,512,000	£261,940,000
Number of Ordinary shares in issue at the period end (excluding shares held in treasury)	74,281,566	77,752,523
Net asset value per share	380.33p	336.89p

The Company released a periodic Tender Offer document to shareholders in June 2015. 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 £138,000 which have been charged against the special reserve during the year.

In October 2015 the Company issued 669,513 Ordinary shares from Treasury (31 December 2014 - 243,589 new Ordinary shares) following receipt of elections to convert £1,588,511 (31 December 2014 - £577,944) nominal amount of 3.5% Convertible Unsecured Loan Stock 2018.

Notes to the Financial Statements

As at 31 December 2015 there were 66,617,183 Ordinary shares in issue (30 June 2015 - 69,418,600). There is also 5,009,992 Ordinary shares (30 June 2015 - 2,208,575) held in Treasury.

The diluted net asset value per Ordinary share as at 31 December 2015 has been calculated on the assumption that 18,184,071 (30 June 2015 - 19,772,582) 3.5% Convertible Unsecured Loan Stock 2018 are converted at 237.25p per share, giving a total of 74,281,566 (30 June 2015 - 77,752,523) 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 2015 the cum income (debt at fair value) NAV was 397.47p (30 June 2015 - 349.73p) and thus the CULS 2018 were 'in the money'.

9. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

Class A: quoted prices for identical instruments in active markets;
Class B: prices of recent transactions for identical instruments; and
Class C: valuation techniques using observable and unobservable market data.

All of the Company's investments are in quoted equities (30 June 2015 – same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (31 December 2015 – £279,036,000; June 2015 - £252,517,000) have therefore been deemed as Class A.

The Company's CULS are actively traded on a recognised stock exchange. The fair value of the CULS (31 December 2015 - £25,821,000; 30 June 2015 - £24,716,000) has therefore been deemed Class A.

10. Transaction 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 assets of the Company after deducting current liabilities (total assets). The fee is chargeable 25% to revenue and 75% to capital. With effect from 1 January 2016, the management fee will be 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.

During the period £1,163,000 (31 December 2014 - £1,005,000) of investment management fees were earned by the manager, with a balance of £1,163,000 (31 December 2014 - £506,000) due to SLI.

Notes to the Financial Statements

Standard Life Investments (Corporate Funds) Limited (the Secretary) also receive fees for secretarial and administrative services at (i) £110,000 per annum and (ii) 0.02 percent of the net asset value of the Company in excess of £70,000,000 (the net asset value of the Company being as shown in the annual accounts of the Company) to a maximum of £150,000 exclusive of VAT.

During the period £97,000 (31 December 2014 - £84,000) of fees were earned by the Secretary. The balance due to the Secretary at the period end was £89,000 (31 December 2014 - £42,000).

11. Half Yearly Report

The financial information in this Half-Yearly 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 2015 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.

12. This Half-Yearly Report was approved by the Board on 19 February 2016.

Directors' Responsibility Statement

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

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

The Half-Yearly Financial Report, for the six months ended 31 December 2015, 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

19 February 2016

Company Information and Contact Details

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

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