Standard Life UK Smaller Companies Trust plc

Annual Report and Accounts 30 June 2013

Contents

Financial Calendar

2 September 2013	Announcement of results for year ended 30 June 2013
8 October 2013	Annual General Meeting
15 October 2013	Payment of final dividend on Ordinary shares
February 2014	Announcement of Half-Yearly Financial Report for six months ending 31 December 2013
April 2014	Payment of interim dividend

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Corporate Summary

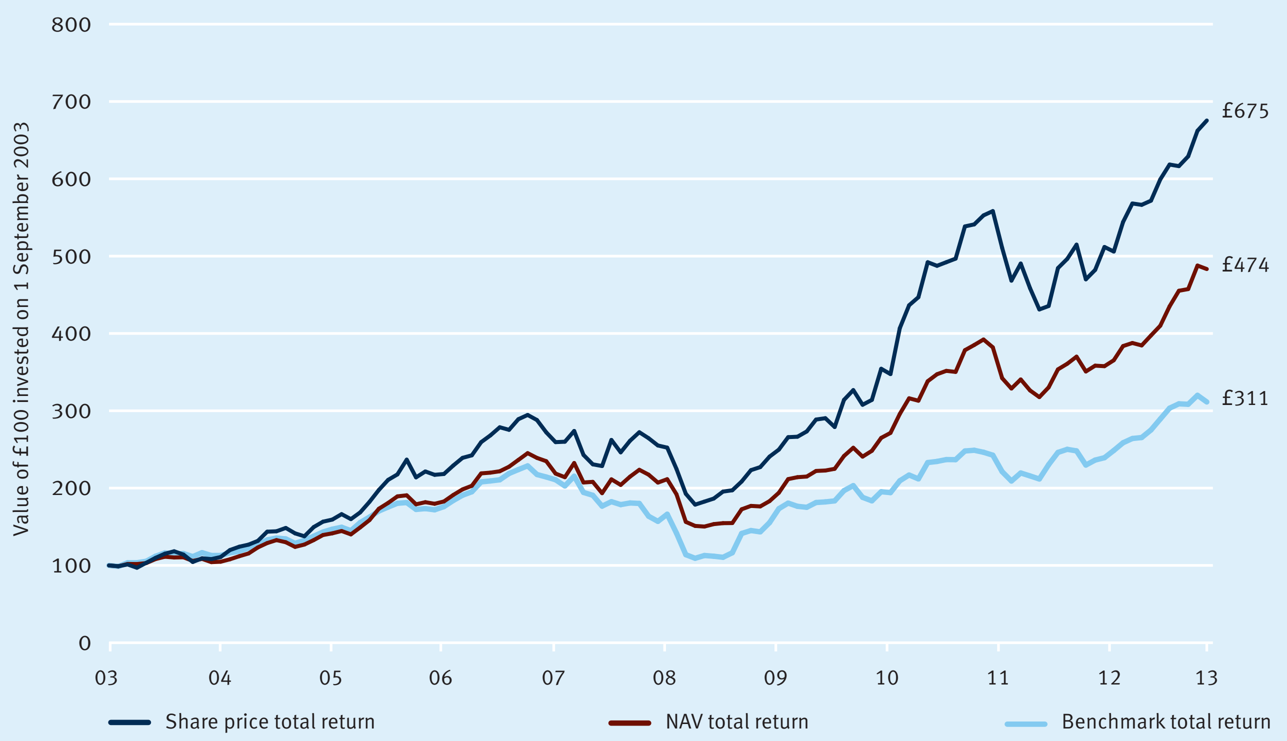
Investment objective	**To achieve long-term capital growth by investment in UK quoted smaller companies.**
Investment policy	The Company intends to achieve its investment objective by investing in a diversified portfolio consisting mainly of UK quoted smaller companies. The portfolio will normally comprise around **50 individual holdings** representing the Investment Manager's **highest conviction investment ideas**. In order to reduce risk in the Company without compromising flexibility, no holding within the portfolio should exceed 5 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 per cent of net assets. The Directors' policy is that gearing will be between -5 per cent. and 25 per cent. of net assets (at the time of drawdown) in normal market conditions. The Directors have delegated responsibility to the Investment Manager Standard Life Investments (Corporate Funds) Limited ("Investment Manager") for the operation of the gearing level within the above parameters. The Investment Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management, and dealing. The investment process is research intensive and is driven by the Investment Manager's distinctive "focus on change" which recognises that different factors drive individual stocks and markets at different times in the cycle. This flexible, but disciplined, process ensures that the Investment Manager has the opportunity to perform in different market conditions.
Benchmark	Numis Smaller Companies Index (excluding Investment Companies).
Investment Manager	Standard Life Investments (Corporate Funds) Limited – Investment Manager, Harry Nimmo. Head of Investment Companies, Gordon Humphries.
Equity shareholders' funds	£193.5 million at 30 June 2013.
Market capitalisation	£187.0 million at 30 June 2013.
Capital structure	The Company's issued share capital, as at 30 June 2013, consisted of 66,665,988 Ordinary shares of 25 pence each and £24,896,887 nominal amount of Convertible Unsecured Loan Stock 2018. There were no Ordinary shares held in treasury as at 30 June 2013. Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.
Management fee	The management fee is calculated at 0.85% per annum of the Company's gross assets and there is no performance fee. The Investment Management Agreement is currently terminable by either party on not less than one year's notice. In the event of termination on less than the agreed notice period, compensation is payable in lieu of the unexpired notice period.
ISA status	The Company's Ordinary shares are eligible for ISAs and ISA transfers.
AIC membership	The Company is a member of The Association of Investment Companies.
Website	The Company's website may be accessed from the Investment Manager's Investment Trust website, www.standardlifeinvestments.com/its The website offers investors comprehensive information on the Company and its related products. Some of the available features are: • the latest share price and net asset value • performance figures, charts and commentary • product information • how to invest in the Company via the savings plan • strategic and economic reviews by the Investment Manager

Financial Highlights

	Year to 30 June 2013
Diluted net asset value total return	32.3%
Share price total return	40.1%
Benchmark total return	31.8%
Increase in total dividends	30.6%

Note: total return assumes that dividends paid to shareholders are re-invested in shares at the time the shares are quoted ex-dividend.

A Decade of Strong Performance



Ten Largest Positions Relative to the Benchmark

Overweight Stocks	Company %	B'mark %	Relative %	Overweight Stocks	Company %	B'mark %	Relative %
ASOS	5.5	0.0	5.5	Abcam	3.7	0.0	3.7
Paddy Power	4.4	0.0	4.4	Xaar	3.9	0.4	3.5
Hargreaves Landsdown	4.2	0.0	4.2	Aveva	2.8	0.0	2.8
Rightmove	4.2	0.0	4.2	Moneysupermarket.com	3.5	0.7	2.8
Telecom Plus	4.8	0.6	4.2	Emis Group	2.7	0.0	2.7

Sources: Standard Life Investments and Thomson Datastream

Financial Highlights

	30 June 2013	30 June 2012	% change
Capital			
Net asset value per Ordinary share			
Basic	290.23p	215.61p	34.6%
Diluted	281.58p	215.61p	30.6%
Share price	280.50p	203.00p	38.2%
Benchmark capital return	5,525.53	4,318.73	27.9%
Discount of Ordinary share price to net asset value			
Basic	3.4%	5.8%	
Diluted	0.4%	5.8%	
Total assets (£m)[1]	217.05	163.47	32.8%
Shareholders' funds (£m)	193.48	140.15	38.1%
Ordinary shares in issue	66,665,988	64,999,905	2.6%
Gearing			
Gearing[2]	8.8%	5.8%	
CULS			
CULS in issue	£24,896,887	£24,935,071	(0.2%)
CULS yield	3.0%	3.4%	
CULS price	116.13p	103.50p	12.2%
Earnings and Dividends (year ended)			
Revenue return per Ordinary share			
Basic	4.58p	3.50p	30.9%
Diluted	4.01p	3.50p	14.6%
Interim dividend paid for the year	1.15p	1.00p	15.0%
Proposed final dividend for the year	2.90p	2.10p	38.1%
Total dividends for the year	4.05p	3.10p	30.6%
Dividend yield	1.4%	1.5%	
Expenses			
Ongoing charges[3]	1.28%	0.96%	

[1] Total assets less current liabilities, after excluding short-term debt of nil (2012 - nil).
[2] Net gearing ratio calculated as the total liability component of £23.6m 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. The increase in 2013 is primarily due to the new management fee arrangements put in place on 1 July 2012. The performance fee element of the fee was removed (£nil in the year ended 30 June 2012) and the basic fee was increased.

Chairman's Statement

Since Standard Life Investments took over as Investment Manager on 1 September 2003, the Company has delivered a net asset value total return of 374.2%, representing an annualised return of 17.2% per annum and outperforming the Company's benchmark, the Numis Smaller Companies Index (excluding investment companies), by 4.4% per annum.

Donald MacDonald

The then Board appointed Standard Life Investments ten years ago and the investment managers have delivered excellent capital returns for shareholders over this period and provided significant growth in annual dividends. Assets under management have grown from a low of £30m to a high of over £220m whilst also returning capital of £48m to shareholders in the form of a tender offer, share buy backs and special dividends. The Board is very confident in the future prospects of the Company under the management of Harry Nimmo, Gordon Humphries and their colleagues who will work hard to extend the excellent growth record.

In recognition of the excellent long term performance record, the Company won the Moneywise UK Smaller Companies Investment Trust of the Year for the seventh year in a row, the first investment trust to win any Moneywise award seven years in a row. The Company also won the Investment Week Investment Trust 'UK Smaller Companies' category for the fourth year out of the past five. During the year, the Company was the first investment trust to be upgraded by the rating agency, Morningstar, to a Gold Rating.

Performance

The Company under-performed in the first half of the financial year, a period that was dominated by action by Central Banks to support the banking system on a global basis. As a result recovery stocks performed strongly and the Company's focus on quality growth stocks suffered during this period. In the second half the market has concentrated more on the underlying fundamentals of companies such as earnings and dividend growth and given the Investment Manager's focus on quality growth companies, investment performance has been very strong.

For the year ended 30 June 2013, the Company's diluted net asset value total return was 32.3%, compared with a total return of 31.8% for the Company's benchmark, the Numis Smaller Companies Index (excluding Investment Companies).

The Company's long term performance remains exceptional and it continues to compare well against its peer group, as illustrated in the table below:

	1 year	3 years	5 years
Net asset value total return	32.3%	91.1%	118.1%
Share price total return	40.1%	115.0%	155.3%
Benchmark total return	31.8%	69.7%	90.3%
Peer group ranking	7/15	3/15	1/15

Sources : Thomson Datastream and JP Morgan Cazenove

On an undiluted basis (before dilution from the convertible unsecured loan stock), the NAV total return was 36.3%. This latter calculation is a fairer way of measuring the investment performance achieved by the Investment Manager and would place the Company 6/15 in the above rankings over one year.

The Investment Manager's Report on pages 8 to 10 provides further information on stock performance and portfolio activity during the year, as well as the Investment Manager's outlook for smaller companies.

Earnings and Dividend

The undiluted (or basic) revenue return per share for the year ended 30 June 2013 was 4.58p (2012 – 3.50p). Underlying earnings per share has increased by 30.9% this year as dividend growth from the portfolio remained strong. Income from investments increased by 35.5% in the period. The Company has benefitted from unprecedented levels of special dividends during the last financial year totalling £884,000 (1.34p per share).

The Board is recommending a final dividend of 2.90p per share, an increase of 38.1% on last year's final dividend. If approved, the final dividend, together with the interim dividend of 1.15p paid in April, will give a total dividend for the year of 4.05p and will represent an increase of 30.6% on last year.

Subject to shareholder approval at the Annual General Meeting on 8 October 2013, the final dividend will be paid on 15 October 2013 to shareholders on the register as at 20 September 2013 with an associated ex-dividend date of 18 September 2013.

Investment Manager

The Board believes that the appointment of Standard Life Investments continues to be in the long-term interests of shareholders. Harry Nimmo, Head of Smaller Companies at Standard Life Investments, has been the lead investment manager of the Company's investment portfolio since 2003 and his excellent performance record gives the Board confidence in the ability of the Investment Manager to continue to deliver strong long term returns for shareholders. The Company was one of the first investment companies to simplify its investment management fee arrangements ahead of the implementation of the Retail Distribution Review. The performance fee was removed from 1 July 2012 and the investment management fee is now simplified to a basic fee of 0.85% of gross assets.

Gearing

The Board has given the Investment Manager discretion to vary the level of net gearing between -5% and 25% of net assets, depending on the Investment Manager's view of the outlook for smaller companies.

The Company currently has £25million 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. Net gearing was increased in November 2012 reflecting the Investment Manager's increasing confidence in the long term prospects for the portfolio. At 30 June 2013, the gearing level was 8.8% comprising approximately £20 million of net debt.

As a reminder to holders of the CULS, these can be converted into Ordinary shares on 30 September and 31 March 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 0.4% at 30 June 2013. The Company's shares have traded at an average discount of 0.0 per cent over the year ended 26 August 2013 (source: Winterflood Securities) and the Board will continue to monitor the discount level closely going forward. This discount compares very favourably with the peer group average, which was 12.7% at 30 June 2013.

Issue of Shares

During the period the Company issued over 1.6m new ordinary shares at a premium to net asset value increasing the capital base by 2.6%. The current market cap is now £200m with total assets of over £220m. The Board continues to seek ways of improving the size and liquidity of the Company's ordinary shares. Since the year end the Company has issued a further 350,000 new ordinary shares at a premium to net asset value.

Regular Tender Offers

The Board exercised its discretion and did not conduct a tender offer at either of the 31 December 2012 or 30 June 2013 tender dates as the Company's shares have traded at a very low discount as reflected in the discount section above.

AIFMD

The European Alternative Investment Fund Managers Directive (AIFMD) is almost upon us with the final implementation date being 22 July 2014. The Board has decided to appoint its Investment Manager to undertake the necessary regulatory returns, initial authorisations and registration.

Succession Planning

It is the Board's intention to appoint a new non-executive director during the current financial year. I have informed the Board that I would like to stand down as Chairman when the interim results are announced in February 2014 and I am delighted that the Board has agreed that David Woods should succeed me as Chairman.

AGM

To give our shareholders in the South an opportunity to meet the Board and Investment Manager, this year's AGM will be held at the Investment Manager's offices at 30 St. Mary Axe, London (the Gherkin) on Tuesday 8 October 2013. The meeting will start at 12:30pm and will include a presentation from the Investment Manager.

Outlook

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, quality and resilience, growth and momentum remains intact.

Donald MacDonald
Chairman

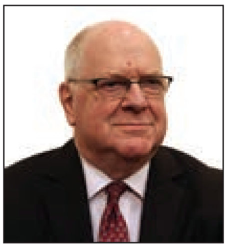
2 September 2013

Board of Directors

Donald MacDonald CBE
Chairman
Donald MacDonald, appointed a Director on 12 July 1993, is a chartered accountant with more than 40 years' experience of corporate finance and venture capital. He is a director of a number of private companies. He is also Chairman of the Scottish Chamber Orchestra.

Lynn Ruddick
Director
Lynn Ruddick, appointed a Director on 4 February 2009, is Chairman of the Audit and Management Engagement Committee, and is a fellow of the Chartered Association of Certified Accountants. She is Chairman of British Assets Trust plc and Fidelity Special Values plc and a non-executive director of Blackrock Frontiers Investment Trust plc. She is also a Trustee of the Scottish & Newcastle Pension Plan, a member of the Investment Committee of The Pearson Group Pension Plan and Chairman of the WPA Pension Fund Trustee Board.

Carol Ferguson
Director
Carol Ferguson, appointed a Director on 4 February 2009, is a chartered accountant. Her non-executive appointments include the Chartered Accountants Compensation Scheme Limited. She is also a non-executive director of BlackRock Greater Europe Investment Trust plc, Monks Investment Trust plc, Vernalis plc and is Chairman of Invesco Asia Trust plc.



David Woods
Senior Independent Director
David Woods, appointed a Director on 5 May 2005, qualified as a Fellow of the Institute of Actuaries in 1973 and has spent more than 40 years working in the life insurance and investment industries both in the UK and abroad. He is a non-executive director of Murray Income Trust PLC, Phoenix Group Holdings plc and of The Moller Centre for Continuing Education. He is also Chairman of the Pension Fund Trustees for all of the UK companies in the Steria Group and a trustee of the Scottish Provident Pension Fund.

All Directors are members of the Nomination Committee and Audit and Management Engagement Committee.

Ten Year Record

Year ended 30 June	Equity shareholders' funds £m	Per Ordinary share				Revenue return p	Discount[1] %	Expenses as a % of average cum income net asset value[3]	Net gearing ratio[4] %
		Net asset value[1] p	Share price p	Ordinary dividend p	Special dividends p				
2003	39	58.29	37.50	0.75	—	0.49	35.7	1.68	15.8
2004	47	71.23	51.25	0.75	—	0.72	28.1	1.50	11.5
2005[2]	58	86.86	69.25	0.80	—	1.01	20.3	1.10	3.2
2006	79	118.43	101.50	0.80	—	0.51	14.3	1.50	3.2
2007	52	159.01	131.00	0.80	—	0.10	17.6	1.50	8.3
2008	46	142.68	119.50	1.60	0.60	1.94	16.2	1.30	4.7
2009	70	111.23	100.50	1.60	—	2.56	9.6	1.17	3.7
2010	97	154.04	136.50	2.50	—	2.86	11.4	1.17	1.0
2011	155	240.65	237.00	2.75	1.00	4.35	1.5	1.00	8.8
2012	140	215.61	203.00	3.10	—	3.50	5.8	0.96	5.8
2013	193	290.23	280.50	4.05	—	4.58	0.4	1.28	8.8

(1) Calculated with debt at par value and not diluted for the effect of warrants in issue for the years ended 30 June 2000 to 30 June 2008
(2) Restated for revised UK GAAP
(3) Calculated as average of shareholders funds throughout the year for the years ended 30 June 2004 to 30 June 2013
(4) Net gearing ratio calculated as debt less cash invested in AAA money market funds and short term deposits divided by net assets.

Between 1 July 1997 and 30 June 2007, 50% of the investment management fee and relevant finance costs were allocated to capital. With effect from 1 July 2007, 75% of the investment management fee and relevant finance costs were allocated to capital.

Investment Manager's Report

Investment Manager's Report 30 June 2013

The UK smaller companies sector as represented by the Numis Smaller Companies Index (excluding Investment Trusts) returned 31.8%, in total return terms, over the year. This compares with a diluted net asset value total return for the Company of 32.3% and a share price total return of 40.1%. Over the same period the total return on the FTSE100 Index of the largest UK listed companies was 15.8%.

Standard Life Investments has managed the Company since 1 September 2003, at which time the share price was 47.75p. The share price has risen by 487% from then to the current year end, compared with our benchmark that was up 136%.

Harry Nimmo

Equity markets

World Equity markets performed strongly in the past year. The turning point was unequivocal support from the European Central Bank to "do what it takes" to protect the Euro and the European Banking System back in June 2012. This has been enough to turn sentiment and to focus investors on tangible recovery. A useful component has been the resilience of the USA. As usual the US is leading the world out of recession. Their housing market has turned, consumer spending is on the increase and their industrial sector is showing signs of activity. A very useful and timely bonus for the US has been the impact of the development of shale gas resources on the gas price and energy costs in general.

This recovery progression has been punctuated by bouts of concern over the Euro, particularly when the Cypriot Banking System fell apart. The Chinese economy continued to slowdown suggesting strain on the Chinese Banking Infrastructure. Markets have however in each case managed to shrug off these transient concerns. A China slowdown, particularly in the scale of infrastructure spending, has led to steady falls in metal prices such as copper and some soft commodities too. Precious metals, in particular gold, have seen sharp falls in 2013. The most likely reason for this is optimism about economic recovery. Gold is often seen as a safe haven asset in times of trouble. All in all, the up phase of the mineral price cycle seems to be well and truly over.

A bonus for sentiment was a new and aggressive bout of quantitative easing in Japan and a determination there to stimulate the domestic economy and see the Yen depreciate in value. This was helpful to markets in the first quarter of 2013.

In May the US Monetary Authorities signalled that "Quantitative Easing" would not continue indefinitely. This caused a market sentiment shift towards higher inflation and significant weakness in bond markets. UK & European Central Banks however seem prepared to run quantitative easing for longer.

Oil prices have remained in the band of $100 to $120 for Brent over the past year and are certainly holding up better than metals prices. The outlook is more finely balanced. Continental deep margin developments in Brazil, East & West Africa, West Australia and previously mentioned shale gas developments may well be enough to counter continued rising demand from China. Our best prognosis is for gently declining oil prices over the next few years.

Bid activity has remained subdued for both large and smaller companies. Notable features were Barr/Britvic, which was then referred, Canada Borealis/Severn Trent, Kier/May Guerney and William Hill/GVC/Sortingbet. Bid activity may well increase under the influence of greater certainty about the recovery.

Performance

There have been two phases in the performance of the Company over the past year. The Company steadily under-performed in the period up to the end of January 2013. The reverse was the case after that date. The end of January marked the end of the recovery phase of the market. By that date it had become increasingly obvious that economic recovery was taking place.The typically forward-looking investment community then turned its focus to improving earnings momentum, which saw stockmarkets embark on a new bullish phase. Our stock selection system ("The Matrix") has started to emphasise a number of sectors that have been absent since 2007, well before the banking crisis, notably financials, real estate and media. A firm favourite of The Matrix this year has been retailers while electricals, engineering, mining, food & drink and oil & gas have tended to fall from favour as the year progressed.

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

Xaar plc, a designer and manufacturer of laser print-heads, commercialised their technology for the ceramic tile printing market. This breakthrough has caused the tile manufacturing industry worldwide to standardise on the Xaar technology, leading to earnings forecasts being beaten in a very meaningful way. The shares were up 246% in the period in question.

Asos plc has established itself as the world's leading on-line clothing retailer mainly aimed at the 15 to 35 age category. Their international reach now stretches to China and Russia with their own Asos brand in particular performing strongly. The shares rose 128% during the year.

Dunelm plc the retailer of soft furnishing products has become the premier player in this market in the UK. With scope to expand their store base from 120 to 200, this leaves plenty of expansion possible in the UK. The shares were up 92% over the year.

Ted Baker plc has succeeded in making the breakthroughs that have eluded them for many years outside the UK and in particular in the USA. A strong and controlled mass-affluent brand positioning and PR led approach to expansion is starting to pay off in a major way. The shares rose by 89%.

Hargreaves Lansdown plc. Their market leading "Vantage" platform continues to provide an information rich, low cost and easy to use method for clients to manage their investments. The share price climbed by 68% in the Company's financial year.

The poorest performers included **New Britain Palm Oil** which has been hit by lower palm oil prices and the wrong kind of weather. **Mulberry** has been impacted by growing pains, a new strategy from a new chief executive and has been sold. **Andor Technologies** has suffered weaker demand from, in particular, US based customers of its advanced cameras. **Brainjuicer,** the market research company, came unstuck at the end of last year following a buyers strike.

From a sector point of view our large positions in leading retailers was very positive. Our continued focus on "on-line" businesses which amount to at least 35% of the portfolio remained a positive. Our lack of exposure to oil & gas and mining sectors was also beneficial. The biggest negative was the lack of exposure to UK Housebuilders that saw spectacular periods of out-performance. Holding no recovering plant hire companies was also a negative.

Dealing and Activity

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

The Company bought back into **Workspace**. They provide business work places within their centres across London. Their clients are generally small businesses that appreciate the all services and short term nature of their contract commitments. The Company bought **James Fisher & Sons**, the Barrow in Furness based providers of specialist engineering services to the marine and offshore oil & gas industries. **Lookers,** one of the leading UK auto dealers was purchased. **Supergroup,** a leading clothing retail brand (Superdry) with international reach was added to the portfolio. Finally **Lo-Q,** the innovative queuing technologies for visitor attractions was bought. All these shares score well in our stock selection process. They all are predictable growth businesses with proven business models.

Our key sales were:-

First Quantum Minerals, the diversified copper producer, was sold. This share has been owned for 8 years and is no longer a smaller company. Profits were taken in **Asos**, although the holding remains the largest in the portfolio. The Company has made 16.7 times its money on this holding. Profits have also been taken in **Telecity,** again a holding of long standing. **NCC Group,** the internet security company, was sold as it no longer complied with our stock selection process. **Mulberry** was also sold in its entirety. This company has suffered from having grown too quickly bringing question marks over the development of the business. The Company has made 5.3 times its money in this share.

In terms of sector exposure the Company has increased significantly its exposure to the **real estate, financial, insurance and media** sectors for the first time since 2007. This has been led by our Matrix and reflects new found stability and growth prospects in these sectors. On the other hand, considerable reductions have been made to exposure to the **electrical, engineering, food & drink and mining** sectors during the period in question. Again, our Matrix is the key driver for stock and thus sector selection.

Themes that remain powerful are "On-line" business models, mass affluent brands and London as a place to do business. The exposure to development in China theme is very much on the wane and is reflected in the reductions in sector exposures mentioned above.

Outlook

The establishment of recovery in a meaningful way as the theme for much of the developed world is a welcome change over what has been a gloomy and intractable prognosis over the last four years. As usual the US leads, with the UK and North Europe second and the rest of Europe and Japan bringing up the rear. All this is positive and is certainly helped by the impact of shale gas discovery and development in the USA. China is undoubtedly coming out of its very rapid development phase which may present adaption issues for their economy and banking system. China is increasingly not necessarily seen as the cheapest place for manufacturing. Sources of finance may be tighter and government spending there may be more tightly controlled.

The very fact of recovery may lead to higher inflation and rising interest rates and thus an end to quantitative easing. This in turn may be negative for consumer spending and bring to a close a period of very cheap money which arguably has caused an inflation in asset prices including equities.

The Euro has managed to survive a number of minor emergencies in the past year but fundamental issues remain. It is becoming common wisdom that greater integration of banking regulation, monitory and fiscal policy is required before a unified and stable currency can be considered a healthy entity. Many seemingly intractable issues have to be overcome before that is achieved. Extreme dangers lurk along this route.

The three themes I mentioned last year are still valid and likely to influence the corporate environment in coming years:-

Firstly, the level of regulatory scrutiny into the banking industry and their business practices is likely to continue at a high level and will lead to significant re-regulation as to how that industry conducts itself and indeed its very structure.

Secondly, the mining super-cycle of remorselessly rising raw material prices is drawing to a close. China's growth in future is more about changing consumer patterns and greater disposable income and less about building infrastructure. This is occurring just as huge newly developed mines are coming into production. Growth in the Chinese economy is likely to slow further. The cost structure advantage in Chinese manufacturing is not nearly as convincing as it once was.

Thirdly, 4G, iPads and the mobile internet are likely to continue the current period of mass corporate extinction for businesses that have been slow to adapt to the on-line world, be it in retailing, sports betting, media, tourism, leisure, airlines or financial services.

These themes remain bad for large companies and generally good for smaller companies. Banking and the extractive industries are to be found in the FTSE100 to a much greater extent than further down the market capitalisation range. Furthermore, on the issue of the internet it is newer smaller companies that can build their businesses with new technologies and methodologies in mind. Older, established businesses find it very difficult to adapt to the new environment. This all suggests to us that smaller and medium sized companies are likely to out-perform larger companies for another ten years. Our strong view is that investors should rebalance their portfolios to reflect this likelihood.

While the business outlook is significantly better than a year ago, valuations are undoubtedly higher and not as compelling as investors have rushed into equities. It is therefore possible that equities may have to tread water to allow earnings to catch up with valuations.

Nothing has changed with our process. It has 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. Dividend growth is strong and special dividends are quite plentiful without compromising growth prospects. This all gives us great confidence in the long term outlook for the Company. 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
Standard Life Investments Limited, Manager

2 September 2013

Portfolio Investments

As at 30 June 2013

Stock	Key Sector	Valuation as at 30 June 2013 £'000	Weight %	Valuation as at 30 June 2012 £'000
ASOS	General Retailers	11,474	5.5	7,112
Telecom Plus	Fixed Line Telecommunications	10,043	4.8	7,268
Paddy Power	Travel & Leisure	9,219	4.4	7,218
Hargreaves Lansdown	Financial Services	8,880	4.2	5,295
Rightmove	Media	8,753	4.2	6,686
Xaar	Electronic & Electrical Equipment	8,227	3.9	2,378
Abcam	Pharmaceuticals & Biotechnology	7,719	3.7	7,102
Moneysupermarket.com	Media	7,307	3.5	2,396
Dunelm Group	Household Goods & Home Construction	6,794	3.2	3,208
Ted Baker	General Retailers	6,432	3.1	2,859
Top ten investments		**84,848**	**40.5**	
Domino's Pizza	Travel & Leisure	6,373	3.0	4,029
Paypoint	Support Services	6,330	3.0	4,224
Aveva Group	Software & Computer Services	5,805	2.8	2,894
Emis Group	Software & Computer Services	5,710	2.7	3,908
Esure	Non-Life Insurance	4,512	2.1	—
ITE Group	Media	4,360	2.1	2,828
Workspace	Real Estate Investment Trusts	4,268	2.0	—
Fisher (J) & Sons	Industrial Transportation	3,731	1.8	—
Diploma	Support Services	3,619	1.7	2,877
Waterlogic	Support Services	3,529	1.7	3,250
Top twenty investments		**133,085**	**63.4**	
Nichols	Beverages	3,468	1.6	1,472
Computacenter	Software & Computer Services	3,427	1.6	2,285
Telecity Group	Software & Computer Services	3,410	1.6	4,948
Supergroup	Household Goods & Home Construction	3,276	1.6	—
Rotork	Industrial Engineering	3,204	1.5	2,364
Smart Metering Systems	Electronic & Electrical Equipment	3,204	1.5	—
Paragon	Financial Services	3,199	1.5	—
Lookers	General Retailers	3,125	1.5	—
Barr	Beverages	3,063	1.5	2,534
Dialight	Electronic & Electrical Equipment	2,987	1.4	2,767
Top thirty investments		**165,448**	**78.7**	
Lo-q	Support Services	2,775	1.3	—
Shaftesbury	Real Estate Investment Trusts	2,697	1.3	2,538
New Britain Palm Oil	Food Producers	2,561	1.2	4,393
GB Group	Software & Computer Services	2,432	1.2	—
XP Power	Electronic & Electrical Equipment	2,358	1.1	2,216

Portfolio Investments

As at 30 June 2013

Stock	Key Sector	Valuation as at 30 June 2013 £'000	Weight %	Valuation as at 30 June 2012 £'000
Quintain Estates	Real Estate Investment & Services	2,340	1.1	–
Kentz Corp	Oil Equipment Services & Distribution	2,265	1.1	2,289
Andor Technology	Electronic & Electrical Equipment	2,124	1.0	2,829
Genus	Support Services	2,113	1.0	2,730
Victrex	Chemicals	2,107	1.0	2,433
Top forty investments		**189,220**	**90.0**	
Dechra Pharmaceuticals	Health Care Equipment & Services	2,070	1.0	–
Halma	Industrial Engineering	2,014	1.0	1,670
Perform Group	Media	1,776	0.8	731
Oxford Instruments	Electronic & Electrical Equipment	1,748	0.8	3,313
Brainjuicer Group	Support Services	1,562	0.7	1,940
BTG	Support Services	1,552	0.7	2,039
Amerisur Resources	Oil & Gas Producers	1,521	0.7	–
Mattioli Woods	Financial Services	1,495	0.7	918
Harvey Nash Group	Support Services	1,396	0.7	995
Devro International	Food Producers	1,326	0.6	1,380
Renishaw	Electronic & Electrical Equipment	1,237	0.6	2,519
Latchways	Support Services	1,180	0.6	1,111
Fusionex International	Software & Computer Services	1,176	0.6	–
Delcam	Software & Computer Services	1,136	0.5	–
Wandisco	Software & Computer Services	83	–	–
Total Portfolio		**210,492**	**100.0**	

All investments are equity investments.

Sector Distribution of Investments

At 30 June 2013

	Numis Smaller Companies (excluding Investment Trusts) Index weightings 2013 %	Portfolio weighting 2013 %	Portfolio weighting 2012 %
Oil & Gas			
Oil & Gas Producers	3.1	0.7	—
Oil Equipment Services & Distribution	1.4	1.1	1.6
Alternative Energy	0.1	—	—
Basic Materials			
Chemicals	3.5	1.0	1.6
Industrial Metals	0.1	—	2.1
Mining	1.9	—	—
Industrials			
Construction & Materials	2.0	—	—
Aerospace & Defence	2.6	—	—
Electronic & Electrical Equipment	2.4	10.3	10.8
Industrial Engineering	1.8	2.5	4.0
Industrial Transportation	2.1	1.8	—
Support Services	17.0	11.4	12.8
Health Care			
Health Care Equipment & Service	0.9	1.0	—
Pharmaceuticals & Biotechnology	2.0	3.7	9.6
Consumer Goods			
Beverages	1.2	3.1	2.7
Food Producers	2.4	1.8	0.9
Household Goods & Home Construction	2.6	4.8	—
Leisure Goods	0.3	—	—
Personal Goods	0.8	—	2.2
Consumer Services			
Food & Drug Retailers	1.8	—	—
General Retailers	8.4	10.1	10.0
Media	4.1	10.6	8.5
Travel & Leisure	11.7	7.4	7.7
Telecommunications			
Fixed Line Telecommunications	2.0	4.8	5.0
Utilities			
Electricity	0.4	—	—
Financials			
Banks	0.4	—	—
Non-life Insurance	1.8	2.1	—
Life Insurance	1.0	—	—
Real Estate Investment & Services	4.3	1.1	—
Real Estate Investment Trusts	2.7	3.3	1.7
Financial Services	7.7	6.4	5.3
Technology			
Software & Computer Services	2.7	11.0	13.5
Technology Hardware & Equipment	2.8	—	—
	100.0	**100.0**	**100.0**

Company's History

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

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

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

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

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

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

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

An additional 350,000 new Ordinary shares were issued during July 2013.

As at 30 June 2013, there were 66,665,988 Ordinary shares in issue, with voting rights. There were no Ordinary shares in treasury. There was also £24,896,887 of CULS in issue.

As at the date of this Report there are 67,015,988 Ordinary shares in issue.

Year ended 30 June	Ordinary shares bought back for cancellation	Ordinary shares bought back into treasury	Issued from treasury	Ordinary shares issued	Ordinary shares in issue (excluding treasury shares)	Convertible Unsecured Loan Stock Issued	Convertible Unsecured Loan Stock Exercised	Convertible Unsecured Loan Stock Total	Warrants exercised	Warrants bought back	Warrants lapsed	Total Warrants in issue
1994	—	—	—	—	69,436,770	—	—	—	—	—	—	13,886,996
1995	—	—	—	—	69,525,796	—	—	—	89,026	—	—	13,797,970
1996	—	—	—	—	69,527,676	—	—	—	1,880	—	—	13,796,090
1997	—	—	—	—	69,528,656	—	—	—	980	1,592,201	—	12,202,909
1998	—	—	—	—	69,529,717	—	—	—	1,061	6,075,144	—	6,126,704
1999	—	—	—	—	69,530,267	—	—	—	550	1,350,000	—	4,776,154
2000	—	—	—	—	69,543,990	—	—	—	13,723	1,671,143	—	3,091,288
2001	—	—	—	—	69,601,685	—	—	—	57,695	—	—	3,033,593
2002	2,200,000	—	—	—	67,403,646	—	—	—	1,961	—	—	3,031,632
2003	—	—	—	—	67,403,646	—	—	—	—	—	—	3,031,632
2004	—	—	—	—	67,403,646	—	—	—	—	—	—	3,031,632
2005	—	—	—	—	67,404,646	—	—	—	1,000	—	—	3,030,632
2006	—	—	—	—	67,404,746	—	—	—	100	—	—	3,030,532
2007	34,823,217	—	—	—	32,583,790	—	—	—	2,261	117,791	—	2,910,480
2008	—	559,175	—	—	32,037,585	—	—	—	12,970	—	—	2,897,510
2009	—	—	—	29,961,251	63,163,381	—	—	—	1,164,545	—	1,732,965	—
2010	—	—	—	—	63,163,381	—	—	—	—	—	—	—
2011	—	3,670,243	4,229,418	825,000	64,547,556	£25,000,000	—	£25,000,000	—	—	—	—
2012	—	—	—	452,349	64,999,905	—	£64,929	£24,935,071	—	—	—	—
2013^	—	—	—	2,016,083	67,015,988	—	£38,184	£24,896,887	—	—	—	—

^ As at 2 September 2013

The Directors present their Report and the audited financial statements of the Company for the year ended 30 June 2013.

Results and Dividend

The Company's results and performance for the year are detailed in the Financial Highlights and Performance sections on pages 2 and 3 respectively.

The total revenue return attributable to Ordinary shareholders for the year ended 30 June 2013 amounted to £3,026,000 (2012:£2,273,000).

An interim dividend of 1.15 pence per share (2012 – 1.00 pence) was paid on 8 April 2013 to shareholders on the register as at 15 March 2013. The ex-dividend date was 13 March 2013.

The Directors are recommending to shareholders that a final Ordinary dividend of 2.90 pence per share (2012– 2.10 pence) be paid on 15 October 2013 to shareholders on the share register as at the close of business on 20 September 2013. The ex-dividend date is 18 September 2013. Details of the final Ordinary and Interim dividends paid during the year ended 30 June 2013 are disclosed in Note 7 to the Financial Statements.

Principal Activity and Status

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

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

Business Review

With the rest of the Annual Report and Financial Statements, this Review is intended to provide shareholders with the information and measures which the Directors use to assess, direct and oversee Standard Life Investments ("the Investment Manager") in the management of the Company's activities.

Investment Objective and Investment Policy

The investment objective and investment policy of the Company are set out in the Corporate Summary on page 1.

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 per cent. of net assets. The Directors' policy is that gearing will be between -5 per cent. and 25 per cent of net assets (at the time of drawdown) in normal market conditions. The Directors have delegated responsibility to the Investment Manager for the operation of the gearing level within the above parameters.

Gearing

The Board regularly reviews gearing which was 8.8% as at 30 June 2013. This compared to a figure of 5.8% as at 30 June 2012. Gearing is calculated as the liability component of the Convertible Unsecured Loan Stock 2018 ("CULS") less cash balances, as a proportion of net assets.

Investment Manager's investment process

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 business cycle. This flexible, but disciplined process ensures that the Investment Manager has the opportunity to out-perform in different market conditions. The Portfolio Investments are set out on pages 11 and 12 with further sector analysis on page 13.

Directors' Report

Oversight and Review of Performance
For the year ended 30 June 2013, the Company's diluted net asset value total return was 32.3%, compared to a total return of 31.8% for the Company's benchmark, the Numis Smaller Companies Index (excluding Investment Companies).

The Board considers performance with the Investment Manager at every meeting. As well as carrying out the matters reserved to the Board as set out in the Statement of Corporate Governance (pages 23 to 29), the Board receives a detailed portfolio report for each meeting, sets the overall strategy for the Company and establishes the extent to which the Company is successful in achieving its objectives, as measured by three key performance indicators ("KPIs") which are as follows:

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

A record of these KPIs, for the year under review, is included in the Financial Highlights on pages 2 and 3. The five year performance is shown on page 4 and the ten year record is included on page 7.

A review of the Company's performance, market background, investment activity and portfolio strategy during the year under review, as well as the Investment Manager's investment outlook, is provided in the Investment Manager's Report which may be found on pages 8 to 10.

Future Trends
The Company's smaller company portfolio features high quality growth stocks with visible, recurring revenue, which exhibit both earnings and price momentum. Given the availability of high quality companies at sustainable valuations, the Company continues to be positive about the long-term outlook for smaller companies.

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

The Directors have adopted a robust framework of internal controls which is designed to monitor the principal risks and uncertainties facing the Company and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible. A description of the Directors' system of internal controls is set out in the Statement of Corporate Governance on pages 23 to 29.

The major risks associated with the Company are:

- **Investment and market risk:** The Company is exposed to the effect of variations in share prices due to the nature of its business. A fall in the value of its investment portfolio will have an adverse effect on the value of shareholders' funds.
- **Capital structure and gearing risk:** The Company's capital structure, as at 30 June 2013, consisted of equity share capital comprising 66,665,988 Ordinary shares and £24,896,887 nominal amount of CULS. An additional 350,000 new Ordinary shares were issued in July 2013. As at the date of this Report there are 67,015,988 Ordinary shares in issue. Further details may be found under 'Capital Structure' on page 17.

  The Company's credit facility was repaid in full on 28 March 2011 following the receipt of proceeds from the issue of the CULS.

  The effect of gearing should be beneficial in rising markets but could adversely affect returns to shareholders in falling markets. The Investment Manager is able to increase or decrease the Company's level of net gearing by holding a lower or higher cash balance subject to the Company's investment policy which requires that gearing should remain between -5% and 25% of net assets 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 Investment Manager is expected to strike a balance more in favour of capital growth than revenue return. In normal circumstances, the Board intends to pay a dividend commensurate with the year's income. The Board receives regular updates as to the progress made by the Investment Manager in generating a revenue return and the consequent level of the Company's anticipated dividend.
- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 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 is due to be fully implemented by 22 July 2014. The AIFMD introduces a new authorisation and supervisory regime for all investment trust fund managers in the European Union. This is likely to create some additional regulatory costs for the Company.
- **Supplier risk:** in common with most investment trusts, the Company has no employees. The Company therefore relies upon services provided by third parties, including the Investment Manager in particular, to whom responsibility for the management of the Company has been delegated under an Investment Management Agreement, further details of which may be found on page 19.

Capital structure

The Company's issued share capital at 30 June 2013, consisted of 66,665,988 Ordinary shares of 25 pence, with voting rights, and £24,896,887 nominal of CULS (2012 – 64,999,905 Ordinary shares and £24,935,071 nominal of CULS).

An additional 350,000 new Ordinary shares were issued in July 2013. As at the date of this Report the number of Ordinary share in issue is 67,015,988,

There were no shares held in treasury at 30 June 2013 (2012 – nil).

During the year the Company issued a total of 1,666,083 new Ordinary shares under its general block listing authority granted on 28 April 2011 ("the block listing authority"). This was comprised as follows:

In the period October 2012 to 31 January 2013, 1,650,000 new Ordinary shares were issued by the Company to meet market demand for its shares.

In October 2012, £11,111 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 was converted into 4,679 new Ordinary shares as a result of the third CULS conversion at 30 September 2012. In April 2013, £27,073 nominal amount of 3.5% CULS was converted into 11,404 new Ordinary shares as a result of the fourth CULS conversion as at 31 March 2013.

Following the year end, an additional 350,000 new Ordinary shares were issued in July 2013 under the block listing authority. These shares were issued to meet market demand for the Company's shares.

During the year no Ordinary shares were bought back by the Company for cancellation (2012 - nil).

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

Tender Offer

On 15 May 2013, the Company announced that in light of the Company's Ordinary shares trading, on average, at a discount of 1% to net asset value per Ordinary share during the previous 12 months and continuing to trade at a low discount, the Board intended to exercise its discretion not to conduct a tender offer at the 30 June 2013 tender date.

The Company also announced that it remained the Board's intention to consider regular tender offers at six monthly intervals and to offer shareholders the opportunity to tender their shares where it was in shareholders' interest to do so.

Investors should note that the operation of any periodic tender offers will be at the absolute discretion of the Board. The next review by the Board of the operation of the tender offer will be in November 2013. In any event, the Board considers that it is in the best interests of the Company as a whole to restrict any future periodic tender offers to a maximum of 5% in aggregate of the Ordinary shares in issue as at the relevant tender offer calculation date (excluding any Ordinary shares held in treasury). The maximum limit of shares which can therefore be tendered in any future six month period would be 5% of the shares in issue.

The price at which shares will be purchased will continue to be an amount equal to 98% of the realisation value of the assets attributable to the shares tendered as at the close of business on the relevant periodic tender offer calculation date. The realisation value will continue to be the NAV per Ordinary share on the relevant tender offer calculation date less the costs of the tender offer which for the avoidance of doubt includes portfolio realisation costs, advisory fees, VAT and stamp duty.

Furthermore, in light of the Company assuming structural gearing through the issue of the CULS, the Board may, after taking into account the outcomes of previous tender offers and the then current rating of the Ordinary shares, amend the provisions of the periodic tender offers to further protect continuing shareholder's interests. For the avoidance of doubt, in carrying out any periodic tender offers the board will give careful consideration to the future cashflows and gearing levels of the Company as well as to the amount the Board resolves to commit to future investment opportunities. In addition, the Board will seek to ensure that shares are only bought back by the Company at prices which are in the best interests of all shareholders.

Convertible Unsecured Loan Stock

£25 million nominal of CULS were issued in 2011 further to a prospectus published on 2 March 2011 and following shareholder approval at a General Meeting on 28 March 2011.

The Board believes that introducing structural gearing, which replaced the debt facility which was repayable in October 2011, further enhances the Investment Manager's ability to increase capital returns. The net proceeds of the issue were used to repay the debt facility and the balance is available to be invested by the Investment Manager in accordance with the Company's amended investment policy without any change in the Company's approach to investing in UK small cap opportunities.

Shareholders were given the opportunity to invest in the CULS, which pay a coupon of 3.5% per annum and may be converted into Ordinary shares on 30 September and 31 March each year up to March 2018 at a fixed price per Ordinary share of 237.2542p. Any holder of CULS is entitled to convert part or all of their holding into Ordinary shares. Further information on conversion may be found in the announcement made by the Company on 23 August 2013, a copy of which may be downloaded from the Company's website (see page 50 for details) or by consulting the reverse side of the CULS certificate.

The fourth interest payment to holders of CULS, covering the period from 31 March 2013 to 29 September 2013, will be made to holders of CULS on 30 September 2013. The payment will be made to holders of CULS on the CULS register as at close of business on 6 September 2013. The ex-dividend date is 4 September 2013.

Directors

Biographies of the current Directors of the Company at the date of this Report, all of whom served throughout the year ended 30 June 2013, are shown on page 6.

The Directors' interests in the Ordinary share capital and CULS of the Company at 30 June 2013 and 1 July 2012, which were unchanged as at the date of this Report, are shown in Table 1.

	Ordinary shares held at 30 June		CULS held at 30 June	
	2013	**2012**	**2013**	**2012**
Donald MacDonald	152,000	127,000	24,911	24,911
Lynn Ruddick	17,489	17,263	6,618	6,618
Carol Ferguson	31,727	31,727	12,446	12,446
David Woods	5,000	5,000	980	980
	206,216	**180,990**	**44,955**	**44,955**

Table 1: Directors' interests in Ordinary shares and CULS

All of the directors will retire and, being eligible, will offer themselves for re-election as directors at the next AGM. The Board's policy on tenure may be found in the Statement of Corporate Governance.

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

Directors' and Officers' Liability Insurance

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

Investment Managers' Holdings

	Ordinary shares held at 30 June		CULS held at 30 June	
	2013	2012	2013	2012
Harry Nimmo	151,900	116,900	38,680	38,680
Gordon Humphries	10,200	10,200	8,867	8,867

Investment Management Agreement

Since 1 September 2003, investment management services have been provided to the Company by Standard Life (Corporate Funds) Limited under an Investment Management Agreement ("IMA") dated 15 August 2003, restated on 30 January 2009 and amended on 31 August 2012. The IMA is terminable by either party on not less than one year's notice. Company secretarial and administrative services are provided by Maven Capital Partners UK LLP under a separate agreement with the Investment Manager.

Up to 30 June 2012, the management fee was calculated at an annual rate of 0.65% of the gross assets after deducting current liabilities and reduced to an annual rate of 0.20% on uninvested cash and cash equivalents. There was also a performance fee payable to the Investment Manager. From 1 July 2012 a new management fee arrangement was applied. Under the new arrangements investment management fees are calculated at 0.85% per annum on the Company's gross assets and there is no performance fee.

The Board has reviewed both the terms of the IMA and the performance of the Investment Manager for the year ended 30 June 2013 and is of the opinion that the continuing appointment of the Investment Manager, on the terms set out in the IMA, is in the best interest of shareholders as a whole. The key factors taken into account in reaching this decision were the commitment, investment skills and experience of the Investment Manager's personnel and the long-term record of its performance in managing smaller company equities.

Within the Income Statement, 75% of the investment management fee has been charged to capital for the year ended 30 June 2013 (2012: 75%). Further details of the fees are shown in Note 3 to the Financial Statements.

Social, Community and Environmental Policy

As an investment trust, the Company has no direct social, community or environmental responsibilities. The Company's focus is on ensuring that its portfolio is properly managed and invested. The Company has, however, adopted a Socially Responsible Investment policy, details of which are set out in the Statement of Corporate Governance on page 29.

Corporate Governance

The Statement of Corporate Governance, which forms part of this Directors' Report, appears on pages 23 to 29.

Substantial Interests

Table 2 sets out the interests in 3% or more of the issued share capital of the Company, of which the Board was aware, as at 30 June 2013.

Name of shareholder	Number of Ordinary Shares	%
Brewin Dolphin	7,064,361	10.60
M&G Investment Management	5,663,476	8.50
Standard Life Investments	4,909,290	7.36
Transact (Non-discretionary)	3,969,973	5.96
Hargreaves Lansdown (Non-discretionary)	3,935,922	5.90
East Riding of Yorkshire	2,800,485	4.20
Standard Life Savings Limited – retail plan holders	2,745,797	4.12
Legal & General Investment Management	2,139,203	3.21
Alliance Trust Savings	2,123,496	3.19

Table 2: Substantial interests

The Board is aware of the following changes in the substantial interests as at the date of this Report.

Name of shareholder	Number of Ordinary Shares	%
Brewin Dolphin	7,339,082	10.95
Standard Life Investments	4,755,071	7.10
Hargreaves Lansdown (Non-discretionary)	4,321,790	6.45
Transact (Non-discretionary)	3,776,935	5.64
Standard Life Savings Limited-retail plan holders	2,777,847	4.15
Alliance Trust Savings	2,243,625	3.35
Legal & General Investment Management	2,062,807	3.07

Directors' Report

Going Concern

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

The Company has no bank borrowings at 30 June 2013 (2012: nil).

The Directors are mindful of the Principal Risks and Uncertainties disclosed in this Report and, having reviewed forecasts detailing revenue and liabilities, 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 Financial Statements.

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

Independent Auditor

The Company's Independent Auditor, Ernst & Young LLP, is willing to continue in office and resolution 8 will be proposed at the Annual General Meeting to re-appoint the Auditor and to authorise the Directors to fix the Independent Auditor's remuneration.

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

Important events during the year and between 30 June 2013 and the date of this Report are set out in the Chairman's Statement on pages 4 to 5 and in the Investment Manager's Report on pages 8 to 10.

Additional Information

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

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

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 23 to 29. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the IMA with the Investment Manager, further details of which are set out on page 19, the Company is not aware of any contractual or other agreements which are essential to its business which could reasonably be expected to be disclosed in the Directors' Report.

Political and Charitable Donations

The Company makes no political donations or expenditures or donations for charitable purposes.

Annual General Meeting

The Notice of the Annual General Meeting ("AGM"), which will be held on Tuesday 8 October 2013, and related notes may be found on pages 53 to 58 of this Annual Report.

Issue of Ordinary Shares by the Company

Among the Resolutions being put to the Annual General Meeting as Ordinary Business, Resolution 9, which is an Ordinary Resolution, will, if passed, renew the Directors' authority to allot new Ordinary shares up to a nominal value of £1,675,400. This will allow the Directors to allot up to 6,701,599 Ordinary shares (being approximately 10% of the issued share capital of the Company as at the date of this Notice, excluding treasury shares).

Resolution 10, which is a Special Resolution, will, if passed, renew the Directors' existing authority to allot new shares or sell treasury shares for cash without the shares first being offered to existing shareholders in proportion to their existing holdings. This will give Directors authority to make limited allotments or sell shares from treasury of up to a nominal value of £1,675,400, being up to 6,701,599 Ordinary shares, representing approximately 10% of the total Ordinary issued share capital, excluding treasury shares.
The authority to issue shares on a non pre-emptive basis includes shares held in treasury (if any) which the Company sells or transfers, including pursuant to the authority conferred by Resolution 10. Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them.

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

As at 30 June 2013, and the date of approval of this Report, there were no Ordinary Shares held in treasury (2012-nil).

The authorities being sought under Resolutions 9 and 10 shall expire at the conclusion of the next Annual General Meeting in 2014 or, if earlier, on the expiry of 15 months from the date of the passing of the Resolutions, unless such authority is renewed prior to such time. The Directors have no current intention to exercise these authorities and will only do so if they believe it is advantageous and in the best interests of shareholders.

Purchase of the Company's Ordinary Shares
The Company's buy back authority was last renewed at the AGM on 11 October 2012. Special Resolution 11 renews the Board's authority to make market purchases of the Company's Ordinary shares in accordance with the provisions contained in the Companies Act and the UKLA's Listing Rules. Accordingly, the Company will seek the authority to purchase up to a maximum of 14.99% of the issued share capital (excluding treasury shares) at the date of passing of the Resolution (being approximately 10,045,697 Ordinary Shares as at the latest practicable date prior to the publication of this document) at a minimum price of not less than 25 pence per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of; (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

The Board does not intend to use this authority to purchase the Company's shares unless to do so would result in an increase in the net asset value per share and would be in the best interests of the shareholders. Any shares purchased shall either be cancelled or held in treasury. The authority being sought shall expire at the conclusion of the Annual General Meeting in 2014 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 11 unless such authority is renewed prior to such time.

Sale of treasury shares
Subject to the passing of Resolution 10, Ordinary Resolution 12 will give the Directors authority to sell Ordinary shares out of treasury for cash at a price below the then prevailing net asset value of the shares provided always that the shares will only be sold or transferred out of treasury at prices (a) in excess of the average price at which the shares were bought into treasury; and (b) at a narrower discount to the net asset value than the average level of discount the shares were purchased at. Any dilution to the net asset value resulting from (b) above shall be restricted to no more than 0.5% in any financial year.

Regular Tender Offers
The Board intends, on a discretionary basis, to offer shareholders the opportunity to exit some or all of their investment in the Company every six months. The initial tender offers were on 30 June 2010 and 31 December 2010. The Board opted to exercise its discretion not to operate a tender offer on 30 June 2011, 31 December 2011, 30 June 2012, 31 December 2012 and 30 June 2013. Investors should note that the operation of the regular tender offer is discretionary. Subject to certain limitations set out below, the Directors intend to continue to invite shareholders to tender for cash all or part of their holdings of shares.
The price at which shares will be purchased will continue to be an amount equal to the realisation value of the assets attributable to the shares tendered as at the close of business on the relevant tender offer calculation date, less an exit charge of 2%.

Subject to the Directors' discretion being exercised on any relevant occasion, the tender offers will be effected such that the tender offer calculation dates will be 30 June and 31 December of each year (or the preceding business day). Each six-monthly tender offer will be restricted to a maximum of 5% of the shares in issue as at the relevant tender offer calculation date (excluding any shares held in treasury). There is no carry forward of any unused tender amount to the next tender offer calculation date. Accordingly, the maximum limit of shares which can be tendered in any calendar year is 10% of the shares in issue.

Therefore, in addition to the authority that is being sought by the Company under Resolution 11 to purchase its own shares of 25 pence each, Special Resolution 13 grants the Board the authority to implement the next tender offers on 31 December 2013 and 30 June 2014 and to repurchase up to a maximum of 5% of the Company's issued share capital as at 31 December 2013 and 30 June 2014 (as appropriate). If Resolution 13 is passed the tender offers will be structured by way of an on market offer by a market-maker and the price will be an amount equal to the realisation value of the assets attributable to the shares tendered as at close of business on 31 December 2013, and 30 June 2014, less an exit charge of 2%. The shares will subsequently be bought back by the Company from the market-maker at the same price and cancelled or held in treasury.

If Resolution 13 is passed, such authority will expire at the conclusion of the Company's next Annual General Meeting in 2014, unless renewed prior to that date. It is expected that a further special resolution will be proposed at the AGM in 2014 in respect of the tender offer dates on 31 December 2014 and 30 June 2015.

The tender offers will be conducted in accordance with the UKLA's Listing Rules and the rules of the London Stock Exchange. Shareholders will be notified prior to each tender offer on 31 December 2013 and 30 June 2014 of the full terms and conditions of the tender offer and the procedure for tendering shares.

Notice of Meeting

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

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where merited in the interests of all Shareholders. If Resolution 14 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the Annual General Meeting in 2014 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 14, unless renewed prior to such time.

Amendment of Articles

There have been a number of recent changes to the UK tax rules concerning investment trusts. As a result of these new tax rules the Companies Act 2006 has also been amended to remove the requirement that an investment company's Articles of Association must contain a prohibition on the distribution of realised capital profits allowing such companies to now pay dividends out of capital profits. In the light of these changes to UK law the Company is proposing to adopt new articles of association removing such prohibition which will bring the Articles into line with the Companies Act 2006 (Resolution 15). The Board has no current intention to pay dividends out of capital profits.

A copy of the Company's existing Articles and the proposed new Articles marked to show the changes will be available for inspection at the registered office of the Company at Kintyre House, 205 West George Street, Glasgow G2 2LW and at 30 St Mary Axe, London EC3A 8EP during normal business hours on any weekday (public holidays excepted) from the date of the notice of the AGM until the conclusion of the AGM and on the date of the AGM at the meeting venue itself from 9.00 a.m. until the conclusion of the meeting.

Recommendation

Your Board considers Resolutions 1 to 9 inclusive and Resolution 12, which are all Ordinary resolutions, and Resolutions 10, 11, 13, 14 and 15, all of which are Special Resolutions, to be in the best interests of the Company and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders vote in favour of Resolutions 1 to 15 inclusive to be proposed at the AGM on 8 October 2013.

By order of the Board,
Maven Capital Partners UK LLP
Company Secretaries

Glasgow, 2 September 2013

Introduction

The Board is accountable to the Company's shareholders for high standards of corporate governance and this statement describes how the Company applies the main principles identified in the UK Corporate Governance Code ("the Governance Code") issued in September 2012. The Governance Code is available from the website of the Financial Reporting Council at www.frc.org.uk. The Association of Investment Companies ("the AIC") has published its own Code on Corporate Governance ("the AIC Code"), by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide"), both revised in February 2013, which provide a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest alternative approaches to those set out in the Governance Code. Both the AIC Code and AIC Guide are available from the AIC website at www.theaic.co.uk.

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

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

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

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

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

The Board

The Board currently consists of a non-executive Chairman, Donald MacDonald, and three non-executive Directors. The names and biographies of those Directors who held office at 30 June 2013 and at the date of this Report, appear on page 6 and indicate their range of investment, industrial, commercial and professional experience. David Woods has been appointed Senior Independent Director.

All Directors are considered under the Codes to be independent of Standard Life Investments (Corporate Funds) Limited ("the Investment Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

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

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to review of quarterly management accounts;
- monitoring Companies Act requirements such as approval of Interim Management Statements, the Half-Yearly Financial Report and Annual Report and Financial Statements and approval and recommendation of any dividend;
- setting the range of gearing in which the Investment Manager may operate;
- major changes relating to the Company's structure including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;

Statement of Corporate Governance

- appointment and removal of the Investment Manager and the terms and conditions of the Investment Management Agreement relating thereto; and
- Stock Exchange/UK Listing Authority/Financial Conduct Authority - responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his/her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretaries of any potential or actual conflict situations which will require authorising by the Board. Authorisations given by the Board will be reviewed at each Board meeting.

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

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

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

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

The Board met on five occasions during the year ended 30 June 2013. Details of attendance by each of the Directors and Committee members at these Board and other Committee meetings are shown in Table 3. Between meetings, the Board maintains regular contact with the Investment Manager. The primary focus at regular Board meetings is a review of investment performance and associated matters including gearing, marketing and investor relations, peer group information and industry issues.

	Board Meetings	Audit and Management Engagement Committee Meetings	Nomination Committee
Donald MacDonald (Chairman)	5 (5)	2 (2)	1 (1)
Carol Ferguson	5 (5)	2 (2)	1 (1)
Lynn Ruddick	5 (5)	2 (2)	1 (1)
David Woods	4 (5)	2 (2)	1 (1)

Table 3: Directors' attendance at Board and Committee meetings with the number of meetings which they were eligible to attend in brackets.

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

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

Board Committees
The terms of reference for each of the two Board Committees, which are reviewed annually, are available for download from the Company's webpage (www.standardlifeinvestments.com/its).

Audit and Management Engagement Committee
The Directors have established an Audit and Management Engagement Committee. This consists of all of the Directors of the Company. Details of the experience and qualifications of the Directors are set out on page 6. The Board is satisfied that all members of the Committee have a sufficient level of recent and relevant financial experience. The Committee was chaired throughout the year by Lynn Ruddick.

The main responsibilities of the Committee are:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- reviewing the Company's internal financial controls and the Company's internal control and risk management systems; to assist in this the Committee receives reports from the compliance department of the Investment Manager;
- reviewing an annual statement from the Investment Manager detailing the arrangements in place whereby the Investment Manager's staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;

and reporting to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed, and making recommendations as to the steps to be taken.

The Committee reviews the performance, cost effectiveness and general relationship with the external auditor each year. In addition, on an annual basis the Committee reviews the independence and objectivity of the external auditor. In accordance with regulatory requirements, the external auditor Ernst & Young LLP rotates the Senior Statutory Auditor responsible for the audit every five years. The Senior Statutory Auditor was last changed in September 2012. There are no contractual obligations that restrict the Committee's choice of auditor. During the year ended 30 June 2013, the external auditor received £2,000 of non-audit fees for iXBRL tagging services (2012: £6,000 - comprising £3,000 for iXBRL tagging services and £3,000 for a CULS Discount Factor review). The Board has concluded that the external auditor is independent of the Company and that a resolution should be put to shareholders at the AGM on 8 October 2013, for the re-appointment of Ernst & Young LLP, as external auditor.

Management Engagement Matters
In relation to its responsibilities for management engagement, the Audit and Management Engagement Committee annually reviews matters concerning the Investment Management Agreement ("IMA") between the Company and the Investment Manager. Details of the IMA and the annual review performed by the Committee may be found on page 19 in the Directors' Report.

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

The main responsibilities of the Committee include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience, diversity and gender) of the Board;
- undertaking succession planning, taking into account the challenges and opportunities facing the Company and identifying candidates to fill vacancies;
- recruiting new directors, undertaking open advertising or engaging external advisers to facilitate the search, as appropriate, with a view to considering candidates from a wide range of backgrounds, on merit, and with due regard for the benefits of diversity on the Board, including gender, taking care to ensure that appointees have enough time available to devote to the position;

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- ensuring that new appointees receive a formal letter of appointment and suitable induction and ongoing training;
- arranging for annual Board performance evaluation to ensure that Directors are able to commit the time required to properly discharge their duties;
- making recommendations to the Board as to the position of Chairman, Senior Independent Director and Chairmen of the Nomination and Audit and Management Engagement Committees;
- assessing, on an annual basis, the independence of each Director; and
- approving the re-appointment of any Director or the re-election, subject to the Governance Code, AIC Code, or the Articles of Association, of any Director at the Annual General Meeting, having due regard to their performance, ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.

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

All non-executive Directors are initially appointed until the first AGM following their date of appointment. All Directors are subject to annual re-election at the AGM.

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

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

Donald MacDonald, David Woods, Lynn Ruddick and Carol Ferguson, will retire, and being eligible, will each offer themselves for re-election as a Director at the next AGM.

Led by David Woods as Senior Independent Director, and in the absence of the Chairman, the other Directors have reviewed the skill, experience and commitment of Donald MacDonald. The other Directors consider that it is appropriate that Donald MacDonald be recommended for re-election as a Director and that he continue to serve as Chairman of the Company. Accordingly shareholders are encouraged to support the relevant AGM resolution.

In their absence, each of David Woods, Lynn Ruddick and Carol Ferguson have been evaluated by their fellow Directors. The Board considers that none of their other commitments (as set out on page 6 of this Report) interfere with the discharge of their responsibilities to the Company and is satisfied that they individually make sufficient time available to serve the Company effectively. There have been no significant changes to the other commitments of each of David Woods, Lynn Ruddick or Carol Ferguson. The outcome of this evaluation was satisfactory in each case. The Board considers that, due to their individual skills, experience and commitment, David Woods, Carol Ferguson and Lynn Ruddick each merit re-election as a Director and shareholders are encouraged to support the relevant AGM resolutions.

As permitted under the UKLA's Listing Rules, which allow the Company to dispense with appointing a separate remuneration committee, the Nomination Committee fulfils the requirement to review regularly the level of Directors' remuneration. The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on page 31.

Communication with Shareholders

The Company reports formally to shareholders twice a year by way of the Half-Yearly Financial Report and the Annual Report which each include an analysis of the risks and uncertainties facing the Company. A quarterly factsheet is published on the website of the Investment Manager and is available to all shareholders on request; see Key Contacts (page 50) for details. A monthly factsheet is published via the London Stock Exchange. An Interim Management Statement is published via the London Stock Exchange for the quarters ended 31 March and 30 September each year. The Company's net asset value is published each business day. In addition, details of all portfolio investments are published via the London Stock Exchange and the website of the Investment Manager on a monthly basis (monthly in arrears).

Further details of the Company's policy on shareholder communications, including documents to be made available from the website, may be found on page 51.

The Directors are always available to discuss issues of concern or areas of uncertainty with any shareholders and key contacts for the Company may be found on page 50.

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

The Company's AGM provides a forum for communication. The Investment Manager makes a presentation to the meeting and all shareholders have the opportunity to put questions to both the Board and Investment Manager at the AGM.

Each person attending the AGM as a proxy is entitled to vote on a show of hands. A separate resolution is proposed in respect of each substantially separate issue. The Chairman announces the level of proxies lodged on each resolution, and the balance for and against and votes withheld, where relevant, after the resolution has been put to a show of hands. The result of any poll will subsequently be made available on the Company's website. In order to ensure that detailed discussion of key issues is possible, the Company normally aims to circulate to shareholders the Annual Report and the notice of the AGM not less than 20 working days before the date of the meeting.

Members of the Standard Life Investments Savings Share Plan or Individual Savings Account, whose shares are held in the nominee names of the scheme or plan administrator, are given the opportunity to vote by means of an individual Form of Direction enclosed with the Annual Report. These Forms of Direction are forwarded to the scheme or plan administrator who collates the votes and prepares a proxy form on behalf of the scheme/plan member(s) which is forwarded to the Company's registrars for inclusion in the voting figures. Those members who attend the AGM and who wish to speak are entitled to do so provided that they are in possession of a representation letter issued by the scheme or plan administrator. Further information on how to obtain a representation letter may be found on the Form of Direction.

The Company places a great deal of importance on communication with its institutional and private client shareholders. The Investment Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.

The Notice of Meeting on pages 53 to 55 sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report on pages 15 to 22. Separate resolutions are proposed for each substantive issue.

Shareholders have direct access to the Company, including the Chairman and the Senior Independent Director by contacting the Company Secretaries. See Key Contacts (page 50) for details.

Internal Control and Risk Management

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

Following publication by the Financial Reporting Council of "Internal Control: Revised Guidance for Directors on the Combined Code" ("the FRC Guidance"), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

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

- financial;
- operational; and
- compliance with regulation and company law.

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

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

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

Corporate Governance, Stewardship and Proxy Voting

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

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

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

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

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

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

Socially Responsible Investment Policy

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

The Investment Manager's specific policies are outlined in their Corporate Governance UK Guidelines, which may be found on the Investment Manager's website at http://www.standardlifeinvestments.com/CG_ Corporate_ Governance_Booklet/getLatest.pdf

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

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Financial Statements is on page 30 and the Statement of Going Concern is included in the Directors' Report on page 20. The Independent Auditor's Report is on page 32.

By order of the Board,
Maven Capital Partners UK LLP
Company Secretaries

Glasgow, 2 September 2013

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Directors' Responsibilities Statement
Each Director confirms, to the best of their knowledge, that:

- the financial statements, prepared in accordance with UK Accounting Standards and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

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

Donald MacDonald
Chairman

2 September 2013

The Board has prepared this report in accordance with the requirements of Section 421 to the Companies Act 2006. An Ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires your Company’s Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Independent Auditor’s opinion is included in their report on page 32.

Unaudited Information

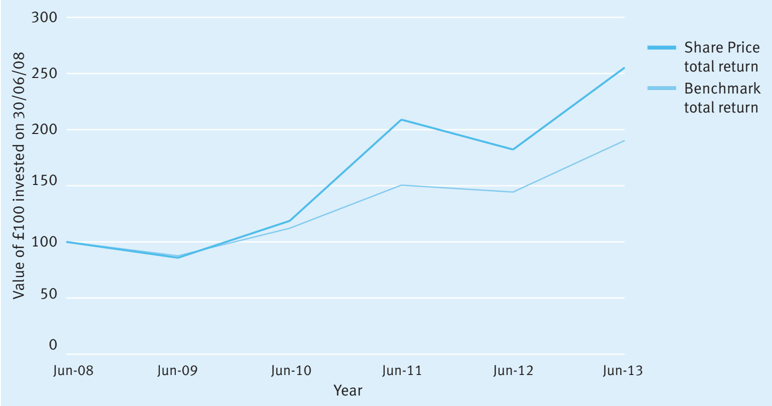
Remuneration Policy

The Company’s Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to the overall limit, the Board’s policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts that are similar in size, with a similar capital structure and investment objective. It is intended that this policy will continue for the year to 30 June 2014 and subsequent years. The fees for the non-executive Directors are determined within the limits set out in the Company’s Articles of Association and they are not eligible for pension benefits, share options, long-term incentive schemes or other benefits. The Board’s policy is to carry out a review of the level of Directors’ fees each year and, following this year’s review, it was concluded that the following fees would be payable to Directors each year, with effect from 1 July 2013: Chairman, £27,500 (formerly £26,250), Chairman of the Audit and Management Engagement Committee, £22,000 (formerly £21,000) and £19,000 (formerly £18,000) for each other Director.

No Director has a service contract with the Company. There are Letters of appointment in place for each Director. The Company’s Articles of Association provide that Directors shall retire and be subject to election at the first Annual General Meeting after their appointment. Notwithstanding the Articles, the Board has agreed that all Directors should retire annually and seek re-election at the Annual General Meeting. The terms of a Director’s appointment also provide that a Director may be removed without notice and that compensation will not be due on leaving office. No Director had an interest in contracts with the Company during the period or subsequently. Directors’ and officers’ liability insurance cover is maintained by the Company on behalf of the Directors.

Performance of the Company

Total cumulative Ordinary share price total return for the five year period ended 30 June 2013 (rebased to 100 at 30 June 2008)



The graph above compares the total return (assuming all dividends are reinvested) to Ordinary shareholders in the Company to the total return from the Numis Smaller Companies Index (excluding Investment Companies) chosen as it is the Company’s benchmark.

Audited Information

Directors’ Emoluments

The Directors who served in the year received the fees which are set out in Table 4 and which exclude employers’ NI.

	Date of appointment to / (resignation from) the Board	30 June 2013 £	30 June 2012 £
Chairman of the Board: Donald MacDonald	12 July 1993	26,250	25,000
Chairman of the Audit and Management Engagement Committee: Lynn Ruddick	4 February 2009	21,000	20,000
Director Carol Ferguson	4 February 2009	18,000	17,000
David Woods	5 May 2005	18,000	17,000
		83,250	**79,000**

Table 4: Directors’ fees

Approval

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

By order of the Board
David Woods
Director

Edinburgh, 2 September 2013

Independent Auditor's Report

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

We have audited the financial statements of Standard Life UK Smaller Companies Trust plc for the year ended 30 June 2013 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 20, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

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

London, 2 September 2013

Income Statement

For the year ended 30 June 2013

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Net gains/(losses) on investments held at fair value	9	—	50,634	50,634	—	(14,397)	(14,397)
Currency losses		—	(5)	(5)	—	—	—
Income	2	4,197	—	4,197	3,192	—	3,192
Investment management fee	3	(413)	(1,240)	(1,653)	(238)	(713)	(951)
Other administrative expenses	4	(459)	—	(459)	(367)	—	(367)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		3,325	49,389	52,714	2,587	(15,110)	(12,523)
Finance costs	5	(288)	(865)	(1,153)	(289)	(866)	(1,155)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		3,037	48,524	51,561	2,298	(15,976)	(13,678)
Taxation	6	(11)	—	(11)	(25)	—	(25)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		3,026	48,524	51,550	2,273	(15,976)	(13,703)
RETURN PER ORDINARY SHARE:							
BASIC	8	4.58p	73.48p	78.06p	3.50p	(24.61p)	(21.11p)
DILUTED	8	4.01p	63.56p	67.57p	n/a	n/a	n/a

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 presented 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.

Balance Sheet

As at 30 June 2013

	Notes	2013 £'000	2012 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	9	210,492	147,937
CURRENT ASSETS			
Debtors	10	928	966
Investments in AAA Money Market funds	15	6,468	15,208
Cash and short term deposits	15	19	18
		7,415	16,192
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	(856)	(661)
NET CURRENT ASSETS		6,559	15,531
TOTAL ASSETS LESS CURRENT LIABILITIES		217,051	163,468
NON-CURRENT LIABILITIES			
3.5% Convertible Unsecured Loan Stock 2018	12	(23,567)	(23,321)
NET ASSETS		193,484	140,147
CAPITAL AND RESERVES			
Called-up share capital	13	16,666	16,250
Share premium account		7,225	3,722
Equity component of Convertible Unsecured Loan Stock 2018	12	1,470	1,470
Special reserve		46,871	46,871
Capital reserve		117,562	69,038
Revenue reserve		3,690	2,796
EQUITY SHAREHOLDERS' FUNDS		193,484	140,147
NET ASSET VALUE PER ORDINARY SHARE:			
BASIC	16	290.23p	215.61p
DILUTED	16	281.58p	n/a

The financial statements on pages 33 to 49 were approved by the Board of Directors on 2 September 2013 and were signed on its behalf by:

DONALD MACDONALD, Chairman

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

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 June 2013

For the year ended 30 June 2013

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2012	16,250	3,722	1,470	46,871	69,038	2,796	140,147
Return on ordinary activities after taxation	—	—	—	—	48,524	3,026	51,550
Issue of Shares	412	3,469	—	—	—	—	3,881
Issue of new Ordinary Shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	4	34	—	—	—	—	38
Dividends paid (see note 7)	—	—	—	—	—	(2,132)	(2,132)
BALANCE AT 30 JUNE 2013	16,666	7,225	1,470	46,871	117,562	3,690	193,484

For the year ended 30 June 2012

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2011	16,137	2,881	1,470	46,871	85,014	2,959	155,332
Return on ordinary activities after taxation	—	—	—	—	(15,976)	2,273	(13,703)
Issue of Shares	106	790	—	—	—	—	896
Issue of new Ordinary Shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	7	51	—	—	—	—	58
Dividends paid (see note 7)	—	—	—	—	—	(2,436)	(2,436)
BALANCE AT 30 JUNE 2012	16,250	3,722	1,470	46,871	69,038	2,796	140,147

The revenue reserve represents the amount of the Company's retained reserves distributable by way of dividend.

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

Cash Flow Statement

For the year ended 30 June 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14		1,763		878
SERVICING OF FINANCE					
Interest paid			(873)		(874)
TAXATION			(23)		(53)
FINANCIAL INVESTMENT					
Purchase of investments		(43,024)		(30,093)	
Sale of investments		31,674		37,609	
NET CASH (OUTFLOW)/INFLOW FROM FINANCIAL INVESTMENT			(11,350)		7,516
EQUITY DIVIDENDS PAID			(2,132)		(2,436)
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING			(12,615)		5,031
FINANCING					
Shares issued		3,881		896	
NET CASH INFLOW FROM FINANCING			3,881		896
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES			(8,734)		5,927
MANAGEMENT OF LIQUID RESOURCES					
Purchase of AAA Money Market funds		(28,860)		(34,184)	
Sale of AAA Money Market funds		37,600		28,272	
NET CASH INFLOW/(OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES			8,740		(5,912)
INCREASE IN CASH	15		6		15

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT				
Increase in cash	6		15	
Net change in liquid resources	(8,740)		5,912	
Other non-cash movements	(251)		(281)	
MOVEMENT IN NET DEBT IN YEAR		(8,985)		5,646
OPENING NET DEBT		(8,095)		(13,741)
CLOSING NET DEBT		(17,080)		(8,095)

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

1 Accounting policies

(a) Basis of accounting
The financial statements have been prepared on a going concern basis and in accordance with applicable UK Generally Accepted Accounting Practice ('UK GAAP') 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.

(b) Valuation of investments
Investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE 100 constituents and most liquid FTSE 250 along with some other securities. Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the capital reserve.

(c) AAA money market funds
The AAA money market funds are used by the Company to provide additional short term liquidity. As they are not listed on a recognised exchange and due to their short term nature, they are recognised in the financial statements at cost and as a current asset.

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

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

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

(f) Dividends payable
Dividends are recognised in the period in which they are paid.

(g) Capital reserve
Gains and losses on realisation of investments and changes in fair values which are readily convertible to cash, without accepting adverse terms, are transferred to the capital reserve.

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

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

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

(j) Foreign currency
Overseas monetary assets and liabilities are converted into Sterling at the rate of exchange ruling at the Balance Sheet date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

(k) 3.5% Convertible Unsecured Loan Stock 2018
Convertible Unsecured Loan Stock ("CULS") issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 4.83%. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component is subsequently measured at amortised cost using the effective interest rate and the equity component remains unchanged.

Direct expenses associated with the CULS issue are allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument using the effective interest rate.

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

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

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

2 Income

	2013 £000	2012 £000
UK dividend income	3,687	2,504
REIT income	71	58
Overseas dividend income	392	501
Total Income from Dividends	4,150	3,063
Other income		
Interest from AAA Money Market funds	47	129
	47	129
Total income	**4,197**	**3,192**

3 Investment management fee

	2013 £000	2012 £000
Investment management fee	1,653	951
Charged to capital reserve	(1,240)	(713)
	413	238

The Company has an agreement with Standard Life Investments (Corporate Funds) Limited ('SLI') for the provision of management services. The contract is terminable by either party on twelve months notice.

The management fee arrangements were changed on 1 July 2012. Further details of the change are set out on page 19.

The management fee paid to SLI is 0.85% per annum of the gross assets of the Company. The fee is chargeable 25% to revenue and 75% to capital.

There is no Performance Fee payable to the Investment Manager.

The balance due to SLI at the year end was £461,000 (2012 - £245,000).

4 Administrative expenses (inclusive of VAT)

	2013 £000	2012 £000
Secretarial fees	156	113
Directors' fees	83	79
Auditor's remuneration:		
fees payable to the Company's auditor for the audit of the Company's annual accounts	22	22
fees payable to the Company's auditor and its associates for iXBRL tagging services	2	3
fees payable to the Company's auditor for CULS Discount Factor review	—	3
Registrar's fees	32	30
Professional fees*	63	17
Other expenses	101	100
	459	367

The secretarial fee is paid to SLI and reflects revised arrangements put in place at the time of the appointment of Maven Capital Partners UK LLP.

*Professional fees for 2012 include overaccruals from previous years written back in 2012.

5 Finance costs

	2013 £000	2012 £000
Interest on 3.5% Convertible Unsecured Loan Stock 2018	869	870
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	209	213
Amortisation of 3.5% Convertible Unsecured Loan Stock 2018 issue expenses	75	72
	1,153	1,155
Charged to capital reserve	(865)	(866)
Charged to revenue reserve	288	289

Notes to the Financial Statements

6 Taxation	2013 Revenue £000	2013 Capital £000	2013 Total £000	2012 Revenue £000	2012 Capital £000	2012 Total £000
(a) Analysis of charge for year						
Overseas taxation	11	–	11	25	–	25

(b) Provision for deferred taxation
At 30 June 2013, the company had unutilised management expenses and loan relationship losses of £38,391,000 (2012 - £35,273,000). No deferred asset has been recognised on the unutilised management expenses and loan relationship losses as it is unlikely there will be suitable taxable profits from which the future reversal of the deferred asset could be deducted.

(c) Factors affecting current tax charge for year
UK corporation tax at an effective rate of 23.75% (2012: 25.5%) The differences are explained below.

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Net profit on ordinary activities before taxation	3,037	48,524	51,561	2,298	(15,976)	(13,678)
Corporation tax at an effective rate of 23.75% (2012: 25.5%)	721	11,524	12,245	586	(4,074)	(3,488)
Effects of:						
Non-taxable UK dividend income	(876)	–	(876)	(639)	–	(639)
Non-taxable overseas dividends	(93)	–	(93)	(128)	–	(128)
Income taxable in different years	–	–	–	(1)	–	(1)
Overseas taxes	11	–	11	25	–	25
Excess management expenses and loan relationship losses	248	501	749	182	403	585
Other capital returns (e.g. gains on investments) that are not taxable	–	(12,025)	(12,025)	–	3,671	3,671
Current tax charge	11	–	11	25	–	25

7 Dividends	2013 £000	2012 £000
Amounts recognised as distributions to equity holders in the period:		
2012 final dividend of 2.10p per share (2011 - 1.75p) paid on 18 October 2012	1,365	1,137
2012 special dividend of nil (2011 - 1.00p)	–	649
2013 interim dividend of 1.15p per share (2012 - 1.00p) paid on 8 April 2013	767	650
	2,132	2,436

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

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158 - 1159 of the Corporation Taxes Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £3,026,000 (2012 - £2,273,000).

	2013 £000	2012 £000
2013 interim dividend of 1.15p per share (2012 - 1.00p) paid on 8 April 2013	767	650
2013 final dividend of 2.90p per share (2012 - 2.10p) payable on 15 October 2013	1,943	1,365
	2,710	2,015

The amount payable for the proposed final dividend is based on the Ordinary shares in issue as the date of approval of this report (67,015,988) which satifies the requirement of Section 1159 of the Corporation Tax Act 2010.

8 Return per ordinary share

	2013 p	2013 £000	2012 p	2012 £000
Basic				
Revenue return	4.58	3,026	3.50	2,273
Capital return	73.48	48,524	(24.61)	(15,976)
Total return	78.06	51,550	(21.11)	(13,703)
Weighted average number of Ordinary shares in issue		66,040,454		64,926,950
Diluted				
Revenue return	4.01	3,066	n/a	n/a
Capital return	63.56	48,643	n/a	n/a
Total return	67.57	51,709	n/a	n/a
Dilutive weighted average number of Ordinary shares in issue		76,534,215		n/a

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) by reference to the average share price of the Ordinary shares during the year. The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary shares of 10,493,761 (2012 - nil) to 76,534,215 (2012 - nil) Ordinary shares.

For the period ended 30 June 2012 there was no dilution. 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. Accrued CULS finance costs for the period and unamortised issues expenses are reversed.

Notes to the Financial Statements

9 Investments

	2013 £000	2012 £000
Fair value through profit or loss		
Opening fair value	147,937	170,172
Opening fair value gains on investments held	(61,104)	(78,376)
Opening book cost	86,833	91,796
Additions at cost	42,985	30,180
Disposals — proceeds	(31,064)	(38,018)
— realised gains on sales	11,003	2,875
Closing book cost	109,757	86,833
Current year fair value gains on investments held	100,735	61,104
Closing fair value	210,492	147,937

Gains on investments

	2013 £000	2012 £000
Realised gains on sales	11,003	2,875
Increase/(decrease) in fair value gains on investments held	39,631	(17,272)
	50,634	(14,397)

All investments are equity shares listed on the main market of the London Stock Exchange or on AiM.

Transaction costs

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

	2013 £000	2012 £000
Purchases	259	166
Sales	40	49
	299	215

10 Debtors

	2013 £000	2012 £000
Amounts due from brokers	—	610
Net dividends and interest receivable	859	303
Tax recoverable	54	42
Other debtors	15	11
	928	966

11 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Interest payable	217	221
Investment management fee payable	461	245
Sundry creditors	130	108
Amounts due to brokers	48	87
	856	661

12 Non-current liabilities

	Nominal amount £000	Liability component £000	Equity component £000
3.5% Convertible Unsecured Loan Stock 2018			
Opening balance	24,935	23,321	1,470
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary Shares	(38)	(38)	—
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	—	209	—
Amortisation	—	75	—
Closing balance	24,897	23,567	1,470

On 5 October 2012 the Company converted £11,111 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 into 4,679 Ordinary Shares. Also on 8 April 2013 the Company converted £27,073 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 into 11,404 Ordinary Shares.

As at 30 June 2013, there was £24,896,887 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 in issue. The loan stock can be converted at the election of holders into Ordinary shares during the months of March and September each year throughout their life up until 31 March 2018 at a fixed price per Ordinary share of 237.2542p. Interest is paid on the 3.5% Convertible Unsecured Loan Stock 2018 on 30 September and 31 March each year.

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

13 Called up share capital

	2013 £000	2012 £000
Authorised:		
	37,500	37,500
Issued and fully paid:		
66,665,988 (2012 – 64,999,905) Ordinary shares of 25p each - equity	16,666	16,250
Held in treasury:		
Nil (2012 - nil) Ordinary shares of 25p each - equity	—	—
	16,666	16,250

During the year the Company issued 1,650,000 Ordinary shares to satisfy shareholder demand for a total consideration received of £3,881,000. Also the Company issued 16,083 Ordinary shares following the receipt of elections to convert by holders of the Company's 3.5% Convertible Unsecured Loan Stock 2018.

Capital Management

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

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

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

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

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

The Company does not have any externally imposed capital requirements.

Subsequent to the year end, a further 350,000 Ordinary shares were issued for a total consideration of £1,052,500, resulting in 67,015,988 Ordinary shares being in issue at the date of this report.

14 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2013 £000	2012 £000
Net return before finance costs and taxation	52,714	(12,523)
Adjusted for:		
(Gains)/losses on investments	(50,634)	14,397
Currency losses	5	—
(Increase)/decrease in accrued income	(556)	98
(Increase)/decrease in other debtors	(4)	8
Increase/(decrease) in sundry creditors including investment management fee	238	(1,102)
Net cash inflow from operating activities	1,763	878

15 Analysis of changes in net debt

	At 30 June 2012 £000	Cashflow £000	Currency and other movements £000	At 30 June 2013 £000
Cash and short term deposits	18	6	(5)	19
AAA money market funds	15,208	(8,740)	—	6,468
Debt due in more than one year	(23,321)	—	(246)	(23,567)
Net debt	(8,095)	(8,734)	(251)	(17,080)

16 Net asset value per share

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

	2013	2012
Basic net asset value per share		
Net assets attributable (£000)	193,484	140,147
Number of Ordinary shares in issue at year end (excluding shares held in treasury)	66,665,988	64,999,905
Net asset value per share	290.23p	215.61p
Diluted net asset value per share		
Net assets attributable (£000)	217,268	–
Potential number of Ordinary shares in issue at year end (excluding shares held in treasury)	77,159,748	–
Net asset value per share	281.58p	–

The diluted net asset value per Ordinary share as at 30 June 2013 has been calculated on the assumption that £24,896,887 3.5% Convertible Unsecured Loan Stock 2018 are converted at 237.25p per share, giving a total of 77,159,748 Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the convertible loan stock.

Net asset value per share - debt converted

In accordance with the Company's understanding of the current methodology adopted by the AIC, convertible financial instruments are deemed to be 'in the money' if the cum income (debt at fair value) net asset value ("NAV") exceeds the conversion price of 237.25p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 30 June 2013 the cum income (debt at fair value) NAV was 290.23p and thus the CULS 2018 were 'in the money'. At 30 June 2012 the CULS were not 'in the money'.

17 Financial instruments

The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions for the purpose of managing currency and market risks arising from the Company's activities.

The main risks the Company faces from its financial instruments are (i) market price risk (comprising interest rate risk, currency risk and other price risk), (ii) liquidity risk and (iii) credit risk.

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

(i) Market price risk

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

Interest rate risk
Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits and money market funds;
- interest payable on the Company's variable rate borrowings.

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

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

During the year ended 30 June 2013, the Company had no revolving credit facility in place.

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

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

As at 30 June 2013	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £000
Assets			
AAA Money Market funds	—	0.50	6,468
Cash deposits	—	—	19
Total assets	—	—	6,487
Liabilities			
3.5% Convertible Unsecured Loan Stock 2018	5.25	3.50	23,567
Total liabilities	—	—	23,567

As at 30 June 2012	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £000
Assets			
AAA Money Market funds	—	0.69	15,208
Cash deposits	—	—	18
Total assets	—	—	15,226
Liabilities			
3.5% Convertible Unsecured Loan Stock 2018	6.25	3.50	23,321
Total liabilities	—	—	23,321

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

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

All financial liabilities are measured at amortised cost.

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

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

- profit for the year ended 30 June 2013 and net assets would increase / decrease by £65,000 (2012 : increase / decrease by £152,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and money market funds.

Foreign currency risk

A small proportion of the Company's investment portfolio is invested in overseas securities and the Balance Sheet can be affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis. The Company only has borrowings denominated in sterling.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

	30 June 2013			30 June 2012		
	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
Euro	9,219	—	9,219	7,218	—	7,218

The asset allocation between specific markets can vary from time to time based on the Investment Manager's opinion of the attractiveness of the individual markets.

Foreign Currency sensitivity

There is no sensitivity analysis included as the Company has no outstanding foreign currency denominated monetary items. Where the Company's equity investments (which are non-monetary items) are priced in a foreign currency, they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

Other price risk

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector or company. The allocation of assets and the stock selection process, as detailed on page 15, both act to reduce market risk. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the company are mainly listed on the London Stock Exchange.

Other price risk sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 30 June 2013 would have increased / decreased by £21,049,000 (2012 - increase / decrease of £14,794,000). This is based on the Company's equity portfolio held at each year end.

(ii) Liquidity risk

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

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary.

(iii) Credit risk

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

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

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

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

Credit risk exposure
In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 30 June was as follows:

	2013		2012	
Current assets	**Balance Sheet £'000**	**Maximum exposure £'000**	**Balance Sheet £'000**	**Maximum exposure £'000**
Loans and receivables	928	928	966	966
AAA Money Markets funds	6,468	6,468	15,208	15,208
Cash and short term deposits	19	19	18	18
	7,415	7,415	16,192	16,192

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

Maturity of financial liabilities
The maturity profile of the Company's financial liabilities at 30 June was as follows:

	2013 £'000	2012 £'000
In less than five years	23,567	23,321
	23,567	23,321

All the other financial assets and liabilities will be settled within three months.

The full contractual liability for the CULS assuming no further conversions is £29,036,000 (2012 - £29,953,000)

18 Fair Value hierarchy

FRS 29 'Financial Instruments: Disclosures' require 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 has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Company's investments are in quoted equities (2012 – 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 (2013 – £210,492,000; 2012 – £147,937,000) has therefore been deemed as Level 1.

The Company's CULS are actively traded on a recognised stock exchange. The fair value of the CULS (2013 - £28,912,000, 2012 - £25,808,000)) has therefore been deemed level 1.

19 Related party transactions

Standard Life Investments (Corporate Funds) Limited received fees for its services as investment manager and company secretary. Further details are provided in notes 3 & 4. The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on page 31. The Directors' shareholdings are detailed on page 18.

Key Contacts

Investment Manager
Standard Life Investments (Corporate Funds) Limited
1 George Street
Edinburgh EH2 2LL
(Authorised and regulated by the Financial Conduct Authority)

Website address:
www.standardlifeinvestments.com/its

Investor Services and Savings Scheme and ISA Plan Administrator
Standard Life Savings Limited
12 Blenheim Place
Edinburgh
EH7 5JH
Telephone: 0845 60 24 247
(Monday to Friday, 9am – 5pm)
(Authorised and regulated by the Financial Conduct Authority)

Company Secretaries and Registered Office
Maven Capital Partners UK LLP
1st Floor
Kintyre House
205 West George Street
Glasgow G2 2LW
Telephone: 0141 306 7400

Registered Number
Registered in Scotland No. SC145455

Independent Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Solicitors
Dickson Minto
16 Charlotte Square
Edinburgh EH2 4DF

Custodian
BNP Paribas Securities S.A.
55 Moorgate
London EC2R 6SA

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

Registrars
Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 889 4076
Fax: 0870 703 6101
www.uk.computershare.com/investor
Email via 'Contact Us' on the above website

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

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

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

Shareholder Communications

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

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

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

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

If you wish to change your election for the Annual Report and other shareholder communications, please contact the Company's Registrars at www-uk.computershare.com/investor or via the contact details on page 50.

Disability Act

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

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

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

Alternatively, you may use a text phone facility - the universal telephone number for this service is 0870 702 0005.

Share Information

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

Details of the Company may also be found on the Investment Manager's investment trust website at: www.standardlifeinvestments.com/its

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

Ordinary shares and CULS may be purchased or sold directly through a stockbroker or indirectly through a lawyer, accountant or financial adviser or through the Company's registrars. Ordinary shares may be also purchased or sold through the Company's Savings Scheme and Individual Savings Account, details of which are shown on page 52 of this Annual Report.

Other Information

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

How To Invest in Standard Life UK Smaller Companies Trust plc

Introduction
Investors may purchase Ordinary shares in the Company through Standard Life's Savings Scheme and Individual Savings Account ("ISA").

Alternatively, investors may buy Ordinary shares and/or CULS in the Company directly through a stockbroker or indirectly through a lawyer, accountant or financial adviser.

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 Stocks and Shares 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. Investors will have the opportunity to invest in the Company up to £11,520 in the tax year 2013/2014 when they subscribe to a Stocks and Shares ISA. Like the Savings Scheme, the minimum investment 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 Stocks and Shares ISA.

How to invest
For further information on how to invest and to request an application pack containing full details of the products and their charges, please call Standard Life Investments on 0845 60 24 247. Lines are open from 9am to 5pm, Monday to Friday.

For information on Standard Life Investments' range of Investment Trusts and Standard Life's views on the markets, please call 0845 60 60 062.

This is not a recommendation to buy, sell or hold shares in the Company. Shareholders who are unsure of what action to take should contact a financial adviser authorised under the Financial Services and Markets Act 2000. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

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.

Notice is hereby given that the Annual General Meeting of Standard Life UK Smaller Companies Trust plc will be held at 30 St Mary Axe, London, EC3A 8EP at 12.30pm on Tuesday 8 October 2013 for the following purposes:

ORDINARY BUSINESS

As Ordinary business to consider and, if thought fit, pass the following Resolutions, in the case of numbers 1 to 9 inclusive, as Ordinary Resolutions and, in the case of numbers 10 and 11 inclusive, as Special Resolutions:

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 30 June 2013, together with the Independent Auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 30 June 2013.
3. To declare a final dividend of 2.90 pence per Ordinary share.
4. To re-elect Donald MacDonald as a Director of the Company.
5. To re-elect David Woods as a Director of the Company.
6. To re-elect Lynn Ruddick as a Director of the Company.
7. To re-elect Carol Ferguson as a Director of the Company.
8. To re-appoint Ernst & Young LLP as Independent Auditor and to authorise the Directors to determine their remuneration.
9. Authority to allot shares

   That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to 1,675,400, being approximately 10% of the nominal value of the issued share capital (excluding treasury shares) of the Company, as at the date of this Notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, unless previously revoked, varied or extended or renewed by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

10. Disapplication of pre-emption rights

    That, subject to the passing of Resolution 9 set out above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered (i), pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into Ordinary shares for cash pursuant to the authority given by Resolution 9 set out above and (ii), pursuant to Section 573 of the Act to sell equity securities for cash out of treasury as if Section 561(1) of the Act did not apply to any such allotment, or sale out of treasury, of equity securities, provided that this power:

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

b) shall be limited to the allotment, or sale out of treasury, of equity securities up to an aggregate nominal value of 1,675,400, being approximately 10% of the nominal value of the issued share capital of the Company, as at the date of this Notice.

11. Authority to make market purchases of shares

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

Provided always that:

(a) the maximum number of Shares hereby authorised to be purchased shall be 10,045,697 Shares, representing 14.99% of the Company's issued share capital at the date of the passing of this Resolution (excluding treasury shares);

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

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

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

SPECIAL BUSINESS

As Special business, to consider, and if thought fit, to pass Resolution 12 as an Ordinary Resolution and Resolutions 13, 14, and 15 as Special Resolutions:

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

That, subject to the passing of Resolution 10 set out above, the Directors of the Company be authorised for the purposes of paragraph 15.4.11 of the Listing Rules of the UK Listing Authority to sell or transfer out of treasury Ordinary shares of 25p each in the capital of the Company (the "Share(s)") for cash at a price below the net asset value per Share of the existing Shares in issue (excluding treasury shares), provided always that:

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

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

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

(d) this power shall be limited to the sale of shares having an aggregate nominal value of 1,675,400, being approximately 10% of the nominal value of the issued share capital of the Company, as at the date of this Notice and provided further that the number of shares to which this power applies shall be reduced from time to time by the number of Shares which are allotted or sold out of treasury for cash as if Section 561(1) of the Companies Act 2006 did not apply pursuant to the power conferred on the Directors by Resolution 10 set out above; and

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

13. Tender Offers

That, in addition to the authority given to the Company to purchase its own Ordinary shares of 25p each (the "Shares") pursuant to Resolution 11 set out above and in accordance with the terms and conditions of the tender offers which may be set out in the circulars to be sent electronically or, if requested in hard copy form to Shareholders prior to 31 December 2013 and 30 June 2014 (together the "Tender Offers"), the Company be and is hereby authorised for the purpose of Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of its issued Shares either for cancellation or for retention as treasury shares for future reissue, resale or transfer provided that:

(a) the maximum number of Shares hereby authorised to be purchased pursuant to each Tender Offer is 5% of the Shares in issue as at 31 December 2013 (excluding any Shares held in treasury) or 30 June 2014 (excluding any Shares held in treasury) as appropriate;

(b) the price which shall be paid for a Share shall be an amount equal to 98% of realisation value of all the assets attributable to the Shares tendered as at close of business on 31 December 2013 and on 30 June 2014, as appropriate; and

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

14. Notice of General Meeting

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

15. Articles of Association

That, the draft regulations produced to the meeting and, for the purpose of identification initialled by the Chairman of the meeting be accepted as the articles of association of the Company in substitution for, and to the entire exclusion of the existing articles of association of the Company.

By order of the Board
Maven Capital Partners UK LLP
Company Secretaries

Registered office:

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

2 September 2013

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her or on his/her behalf at the meeting. A proxy need not be a shareholder. The shareholder may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman of the meeting) and give instructions directly to them. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should, or if you would like to appoint more than one proxy, please contact the Company's Registrar, Computershare Investor Services PLC on 0870 889 4076. In the case of joint holders, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at 12.30 pm on 4 October 2013 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. In each case, changes to entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (3RA50) by 12.30 pm on 4 October 2013 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

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

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

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

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

13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company will be required to do so once it has received such requests either from members representing at least 5% of the voting rights of the Company or from at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the Company's registered office at 1st Floor Kintyre House 205 West George Street Glasgow G2 2LW. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006.

14. As at 6pm on 2 September 2013 (being the last practicable date prior to publication of this notice) the Company's issued share capital comprised 67,015,988 Ordinary shares of 25p each. Each Ordinary share (other than any Ordinary shares held in treasury) carries the right to one vote at a general meeting of the Company. The CULS do not have any voting rights at general meetings of the Company. Accordingly, the total number of voting rights in the Company as at 2 September 2013 was 67,015,988.

15. There are special arrangements for holders of shares through the Company's Share Plan and ISA. These are explained in the separate 'Form of Direction' which such holders will have received with this Annual Report.

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

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

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

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

17. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's webpage at www.standardlifeinvestments.com/its

Registered Office
Kintyre House
205 West George Street
Glasgow G2 2LW

Managed by
Standard Life Investments Limited
1 George Street
Edinburgh EH2 2LL
Website: standardlifeinvestments.com/its
Investor Services: 0845 60 24 247
(Monday to Friday, 9am – 5pm)