



Standard Life UK Smaller Companies Trust plc

**Half Yearly Report
31 December 2013**

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Investment Objective

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

Investment Policy

The Company intends to achieve its investment objective by investing in a diversified portfolio consisting mainly of UK quoted smaller companies. The portfolio will normally comprise around 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 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.

Financial Highlights

for six months ended 31 December 2013

Six months ended 31 December 2013	
Diluted net asset value total return	17.6%
Share price total return	19.6%
Benchmark total return	21.0%

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

Over a Decade of Strong Performance



Ten Largest Positions Relative to the Benchmark

Overweight Stocks	Company %	B'mark %	Relative %	Overweight Stocks	Company %	B'mark %	Relative %
ASOS	5.7	0.0	5.7	Abcam	3.3	0.0	3.3
Telecom Plus	5.7	0.7	5.0	Supergroup	3.8	0.6	3.2
Rightmove	4.8	0.0	4.8	Ted Baker	3.6	0.5	3.1
Hargreaves Lansdown	3.9	0.0	3.9	Paddy Power	2.6	0.0	2.6
Xaar	4.0	0.4	3.6	Paypoint	2.5	0.4	2.1

Sources: Standard Life Investments and Thomson Datastream

Financial Highlights

for six months ended 31 December 2013

Capital Return	31 December 2013	30 June 2013	% change
Net asset value per ordinary share - basic	340.71p	290.23p	+17.4
Net asset value per ordinary share - diluted	327.29p	281.58p	+16.2
Ordinary share price (mid-market)	332.25p	280.50p	+18.4
Discount of share price to net asset value (including net revenue) - basic	2.5%	3.4%	—
(Premium)/discount of share price to net asset value (including net revenue) - diluted	(1.5%)	0.4%	—
Numis Smaller Companies Index (excluding investment companies)	6,598.70	5,525.53	+19.4
Total assets (£m)	258.39	217.05	+19.0
Equity shareholders' funds (£m)	236.98	193.48	+22.5

Gearing	31 December 2013	30 June 2013
Gearing	1.1%	8.8%

Revenue return - for six months ended	31 December 2013	31 December 2012	% change
Revenue return per ordinary share - basic	2.75p	2.01p	+36.8
Revenue return per ordinary share - diluted	2.47p	1.79p	+38.0
Interim dividend per ordinary share	1.27p	1.15p	+10.4

Expenses	31 December 2013	30 June 2013
Ongoing Charges	1.20%	1.28%

Directors' Responsibility Statement

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

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

The Half-Yearly Financial Report, for the six months ended 31 December 2013, comprises an Interim Management Report, in the form of the Chairman's Statement, the Directors' Responsibility Statement and a condensed set of Financial Statements, which has not been audited or reviewed by the auditors pursuant to the APB guidance on Review of Interim Financial Information.

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

Donald MacDonald

Chairman

27 February 2014

Chairman's Statement

Performance

The Company's diluted net asset value total return was 17.6% for the six months to 31 December 2013. This compares with a total return of 21.0% for the Company's benchmark, the Numis Smaller Companies Index (excluding Investment Companies). The Company's share price total return was 19.6%, with the ordinary shares trading at a premium to net asset value throughout the period and ending at a premium of 1.5%. The sector average discount was 7.5% at 31 December 2013 (source: AIC).



Donald MacDonald

Despite the Company losing some ground over the past six months against its benchmark, the long-term

performance record remains strong and is illustrated in the table below:

To 31 December 2013	1 year	3 years	5 years	10 years 4 months*
Net asset value total return	+40.3%	+64.8%	+271.0%	+457.4%
Benchmark total return	+36.9%	+61.7%	+233.9%	+276.8%
Share price total return	+41.3%	+64.1%	+342.5%	+707.8%
Peer group ranking	6/9	3/9	4/9	1/9

Source: Thomson Datastream and JP Morgan Cazenove

*Since appointment as manager on 1 September 2003

Additional information on the economic background, stock performance and portfolio changes during the period can be found in the Manager's Report.

Earnings and Dividend

The revenue return per share for the six months ended 31 December 2013 was 2.75p (2.01p). This represents a 36.8% increase on the earnings per share for the same period last year. The Company continues to see strong dividend growth coming through from the underlying portfolio although the Board

expects the rate of dividend growth to ease as the Manager has taken profits in a number of mature higher yielding portfolio companies. Proceeds are likely to be deployed in younger growth companies that offer a lower yield.

The interim dividend has been increased by 10.4% to 1.27p per share (2012: 1.15p per share) and will be paid on 7 April 2014 to shareholders on the register at 14 March 2014, with an associated ex-dividend date of 12 March 2014.

Strategic Report

Chairman's Statement (continued)

Awards

The Company won the Moneywise UK Smaller Companies Trust of the Year for the seventh year in a row.

At the Grant Thornton Quoted Companies Awards on 29 January 2014, Harry Nimmo won Fund Manager of the Decade, reflecting the excellent share price performance of the Company over that period.

Gearing

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

The Company currently has £22.4 million 3.5% Convertible Unsecured Loan Stock 2018 (CULS) in issue and the Manager is able to vary net gearing by adjusting the level of cash held by the Company. The net gearing level was maintained at around 10% until November 2013 when it was reduced to 2% reflecting some profit taking in some of the Company's largest most successful holdings.

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

information the current net asset value and ordinary share price are 342.47p and 343.50p respectively as at 25 February 2014.

Premium

The premium at which the Company's shares trade relative to the underlying net asset value was 1.5% at 31 December 2013. The Company's shares have traded at an average premium of 0.2% over the last year and this has enabled the Company to issue new ordinary shares. The rating of the Company's shares does continue to compare favourably with the UK Smaller Companies peer group, which had an average discount of 7.5% at 31 December 2013.

Regular Tender Offer

In light of the Ordinary shares trading, on average, at a small premium to net asset value for the year to 31 December 2013, the Board exercised its discretion and did not conduct a tender offer at either of the 30 June 2013 or 31 December 2013 tender dates. The cost of the first two tenders, held in 2010, ranged from 6% to 6.5% of the net asset value of shares tendered.

It remains the Board's intention to maintain the regular tender at six monthly intervals, and to offer

Chairman's Statement (continued)

shareholders the opportunity to tender their shares when it is in their interests to do so.

New Shares

During the period the Company issued over 2.9m new ordinary shares at a premium to net asset value increasing the capital base by 4.3%. The current market capitalisation is now £239m with total assets of over £260m having issued further shares in 2014. The Board continues to seek ways of improving the size and liquidity of the Company's ordinary shares.

AIFM

The European Alternative Investment Fund Managers Directive (AIFMD) is almost upon us with a final implementation date of 22 July 2014.

Our Manager, Standard Life Investments (Corporate Funds) Limited, has applied for authorisation as an alternative investment fund manager and prior to 22 July 2014 will be appointed as the AIFM for the Company.

Succession

Following the interim results announcement and as I mentioned in my last statement I have now handed over the chairmanship to David Woods and I wish him every success in this role.

AGM

For the first time in its twenty year history, the Company held its AGM in London last year. I would like to thank shareholders for their attendance and learned questions. Due to the success of this event the Board has decided to hold the AGM in London in October 2014. The Board will consider hosting a shareholder presentation in Edinburgh in November 2014.

Outlook

After a very strong period for stock markets over the last two years it is no surprise that they have paused for breath in late January 2014 with some concern over the rate of slowdown in Chinese GDP, currency concerns for some emerging markets with weak current accounts and the start of tapering by the US Government of bond purchases. Despite these uncertainties, the Board has full confidence in the Manager's investment process and the long term outlook for future shareholder returns.

Donald MacDonald

Chairman

27 February 2014

Strategic Report

Principal Risks and Uncertainties

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

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

The major risks and uncertainties associated with the Company are:

- **Capital structure and gearing risk:** The Company's capital structure, as at 31 December 2013, consisted of equity share capital comprising 69,554,370 Ordinary 25p shares and £22,433,225 nominal amount of Convertible Unsecured Loan Stock 2018. The Manager is able to increase or decrease the gearing level by holding less or more cash subject to Board restrictions which require gearing to remain between -5% and 25% of net assets, under normal market conditions.
- **Revenue and dividend risk:** In view of the Company's investment objective, which is to generate long-term capital growth by investment in UK quoted smaller companies, the Manager is required to strike a balance more in favour of capital growth than revenue return. In normal circumstances, the Board intends to pay dividends commensurate with the year's income.

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

Principal Risks and Uncertainties (continued)

- **Supplier risk:** in common with most investment trusts, the Company has no employees. The Company therefore relies upon services provided by third parties, including the Manager in particular, to whom responsibility for the management of the Company has been delegated under an Investment Management Agreement.
 - **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including the Companies Act 2006, the UKLA Listing Rules or the UKLA Disclosure and Transparency Rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers to the Company, could also lead to reputational damage or loss.
- There is also a further regulatory risk in the form of the Alternative Investment Fund Managers Directive (“AIFMD”) which came into force in July 2011 and 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 and investment companies in the European Union. This is expected to create some additional regulatory costs for the Company.
- **Referendum on Scottish Independence:** As a Scottish-registered Company, the Board is mindful that there is uncertainty arising in relation to the referendum on Scottish independence due on 18 September 2014. The Board considers that should the vote be in favour of independence, there will be a transition period during which there will be an opportunity to assess the new situation and take any appropriate action.

Strategic Report

Going Concern

The factors which have an impact on Going Concern are set out in the Going Concern section of the Directors' Report in the Company's Annual Report and Accounts to 30 June 2013. As at 31 December 2013, there have been no significant changes to these factors. The Company had no bank borrowings at 31 December 2013. The Directors are mindful of the principal risks and uncertainties disclosed above, and, having reviewed forecasts detailing revenue and liabilities, they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the interim accounts.

Manager's Report

The UK smaller companies sector, as represented by the Numis Smaller Companies Index (excluding Investment Trusts), produced a total return of 21.0% over the six months to 31 December 2013. This compares with a net asset value total return of 17.6% for the Company and a share price total return of 19.6%. Over the same period, the FTSE100 Index, comprising the largest UK listed companies, delivered a total return of 10.3%.

Standard Life Investments has managed the Company since 1 September 2003. The share price at that time was 47.75p. In the 10 years to 1 September 2013, the share price has risen by 599%, making it the best performing investment trust of all trusts in share price terms over that period.

Equity markets

2013 has been a great year for UK smaller companies. Indeed, the asset class was among the strongest performers worldwide. The British economy improved considerably in the second half of calendar 2013, with industrial production and consumer confidence moving ahead in a sustained way. Strength

in the housing market also started to spread outwards from London helped by talk of interest rates staying at very low levels for an extended period. The government's Help to Buy programme undoubtedly influenced this. Meanwhile, the US saw a similar revival of confidence to that seen in the UK. Even Europe is seeing a return to optimism. However, the Far East and emerging markets remained more muted with the possible exception of Japan. Early signs of an end to US quantitative easing (QE) through tapering have prompted flight from riskier emerging asset markets recently.

This generally widespread optimism has fed through into corporate trading statements. Sectors like employment agencies, housebuilders, plant hire, second line housing-related retailers and smaller investment banks have become optimistic in a way not seen for many years. UK company results have generally been positive, and the period under review has not been punctuated by periods of sudden negativity. In addition, smaller company investment trust discounts have reached the lowest levels seen in decades.

Manager's Report

The Manager has been receiving enquiries from investor groups not normally known for investing in smaller companies.

In a sign of the improved market environment, the new issues market has also come alive with more companies seeking to list. New initial public offerings entering both the Numis Smaller Companies Index and the Alternative Investment Market (AIM) numbered 94, up from 66 last year. This is the most since 2007, but is still below the long-run average. In contrast, takeover activity in 2013 remained at very low levels. Elsewhere, oil prices remained over \$100 per barrel, while other commodity prices, including gold, have generally been weak.

Performance

The Company's performance during the period under review can essentially be viewed in two distinct phases. From July to October performance was weak as the Company failed to keep up with the rampant bull market which favoured riskier sectors. A greater sense of realism however returned in the October to December period. During that time, performance was helped by a couple of takeover bids, that

of Delcam by the giant American software company Autodesk and Oxford Instruments' offer for Andor. By the final quarter of 2014 it was becoming clear that the economy was recovering faster than expected which, in turn, brings forward the prospect of rising interest rates.

The Company benefited from being underweight in the oil & gas and mining sectors but lacked exposure to second-line, economic recovery-exposed retailers, employment agencies and investment banks. Most other positive and negative contributors tended to be more stock specific.

Leading performers during the period included ASOS, which has established itself as the world's leading online clothing retailer mainly aimed at the 15 to 35 age category. Its international reach now stretches to China and Russia, while its own brand is performing particularly strongly. Its peer Supergroup, owner of the Superdry clothing brand, also outperformed. A revamped senior management team, new distribution infrastructure, retail price discipline and good progress overseas led to a 96% increase in the share price in the second half of 2013. Elsewhere,

Manager's Report

multi-utility service provider Telecom Plus launched a well-received and earnings enhancing rights issue to gain full control of customer licences from npower. This consolidates its position as an alternative utilities provider. Investment broker Hargreaves Lansdown boosted returns as the shares climbed by 56%, helped by buoyant market conditions. Its market-leading Vantage internet platform continues to provide an information-rich, low-cost and easy-to-use method for clients to manage their investments. Finally, medical equipment manufacturer Andor Technology featured strongly following an agreed cash bid from Oxford Instruments.

The poorest contributors to performance included gaming business Paddy Power, whose shares declined due to higher levels of competition in the UK market and earnings pressure related to its large-scale investment in new markets. Drinking water fountain business Waterlogic also issued a profit warning as it emerged that management had been overly optimistic about new product developments. Healthcare software firm EMIS Group was another laggard due to investor

concerns over the renegotiation of contracts with the NHS. Lastly, Sheila's Wheels brand owner esure and online financial products business Moneysupermarket.com both detracted due to weak auto insurance pricing following increased competition.

Dealing and activity

During the period the Company bought shares in Keller, a world leader in the specialist construction industry segment of ground engineering. In addition, shares in video search specialist Blinkx were purchased, as this company continues to benefit from the advertising potential of this fast-growing market. Elsewhere, shares in online retail specialist Ocado and enterprise software firm Fusionex were added to the portfolio. Finally, a position in 4imprint was purchased for the Company. The marketing support products distributor is successfully harnessing its online business model to gain market share, particularly in the US. All of these companies score well on our stock selection process, with Blinkx, Ocado and 4imprint in particular representing a second wave of internet-led businesses.

Manager's Report

Sales activity included the complete disposal of Domino's Pizza. Management departures, director selling and weak trading in its German business were unhelpful. Meanwhile, profits were taken in ASOS following very strong performance. Similarly, Hargreaves Lansdown was sold down after a very strong run, while Moneysupermarket.com and Aveva, the engineering design software specialist, were sold as both no longer fitted our investment process.

In terms of positioning, the Company remains overweight in electricals & electronics, pharmaceuticals, media, retailers and software. The Company is underweight in oil & gas, mining, support services and IT hardware. Our matrix screening tool remains the key driver for stock and therefore sector selection. We continue to believe that online business models, mass-affluent brands and London as a place to do business remain powerful investment themes.

Outlook

Investor optimism regarding the world economy and the UK and US in particular has reached new highs. The housing market and both business and consumer confidence in the UK are as strong as at any time since 2006. Smaller companies have enjoyed an incredible run over the last five years, moving well above previous highs. It's almost as if the banking crisis had never happened. Consequently, traditional valuation metrics, such as dividend yield, have moved into the 'expensive' category.

Recently, central bankers in both the UK and US have signalled that the end of ultra-low interest rates may be in sight. In fact, it is possible that we are entering a period of consolidation as investors adjust to this new reality. A market setback may actually be a healthy development to ensure such issues as the extraordinarily high levels of sovereign and consumer debt, the potential for instability in some southern European banks and euro currency volatility are not forgotten. We believe that returns in 2014 are going to be much more modest than 2013 and may only reach the low double-digit level.

Manager's Report

As for investment themes, the internet remains key. A 'second wave' of internet-related investment opportunities is now becoming evident as new online leaders emerge in media, food retailing, distribution, leisure and retailing. This theme is generally disruptive and negative for larger companies and good for smaller companies.

Our process remains unchanged. It has worked well over the past 10 years and we see no reason for this to change. The vast majority of the companies we hold have net cash positions and can grow from internally generated cashflows in a predictable way. Dividend growth remains good but may moderate following our decision to take profit in some of our larger, high-dividend payers that had become too big for the Company. These include Hargreaves Lansdown, Paddy Power, Aveva, Halma and Rotork.

We remain confident about 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 some risk, particularly in a highly interdependent global financial system. With uncertainty ever present, our emphasis on risk aversion, resilience, growth and momentum still feels right for the future.

Harry Nimmo

*Head of Smaller Companies
Standard Life Investments*

27 February 2014

Top Twenty Investments

At 31 December 2013

	Value £'000	% of Portfolio
ASOS	13,635	5.7
Telecom Plus	13,594	5.7
Rightmove	11,508	4.8
Xaar	9,520	4.0
Hargreaves Lansdown	9,343	3.9
Supergroup	9,007	3.8
Ted Baker	8,664	3.6
Abcam	7,866	3.3
Dunelm Group	6,457	2.7
Paddy Power	6,202	2.6
Paypoint	6,066	2.5
Workspace	5,808	2.4
Emis Group	4,802	2.0
Aveva Group	4,792	2.0
Fisher (J) & Sons	4,688	2.0
ITE Group	4,490	1.9
Paragon	4,244	1.8
Nichols	4,124	1.7
Computacenter	4,104	1.7
Accesso Technology	4,040	1.7
	142,954	59.8
Other investments (38)	96,691	40.2
Total investments	239,645	100.00

Sector Distribution

At 31 December 2013

	Portfolio Weightings %	Numis Smaller Companies Index (excluding investment companies) Weightings %
Oil & gas	2.6	5.1
Basic materials	0.9	7.3
Industrials	20.7	27.9
Consumer goods	11.3	7.7
Health care	5.7	3.2
Consumer services	25.4	18.2
Telecommunications	5.7	2.8
Utilities	—	0.6
Technology	14.0	7.7
Financials	13.7	19.5
Total equity investments	100.0	100.0

Income Statement

		Six months ended 31 December 2013 (unaudited)		
	Notes	Revenue £'000	Capital £'000	Total £'000
Net gains on investments held at fair value		—	36,846	36,846
Currency losses		—	(5)	(5)
Income	2	2,512	—	2,512
Investment management fee		(259)	(776)	(1,035)
Administrative expenses		(238)	—	(238)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		2,015	36,065	38,080
Finance costs		(138)	(414)	(552)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		1,877	35,651	37,528
Taxation		(6)	—	(6)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		1,871	35,651	37,522
BASIC RETURN PER ORDINARY SHARE	5	2.75p	52.49p	55.24p
DILUTED RETURN PER ORDINARY SHARE	5	2.47p	45.93p	48.40p

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

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

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

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

The diluted returns per Ordinary share for the six months ended 31 December 2012 and the year ended 30 June 2013 have been amended to reflect the requirements of FRS 22.

Income Statement

Six months ended 31 December 2012 (unaudited)			Year ended 30 June 2013 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
—	16,583	16,583	—	50,634	50,634
—	—	—	—	(5)	(5)
1,883	—	1,883	4,197	—	4,197
(189)	(567)	(756)	(413)	(1,240)	(1,653)
(220)	—	(220)	(459)	—	(459)
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1,474	16,016	17,490	3,325	49,389	52,714
(145)	(436)	(581)	(288)	(865)	(1,153)
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1,329	15,580	16,909	3,037	48,524	51,561
(11)	—	(11)	(11)	—	(11)
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1,318	15,580	16,898	3,026	48,524	51,550
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2.01p	23.81p	25.82p	4.58p	73.48p	78.06p
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1.79p	20.67p	22.46p	4.19p	64.12p	68.31p
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Reconciliation of Movements in Shareholders' Funds

Six months ended 31 December 2013 (unaudited)

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

Six months ended 31 December 2012 (unaudited)

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000
Balance at 30 June 2012	16,250	3,722	1,470
Return on ordinary activities after taxation	—	—	—
Issue of shares	387	3,250	—
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	11	—
Dividends paid (see note 4)	—	—	—
BALANCE AT 31 DECEMBER 2012	16,638	6,983	1,470

Reconciliation of Movements in Shareholders' Funds

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

Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
46,871	69,038	2,796	140,147
—	15,580	1,318	16,898
—	—	—	3,637
—	—	—	12
—	—	(1,365)	(1,365)
46,871	84,618	2,749	159,329

Reconciliation of Movements in Shareholders' Funds

Year ended 30 June 2013 (audited)

	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000
Balance at 30 June 2012	16,250	3,722	1,470
Return on ordinary activities after taxation	—	—	—
Issue of shares	412	3,469	—
Issue of 3.5% Convertible Unsecured Loan Stock 2018	4	34	—
Dividends paid (see note 4)	—	—	—
BALANCE AT 30 JUNE 2013	16,666	7,225	1,470

Reconciliation of Movements in Shareholders' Funds

Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
46,871	69,038	2,796	140,147
—	48,524	3,026	51,550
—	—	—	3,881
—	—	—	38
—	—	(2,132)	(2,132)
46,871	117,562	3,690	193,484

Balance Sheet

	As at 31 December 2013 (unaudited) £'000	As at 31 December 2012 (unaudited) £'000	As at 30 June 2013 (audited) £'000
NON-CURRENT ASSETS			
Investments held at fair value through profit or loss	<u>239,645</u>	<u>174,495</u>	<u>210,492</u>
CURRENT ASSETS			
Debtors and prepayments	796	172	928
AAA Money Market funds	18,823	8,858	6,468
Cash and short term deposits	<u>4</u>	<u>2</u>	<u>19</u>
	19,623	9,032	7,415
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	<u>(874)</u>	<u>(742)</u>	<u>(856)</u>
NET CURRENT ASSETS	<u>18,749</u>	<u>8,290</u>	<u>6,559</u>
NON-CURRENT LIABILITIES			
3.5% Convertible Unsecured Loan Stock 2018	<u>(21,415)</u>	<u>(23,456)</u>	<u>(23,567)</u>
NET ASSETS	<u>236,979</u>	<u>159,329</u>	<u>193,484</u>
CAPITAL AND RESERVES			
Called-up share capital	17,389	16,638	16,666
Share premium account	14,429	6,983	7,225
Equity component of Convertible Unsecured Loan Stock 2018	1,470	1,470	1,470
Special reserve	46,871	46,871	46,871
Capital reserve	153,213	84,618	117,562
Revenue reserve	<u>3,607</u>	<u>2,749</u>	<u>3,690</u>
EQUITY SHAREHOLDERS' FUNDS	<u>236,979</u>	<u>159,329</u>	<u>193,484</u>
BASIC NET ASSET VALUE PER ORDINARY SHARE	8 <u>340.71p</u>	<u>239.40p</u>	<u>290.23p</u>
DILUTED NET ASSET VALUE PER ORDINARY SHARE	8 <u>327.29p</u>	<u>237.48p</u>	<u>281.58p</u>

Cash Flow Statement

	Six months ended 31 December 2013 (unaudited) £'000	Six months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
NET RETURN ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS AND TAXATION	38,080	17,490	52,714
Adjustment for:			
Gains on investments	(36,846)	(16,583)	(50,634)
Currency losses	5	—	5
REVENUE BEFORE FINANCE COSTS AND TAXATION	1,239	907	2,085
Decrease/(increase) in accrued income	706	202	(556)
Increase in other debtors	(500)	(6)	(4)
Increase in other creditors	84	169	238
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,529	1,272	1,763
Net cash outflow from servicing of finance	(436)	(437)	(873)
Net overseas tax	(6)	(22)	(23)
Net cash inflow/(outflow) from financial investment	7,570	(9,451)	(11,350)
Equity dividends paid	(1,954)	(1,365)	(2,132)
NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	6,703	(10,003)	(12,615)
Net cash (outflow)/inflow from management of liquid resources	(12,355)	6,350	8,740
NET CASH OUTFLOW BEFORE FINANCING FINANCING	(5,652)	(3,653)	(3,875)
Issue of shares	5,642	3,637	3,881
NET CASH INFLOW FROM FINANCING (DECREASE)/INCREASE IN CASH	5,642 (10)	3,637 (16)	3,881 6

Cash Flow Statement

	Six months ended 31 December 2013 (unaudited) £'000	Six months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT			
(Decrease)/increase in cash as above	(10)	(16)	6
Net change in liquid resources	12,355	(6,350)	(8,740)
Other non-cash movements	<u>2,147</u>	<u>(135)</u>	<u>(251)</u>
Movement in net debt in the period	14,492	(6,501)	(8,985)
Opening net debt	<u>(17,080)</u>	<u>(8,095)</u>	<u>(8,095)</u>
CLOSING NET DEBT	<u>(2,588)</u>	<u>(14,596)</u>	<u>(17,080)</u>
REPRESENTED BY:			
Cash and short term deposits	4	2	19
Money Market funds	18,823	8,858	6,468
Debt due in more than one year	<u>(21,415)</u>	<u>(23,456)</u>	<u>(23,567)</u>
	<u>(2,588)</u>	<u>(14,596)</u>	<u>(17,080)</u>

Notes to the Financial Statements

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared in accordance with applicable UK Accounting Standards, with pronouncements on half-yearly reporting issued by the Accounting Standards Board and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The financial statements and the net asset value per share figures have been prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

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

(b) Dividends payable

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

	Six months ended 31 December 2013 £'000	Six months ended 31 December 2012 £'000	Year ended 30 June 2013 £'000
2. Income			
Income from investments			
UK dividend income	2,283	1,668	3,687
REIT income	31	—	71
Overseas dividend income	167	181	392
	<u>2,481</u>	<u>1,849</u>	<u>4,150</u>
Other income			
Interest from Money Market funds	31	34	47
	<u>31</u>	<u>34</u>	<u>47</u>
Total income	<u>2,512</u>	<u>1,883</u>	<u>4,197</u>

Notes to the Financial Statements

3. Taxation

The taxation expenses reflected in the Income Statement is based on management's best estimate of the weighted annual corporation tax rate expected for the full financial year. The estimated annual tax rate used for the year to 30 June 2014 is 22.50%.

4. Dividends

Six months ended 31 December 2013 £'000	Six months ended 31 December 2012 £'000	Year ended 30 June 2013 £'000
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Ordinary dividend on equity shares:

2013 final dividend of 2.90p

per share (2012 - 2.10p)

1,954	1,365	1,365
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2013 interim dividend of 1.15p

per share

—	—	767
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<u>1,954</u>	<u>1,365</u>	<u>2,132</u>
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5. Return per share

Six months ended 31 December 2013 p	Six months ended 31 December 2012 p	Year ended 30 June 2013 p
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Basic

Revenue return

2.75	2.01	4.58
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Capital return

<u>52.49</u>	<u>23.81</u>	<u>73.48</u>
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Total return

<u>55.24</u>	<u>25.82</u>	<u>78.06</u>
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Weighted average number

of Ordinary shares

<u>67,914,134</u>	<u>65,447,498</u>	<u>66,040,454</u>
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Notes to the Financial Statements

The figures above are based on the following:

	Six months ended 31 December 2013 £'000	Six months ended 31 December 2012 £'000	Year ended 30 June 2013 £'000
Revenue return	1,871	1,318	3,026
Capital return	35,651	15,580	48,524
Total return	37,522	16,898	51,550

	Six months ended 31 December 2013 p	Six months ended 31 December 2012 p	Year ended 30 June 2013 p
Return per share			
Diluted			
Revenue return	2.47	1.79	4.19
Capital return	45.93	20.67	64.12
Total return	48.40	22.46	68.31

Weighted average number of Ordinary shares	77,950,770	75,955,138	76,544,275
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The figures above are based on the following:

	Six months ended 31 December 2013 £'000	Six months ended 31 December 2012 £'000	Year ended 30 June 2013 £'000
Revenue return	1,923	1,359	3,210
Capital return	35,807	15,702	49,075
Total return	37,730	17,061	52,285

Notes to the Financial Statements

The calculation of the diluted total, revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard 22, "Earnings per Share". For the purpose of calculating total, revenue and capital returns per Ordinary share, the number of Ordinary shares used is the weighted average number used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all Convertible Unsecured Loan Stock 2018 (CULS). The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary shares of 10,036,636 (31 December 2012 - 10,507,640 and 30 June 2013 - 10,503,821) to 77,950,770 (31 December 2012 - 75,955,138 and 30 June 2013 - 76,544,275) Ordinary shares.

Where dilution occurs, the net returns are adjusted for items relating to the Convertible Unsecured Loan Stock ("CULS"). Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted. CULS finance costs for the period and unamortised issue expenses are reversed.

6. Capital reserve

The capital reserve reflected in the Balance Sheet at 31 December 2013 includes gains of £122,274,000 (31 December 2012 - £74,846,000; 30 June 2013 - £100,735,000) which relate to the revaluation of investments held at the reporting date.

Notes to the Financial Statements

7. Transaction costs

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

	Six months ended 31 December 2013 £'000	Six months ended 31 December 2012 £'000	Year ended 30 June 2013 £'000
Purchases	125	143	259
Sales	29	17	40
	154	160	299

8. Net asset value

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

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

Notes to the Financial Statements

	Six months ended 31 December 2013	Six months ended 31 December 2012	Year ended 30 June 2013
Basic net asset value per share			
Total shareholders' funds	£236,979,000	£159,329,000	£193,484,000
Number of ordinary shares in issue at the period end (excluding shares held in treasury)	<u>69,554,370</u>	<u>66,554,584</u>	<u>66,665,988</u>
Net asset value per share	<u>340.71p</u>	<u>239.40p</u>	<u>290.23p</u>
Diluted net asset value per share			
Total shareholders' funds	£258,594,000	£183,005,000	£217,268,000
Number of ordinary shares in issue at the period end (excluding shares held in treasury)	<u>79,009,724</u>	<u>77,059,755</u>	<u>77,159,748</u>
Net asset value per share	<u>327.29p</u>	<u>237.48p</u>	<u>281.58p</u>

During the year the Company issued 1,850,000 new Ordinary shares for a consideration received of £5,642,000. In October 2013 £2,463,662 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 was converted into 1,038,382 new Ordinary shares.

Notes to the Financial Statements

As at 31 December 2013 there were 69,554,370 Ordinary shares in issue (31 December 2012 - 66,554,584 and 30 June 2013 - 66,665,988). Since 31 December 2013, the Company has issued 750,000 additional Ordinary shares.

The diluted net asset value per Ordinary share as at 31 December 2013 has been calculated on the assumption that £22,433,225 (31 December 2012 - £24,923,960 and 30 June 2013 - £24,896,887) 3.5% Convertible Unsecured Loan Stock 2018 are converted at 237.25p per share, giving a total of 79,009,724 (31 December 2012 - 77,059,755 and 30 June 2013 - 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 31 December 2013 the cum income (debt at fair value) NAV was 340.71p (30 June 2013 - 290.23p, 31 December 2012 - 239.40p) and thus the CULS 2018 were 'in the money'.

9. The financial information in this report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the year ended 30 June 2013 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

10. This Half-Yearly Report was approved by the Board on 27 February 2014.

How to Invest in Standard Life UK Smaller Companies Trust

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

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

Investment Trust Savings Scheme

Standard Life’s Savings Scheme is a straightforward way to invest in the Company. The minimum investment through Standard Life’s Savings Scheme is £100 per month or a £1,000 lump sum. 0.5% Government stamp duty, which is currently payable on all

share purchases, is deducted from each investment made. There is no maximum amount that can be invested in the Company through Standard Life’s Savings Scheme and there is no initial, exit or annual management charge.

Investment Trust ISA

Standard Life’s Stocks and Shares ISA is a tax efficient savings vehicle as investors pay no additional income tax or capital gains tax on any money generated by their investments. An ISA allows investors to maximise the amounts placed in stocks and shares. Investors will have the opportunity to invest in the Company’s ISA up to £11,520 in the tax year 2013/2014, which rises to £11,880 in the tax year 2014/2015. Like the Savings Scheme, the minimum investment in Standard Life’s ISA is a £1,000 lump sum or £100 per month. 0.5% Government stamp duty is deducted from each investment made, however, there is no initial, exit or annual management charge.

Investment Trust ISA Transfer

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

How to Invest in Standard Life UK Smaller Companies Trust

How to Invest

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

Risk Warnings - General

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

Company Information and Contact Details

Directors

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

Investment Manager

Standard Life Investments
(Corporate Funds) Limited
1 George Street
Edinburgh EH2 2LL
(Authorised and regulated by the
Financial Conduct Authority)
www.standardlifeinvestments.com/its

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

Registrars

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

Stockbrokers

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

Custodian

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

Investor Services and Savings Scheme and ISA Plan Administrator

Standard Life Savings Limited
PO Box 12116
Brentwood CM14 9NP
Telephone 0845 60 24 247
(Monday to Friday, 9am-5pm)
(Authorised and regulated by the
Financial Conduct Authority)

Registered Office
First Floor
Kintyre House
205 West George Street
Glasgow G2 2LW
Telephone 0141 306 7400

Managed by
Standard Life Investments Limited
1 George Street
Edinburgh EH2 2LL
Investor services: 0845 60 24 247
(Monday to Friday, 9am – 5pm)

(Authorised and regulated by the
Financial Conduct Authority)