Standard Life UK Smaller Companies Trust plc

Capturing the growth potential of UK smaller companies

Annual Report
30 June 2021

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If you have sold or otherwise transferred all your Ordinary shares in Standard Life UK Smaller Companies Trust plc, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Visit our Website

To find out more about Standard Life UK Smaller Companies Trust plc, please visit:
standardlifeuksmallercompaniestrust.co.uk

"For the year ended 30 June 2021, the Company's Net Asset Value ("NAV") total return was 41.9%. The share price total return was 46.9%. This compares to the total return of the Company's reference index, the Numis Smaller Companies plus AIM (ex investment companies) Index, of 52.3%."

Liz Airey,
Chairman

"A NAV total return of 41.9% would normally be considered an outstanding return figure. However, our smaller companies reference index did even better, delivering a total return of over 52%. This reflects the index's heavy weighting in higher risk value and recovery stocks. These are areas that traditionally perform less well over the economic cycle but come into their own in value recovery led markets which was the key feature of the mid-period of the financial year."

Harry Nimmo and Abby Glennie,
Aberdeen Standard Investments

Contents

Highlights and Financial Calendar

Net asset total return[AB]

+41.9%

2020 –0.5%

Share price total return[AB]

+46.9%

2020 –0.1%

Discount to net asset value[AB]

5.4%

2020 8.7%

Total dividends per share

7.70p

2020 7.70p

Revenue return per share

6.43p

2020 6.74p

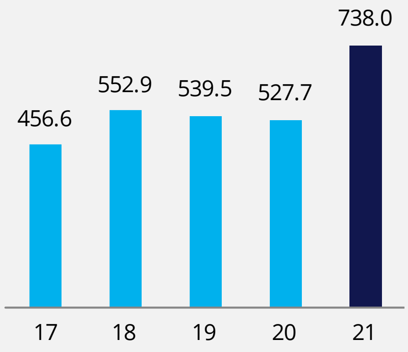
Ongoing charges ratio[ABC]

0.88%

2020 0.91%

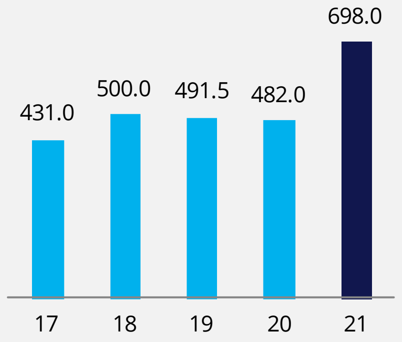
[A] Considered to be an Alternative Performance Measure. See pages 93 and 94 for more information.
[B] A Key Performance Indicator ("KPI"). See page 11 for more information on the Company's KPIs.
[C] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis. The figure for 30 June 2020 has been restated in accordance with this guidance.

Net asset value per share



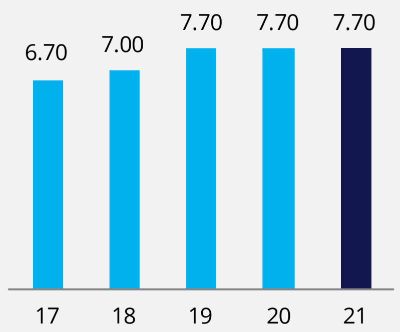
At 30 June – pence

Share price



At 30 June – pence

Dividends per share



Year ended 30 June – pence

"The Board is proposing a final dividend of 5.00p per share, which will make a total dividend payment for the year of 7.70p per share."

Liz Airey, Chairman

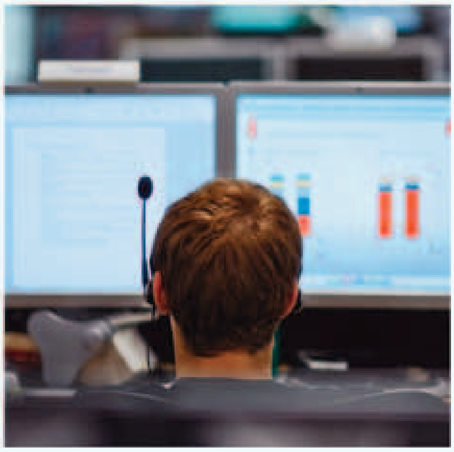
Financial Calendar

Online Shareholder Presentation	6 October 2021
Annual General Meeting	21 October 2021
Payment of final dividend for year ending 30 June 2021	29 October 2021
Investment Manager's Presentation (London)	25 November 2021
Half year end	31 December 2021
Expected announcement of results for the six months ending 31 December 2021	February 2022
Payment of interim dividend for year ending 30 June 2022	8 April 2022
Financial year end	30 June 2022
Expected announcement of results for year ending 30 June 2022	September 2022

Strategic Report

The Company is an investment trust with a premium listing on the London Stock Exchange.

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



Chairman's Statement

Performance

For the year ended 30 June 2021, the Company's Net Asset Value ("NAV") total return, calculated on the basis that all dividends received are reinvested in additional shares, was 41.9%. The share price total return, calculated on the same basis, was 46.9%. In contrast, the total return of the Company's reference index, the Numis Smaller Companies plus AIM (ex investment companies) Index, was higher at 52.3%.

> Consistent with a recovery market, the absolute value of shareholders' investments increased substantially - by over 40% during the year.

Underperformance in any period is obviously disappointing, but not totally surprising this year given the specific market circumstances. The Investment Manager has stressed to shareholders on a number of occasions that the investment process is designed to deliver outperformance over the economic cycle but, within that cycle, typically underperforms in the early stages of a market recovery, as we saw in the immediate aftermath of the announcements of the Covid-19 vaccine approvals last November. However, consistent with a recovery market, the absolute value of shareholders' investments increased substantially - by over 40% during the year. We should also note that these market conditions do not typically persist for long periods and the Company has outperformed the reference index over 2, 3, 5 and 10 years.

Earnings and Dividends

The revenue return per share for the year ended 30 June 2021 was 6.43p (2020: 6.74p). The net decline of 4.6% on top of the 23.4% decline in 2020 is not unexpected given the timing of dividend payments by investee companies and the fact that the 2020 financial year end occurred a little over three months after the Covid crisis broke. Dividend income in the second half of this financial year is 37% higher than in 2020 indicating an improving revenue account, albeit income is still significantly below the level received in the second half of 2019.

The reduced level of income generated by the portfolio compared to the amounts delivered prior to 2020 is a key consideration for the Board when determining the level of the final dividend to be paid this year. The Board has carefully reviewed the rate at which the Investment Manager expects earnings to recover to pre-pandemic levels and how this should affect the final dividend for the year. The conclusion reached was that earnings are expected to recover, albeit slowly, and in the meantime revenue reserves should be used to fill in the shortfall between a dividend maintained at the level paid in 2020 and the earnings in the current year. The ability to use revenue reserves in this way is one of the advantages of the investment trust structure.

The Board is therefore proposing a final dividend of 5.00p per share, which will make a total dividend payment for the year of 7.70p per share, the same level as in 2019 and 2020. This will require that £1.2 million, or 1.21p per share, is drawn from revenue reserves. Subject to approval by shareholders at the Annual General Meeting to be held on 21 October 2021, the final dividend will be paid on 29 October 2021 to shareholders on the register on 8 October 2021 with an associated ex-dividend date of 7 October 2021.

Ongoing Charges

The ongoing charges ratio ("OCR") for the year ended 30 June 2021 was 0.88% (2020: 0.91% *(restated, see foot note to Financial Highlights on page 2)*). The largest element of the ongoing charges is the management fee, which is closely correlated with the value of the investment portfolio.

Discount Control and Buy Backs

At the year end the discount of the share price to the cum-income NAV per share was 5.4% (2020: 8.7%).

Over the year, the Company bought back 1,382,632 shares, equating to 1.4% of the Company's issued share capital, at a total cost of £8.4 million and a weighted average price of 603.5p per share. The weighted average discount was 6.1%. The Board calculates that this added 0.5p per share to the NAV for remaining shareholders.

Share buy-backs will only be made when the Board believes it to be in the best interests of shareholders and the making and timing of share buy-backs will be at the absolute discretion of the Board. Full details of the Board's Discount Control Policy can be found on page 15 and a five year chart of the movement in the discount compared to the peer group and the discount control mechanism threshold can be found on page 21. The average discount for the year as a whole was 5.6%.

Gearing

The Board has given the Investment Manager discretion to vary the level of gearing between 5% net cash and 25% net gearing (at the time of drawdown). During the year, the revolving credit facility was extended by a further £20 million to £40 million. At the same time, with LIBOR being discontinued, the basis of the interest rate charged on the facility has been changed and it is now priced off SONIA. At the year end, both the revolving credit facility and the £25 million of fixed-rate borrowing were fully drawn. The gross level of borrowings was offset by cash and cash equivalents of £23.2 million resulting in net gearing of 5.7% (2020: net cash of 0.3%).

Change of Name

Shareholders may be aware that the Company's Manager has sold the name "Standard Life" to The Phoenix Group and has changed its name to abrdn plc. The Board has discussed the impact of this on the name of the Company and considers that having the name of another financial services group incorporated into the name of the Company is likely to be confusing to current and prospective shareholders.

The Board is therefore proposing that the name of the Company be changed to "**abrdn UK Smaller Companies Growth Trust plc**".

In considering the name change, the Board gave thought not only to the change of name of the Manager but also the need to differentiate the Company's name sufficiently from other investment trusts managed by the abrdn Group. The Board is of the view that this is achieved by adding the word "Growth" to the Company's name and that the new name is a better reflection of the overall objective of the Company.

Under the terms of the Company's Articles of Association, the change of name needs to be approved by shareholders and the special resolution to do so is included in the Notice of AGM. If approved, the change of the Company's name will be effected as soon as possible after the AGM, its identifier will become AUSC and its website address will become:
www.abrdnuksmallercompaniesgrowthtrust.co.uk

AGM, Online Shareholder Presentation and Investment Manager's Presentation

AGM

The Company's Annual General Meeting ("AGM") will take place at 12 noon on Thursday 21 October 2021 at 6 St Andrew Square, Edinburgh EH2 2AH.

Although there is the possibility of some further easing of Covid-19 Government guidelines before the date of the AGM, consideration still needs to be given at this time to public safety, given that we believe that some social distancing measures may continue to be in place. With this in mind, we intend to again hold a functional meeting, as we did last year, to consider only the formal business of the meeting. Arrangements will therefore be made by the Company to ensure that the minimum number of shareholders required to form a quorum are in attendance at the meeting, in order that the meeting may proceed and the business of the meeting be concluded. There will be no formal presentation from the Investment Manager at this meeting and no refreshments will be offered but we would greatly appreciate your proxy voting support for all the resolutions proposed at the meeting.

Online Shareholder Presentation

In order to encourage as much interaction as possible with our shareholders, we will be hosting an Online Shareholder Presentation, which will be held at 10.00am on Wednesday 6 October 2021. At this event you will receive a presentation from the Investment Manager and have the opportunity to ask live questions of the Chairman, Senior Independent Director and the Investment Manager. The online presentation is being held ahead of the AGM to allow shareholders to submit their proxy votes prior to the meeting. Full details on how to register for the online event can be found at:
workcast.com/register?cpak=3354994554753360

Details are also contained on the Company's website.

> We will be hosting an Online Shareholder Presentation at 10.00am on Wednesday 6 October 2021. There will a separate Investment Manager's Presentation in London on 25 November 2021.

You will be able to submit questions in advance of the Online Shareholder Presentation and the AGM at the following email address: **standardlife.smaller@aberdeenstandard.com**.

Should you be unable to attend the online event, the Investment Manager's presentation will be made available on the Company's website shortly after the presentation. The Company's AGM results will also be published on the website.

Chairman's Statement Continued

In the meantime, the Board strongly encourages all shareholders to exercise their votes in respect of the AGM in advance of the meeting, and to appoint the Chairman of the meeting as their proxy, by completing the enclosed form of proxy, or letter of direction for those who hold shares through the Aberdeen Standard Investments savings plans. This should ensure that your votes are registered.

Investment Manager's Presentation
In order to give shareholders an opportunity to meet the Board and the Investment Manager, the Board will hold an investor presentation in the Manager's office, Bow Bells House, 1 Bread Street, London EC4M 9HH at 12 noon on Thursday 25 November 2021 which will be followed by lunch. Invitations are included with the Annual Report and a copy can be downloaded from the Company's website. Because of Covid-19 restrictions, shareholders will only be permitted to attend the event if a request to do so has been returned and acknowledged by the Manager who will be co-ordinating the event.

As with the AGM, Covid-19 restrictions may place restrictions on our ability to hold the presentation, or limit the number of shareholders who can attend. If this turns out to be the case, we will make an announcement on the Company's website and communicate as appropriate with those shareholders who have submitted a request to attend.

Outlook

We are frequently being reminded that "past performance is no guide to the future", but the results of the last 12 months, being characterised by strong absolute performance and weak relative performance, are typical of what the investment process operated by the Investment Manager has delivered in similar market conditions over the last 20 years. Specifically, the process has not normally delivered relative outperformance in the early stages of a recovery. However, as the initial euphoria wanes and investors refocus on fundamentals, the inherent quality of the companies in which the portfolio is invested starts to come back to the fore and is reflected in improved valuations. We have seen evidence of this in the past few months, with the relative outperformance in April and June 2021 being higher than any monthly return since late 2015. The Board supports the Investment Manager's belief that consistency of investment approach is more important to investors than attempting to adjust the investment process to reflect what are expected to be short-term market dynamics.

Over the past 18 months we have been faced with very considerable near-term uncertainties resulting initially from Brexit, then from Covid. We can now hope for a gradual return to something that resembles pre-Covid normality, leading to improved prospects and greater visibility of outlook for investee companies. However, we are now in a period where the uncertainty lies more in the longer-term combined consequences of these events. We must be mindful that they have brought significant - and ongoing - changes in the underlying operating and economic environment for our investee companies which bring both increased opportunity and risk. All of this reinforces the message that investors need to see an investment in the Company as a long-term decision.

One particular aspect that has changed over the past 18 months is that many companies have taken the opportunity to revise their dividend policy. The result of this is that the Company's revenues have been significantly reduced and at present the Board does not expect that the current level of dividend will be covered by earnings in the coming year. Although the Board does not expect that many shareholders own shares because of the dividend that the Company pays, it recognises that it is a component of the total return delivered to shareholders. The Board remains keen not to cut the dividend and intends to use revenue reserves to fill the shortfall for the time being whilst we monitor progress in our return towards a fully covered dividend, potentially in 2023 or 2024.

Liz Airey
Chairman
6 September 2021

Overview of Strategy

Business

The Company is an investment trust with a premium listing on the London Stock Exchange.

Investment Objective

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

Investment Policy

The Company intends to achieve its investment objective by investing in a diversified portfolio consisting mainly of UK-quoted smaller companies. The portfolio will normally comprise around 50 individual holdings representing the Investment Manager's highest conviction investment ideas. In order to reduce risk in the Company without compromising flexibility, no holding within the portfolio should exceed 5% of total assets at the time of acquisition.

The Company may use derivatives for portfolio hedging purposes (i.e. only for the purpose of reducing, transferring or eliminating the investment risks in its investments in order to protect the Company's portfolio).

Within the Company's Articles of Association, the maximum level of gearing is 100% of net assets. The Directors have set parameters of between 5% net cash and 25% net gearing (at the time of drawdown) for the level of gearing that can be employed in normal market conditions. The Directors have delegated responsibility to the Investment Manager for the operation of the gearing level within the above parameters.

Board Investment Limits

The Directors have set additional guidelines in order to reduce the risk borne by the portfolio:

- Companies with a market capitalisation of below £50 million should not represent more than 5% of total assets.
- Companies involved in "Blue Sky" products should not represent more than 5% of total assets.
- No more than 50% of the portfolio should be invested in companies that are constituents of the FTSE AIM All-Share Index.

Investment Process

The Investment Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management, and dealing. The investment process has evolved out of the Investment Manager's 'Focus on Change' philosophy and is led by Quality, Growth and Momentum. The Investment Manager's stock selection led investment process involves compiling a shortlist of potential investments using a proprietary screening tool known as "The Matrix" which reflects Quality, Growth and Momentum based factor analysis. The final portfolio is research intensive and includes face to face meetings with senior management of these potential investments. This disciplined process has been employed for many years and has delivered a consistency of performance through economic and market cycles.

Further information on the investment process is contained on pages 28 and 29.

Reference Index

The Company's reference index is the Numis Smaller Companies plus AIM (ex investment companies) Index.

Delivering the Investment Objective

The Directors are responsible for determining the Company's investment objective and investment policy. Day-to-day management of the Company's assets has been delegated, via the Alternative Investment Fund Manager (the "AIFM"), to the Investment Manager.

Promoting the Success of the Company

The Board's statement on pages 16 to 18 describes how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 and how they have promoted the success of the Company.

Overview of Strategy Continued

The Board believes that the success of the Company is best served through the measurement of Key Performance Indicators ("KPIs"), details of which are included below.

Key Performance Indicators ("KPIs")

The Board assesses the performance of the Company against the range of KPIs shown below over a variety of timeframes, but has particular focus on the long term, which the Board considers to be at least five years.

KPI	Description
Net asset value ("NAV") total return performance	The Board measures the Company's NAV total return performance against the total return of the reference index (the Numis Smaller Companies plus AIM (ex investment companies) Index) and its peer group of investment trusts. The figures for this year and for the past three, five and ten years are shown in the table on page 20. The NAV total return has outperformed the reference index and peer group weighted average over three, five and ten years.
Share price total return performance	The Board measures the Company's share price total return performance against the total return of the reference index and its peer group of investment trusts. The figures for this year and for the past three, five and ten years are shown in the table on page 20. The share price total return has outperformed the reference index and peer group weighted average over three and five years.
Discount/premium to NAV	The Board compares the discount or premium of the Ordinary share price to the NAV per share to the discount of the peer group and also to the threshold of the Company's discount target on a rolling 12 month basis. A summary of the discount for the past ten years is included in the table in page 22. A chart showing the discount over five years for the Company and the peer group, measured against the discount target level, is shown in page 21. The average discount for the year as a whole was 5.6%.
Ongoing charges	The Board monitors the Company's ongoing charges ratio against prior years and other similar sized companies in the peer group. A summary of the ongoing charges ratio ("OCR") for the past ten years is included in the table in page 22. The OCR for the year ended 30 June 2021 was 0.88%, including look-through costs. This compares to the range of the most recently reported full year OCRs, including performance fees, for comparable investment trusts in the UK smaller companies sector of between 0.79% and 1.60%.

Principal Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also considers emerging risks which might affect the Company. During the year, the most significant risk was the continuing effect of the Covid-19 virus which, in addition to the dramatic impact on public health, created significant economic uncertainty and volatility in global stock markets.

There are a number of other risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has carried out a robust assessment of the Company's principal and emerging risks, which include those that would threaten its business model, future performance, solvency, liquidity or reputation.

The principal risks and uncertainties faced by the Company are reviewed by the Audit Committee in the form of a risk matrix and the Committee also gives consideration to the emerging risks facing the Company.

The principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below.

In terms of its appetite for risk, the Board has identified what it considers to be the key risks to which the Company is exposed and seeks to take a proportionate approach to the control of these risks. In particular, by considering the likelihood and impact of a specific risk, if the potential exposure is rated as Critical or Significant, the Board ensures that significant mitigation is in place to reduce the likelihood of occurrence whilst recognising that this may not be possible in all cases.

The principal risks associated with an investment in the Company's shares are published monthly in the Company's factsheet and they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are available on the Company's website.

Risk	Mitigating Action
Strategy - the Company's objectives or the investment trust sector as a whole become unattractive to investors, leading to a fall in demand for the Company's shares.	Through regular updates from the Manager, the Board monitors the discount/premium at which the Company's shares trade relative to the NAV. It also holds an annual strategy meeting and receives feedback from the Company's stockbroker and shareholders and updates from the Manager's investor relations team at Board meetings.
Investment performance - the appointment or continuing appointment of an investment manager with inadequate resources, skills or experience, or the adoption of inappropriate strategies in pursuit of the Company's objectives could result in poor investment performance, a loss of value for shareholders and a widening discount.	The Board meets the Manager on a regular basis and keeps investment performance under close review. Representatives of the Investment Manager attend all Board meetings and a detailed formal appraisal of the Manager is carried out by the Management Engagement Committee on an annual basis. The Board sets and monitors the investment restrictions and guidelines and receives regular reports which include performance reporting on the implementation of the investment policy, the investment process, ESG matters, risk management and application of the investment guidelines.
Key person risk - a change in the key personnel involved in the investment management of the portfolio could impact on future investment performance and lead to loss of investor confidence.	The Board discusses key person risk and succession planning with the Manager and Investment Manager on a regular basis. The Investment Manager employs a standardised investment process for the management of the portfolio. The well-resourced smaller companies team has grown in size over a number of years. These factors mitigate against the impact of the departure of any one member of the investment team. Biographies of the team members involved with the management of the Company's portfolio are included on page 96.

Overview of Strategy Continued

Risk	Mitigating Action
Share price - failure to manage the discount effectively or an inappropriate marketing strategy could lead to a fall in the share price relative to the NAV per share.	The Company operates a discount control mechanism and aims to maintain a discount level of less than 8% to the cum-income NAV under normal market conditions. Details of the discount control mechanism are contained on page 15. The Directors undertake a programme of inviting major shareholders to discuss issues of governance or strategy with the Chairman or Senior Independent Director. In addition, the Company participates in the Manager's investment trust promotional programme where the Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.
Financial instruments - insufficient oversight or controls over financial risks, including market price risk, liquidity risk and credit risk could result in losses to the Company.	As stated above, the Board sets investment guidelines and restrictions which are reviewed regularly and the Manager reports on compliance with them at Board meetings. Further details of the Company's financial instruments and risk management are included in note 17 to the financial statements.
Financial obligations - inadequate controls over financial record keeping and forecasting, the setting of an inappropriate gearing strategy or the breaching of loan covenants could result in the Company being unable to meet its financial obligations, losses to the Company and its ability to continue trading as a going concern.	At each Board meeting, the Board reviews management accounts and receives a report from the Depositary detailing any breaches during the period under review. The Board sets gearing limits and monitors the level of gearing and compliance with the main financial covenants at Board meetings. The Company's annual financial statements are audited by the Independent Auditor. The Audit Committee meets a representative from the Manager's Internal Audit team on at least an annual basis and discusses any findings and recommendations relevant to the Company.
Regulatory - failure to comply with relevant laws and regulations could result in fines, loss of reputation and potential loss of investment trust status.	The Board receives updates on relevant changes in regulation from the Manager, industry bodies and external advisers and the Board and Audit Committee monitor compliance with regulations by review of checklists and internal control reports from the Manager. Directors are encouraged to attend relevant external training courses.

Risk	Mitigating Action
Operational - the Company is dependent on third parties for the provision of all systems and services (in particular those of the Manager and the Depositary) and any control failures and gaps in their systems and services could result in a loss or damage to the Company.	The Audit Committee reviews reports from the Manager on its internal controls and risk management (including an annual ISAE Report) and considers assurances from all its other significant service providers on at least an annual basis, including on matters relating to business continuity and cyber security. The Audit Committee meets a representative from the Manager's Internal Audit team on at least an annual basis and discusses any findings and recommendations relevant to the Company. Written agreements are in place with all third party service providers. The Manager monitors closely the control environments and quality of services provided by third parties, including those of the Depositary, through service level agreements, regular meetings and key performance indicators. A formal appraisal of the Company's main third party service providers is carried out by the Management Engagement Committee on an annual basis. The operational requirements of the Company have been subject to rigorous testing during the Covid-19 pandemic, including increased use of online communication and out of office working and reporting.
Covid-19 and Brexit - the effects of instability or change arising from these risks could have an adverse impact on stock markets, the value of the investment portfolio and operational aspects relating to the Company.	The Board discusses current issues with the Manager and the steps that the Manager is taking to limit the impact on the Company's portfolio. The Investment Manager's focus on quality companies, the diversified nature of the portfolio and a managed level of gearing all serve to provide a degree of protection in times of market volatility. In relation to the Covid-19 pandemic, the Board considers that this is a risk that could have further implications for global financial markets, economies and on the operating environment of the Company, the impact of which is difficult to predict at the current juncture. Since the outbreak of the virus in 2020, the Board has been liaising closely with the Manager to seek assurances that the operations of the Manager and those of other third party service providers are operating effectively.

Overview of Strategy Continued

Promotional Activities
The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the rating of the Company's shares. The Board believes one effective way to achieve this is through subscription to, and participation in, the promotional programme run by Aberdeen Standard Investments on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by Aberdeen Standard Investments. The Company also supports Aberdeen Standard Investments' investor relations programme which involves regional roadshows, promotional and public relations campaigns. During the Covid-19 pandemic, a number of events that are usually held physically have been substituted with virtual events. Aberdeen Standard Investments' promotional and investor relations teams report to the Board on a quarterly basis giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make-up of that register.

The purpose of the promotional and investor relations programmes is both to communicate effectively with existing shareholders and to gain new shareholders, with the aim of improving liquidity and enhancing the value and rating of the Company's shares. Communicating the long-term attractions of the Company is key. The promotional programme includes commissioning independent paid for research on the Company, most recently from Edison Investment Research Limited. A copy of the latest research note is available from the Latest News section of the Company's website.

Board Diversity Policy
The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits and is supportive of, and will give due regard to, the principle of diversity in its recruitment of new Board members. In all cases, the Board will ensure that appointments are made on the basis of merit against the specification prepared for each appointment and the Board does not therefore consider it appropriate to set measurable objectives in relation to its diversity.

At 30 June 2021, there were two male and three female Directors on the Board.

Environmental, Social and Human Rights Issues
The Company has no employees as the Board has delegated the day to day management and administrative functions to the Manager. There are therefore no disclosures to be made in respect of employees.

Modern Slavery Act
Due to the nature of its business, being a company that does not offer goods and services to customers, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Environmental, Social and Governance ("ESG") Matters
The Investment Manager's approach to ESG matters is included on pages 30 to 35.

The UK Stewardship Code and Proxy Voting
The Company supports the UK Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. abrdn plc is a tier 1 signatory of the UK Stewardship Code which aims to enhance the quality of engagement by investors with investee companies in order to improve their socially responsible performance and the long term investment return to shareholders. While delivery of stewardship activities has been delegated to the Manager, the Board acknowledges its role in setting the tone for the effective delivery of stewardship on the Company's behalf.

The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.

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

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Discount Control Policy

The Board operates a discount control mechanism which targets a maximum discount of the share price to the cum-income net asset value of 8% under normal market conditions. In pursuit of this objective, the Board closely monitors the level of the discount and buys back shares in the market when it believes it is in the best interests of shareholders as a whole to do so. At each Annual General Meeting, the Board seeks shareholder approval to buy back up to 14.99% of the Company's share capital. Share buy-backs will only be made where the Board believes it to be in the best interests of shareholders as a whole and the making and timing of share buy-backs will be at the discretion of the Board.

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

Viability Statement

The Board considers that the Company, which does not have a fixed life, is a long term investment vehicle and, for the purposes of this statement, has decided that five years is an appropriate period over which to consider its viability. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than five years.

Taking into account the Company's current financial position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this Report.

In assessing the viability of the Company over the review period, the Directors have focused upon the following factors:

- The principal risks and uncertainties detailed on pages 11 to 13 and the steps taken to mitigate these risks.
- The Company is invested in readily-realisable listed securities in normal market conditions and there is a spread of investments held.
- The Company is closed ended in nature and therefore it is not required to sell investments when shareholders wish to sell their shares.
- The Company's long term performance record as shown on page 20.
- The Company's level of gearing. The Company had net gearing of 5.7% as at 30 June 2021. The Company has a £65 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. The Board has set overall limits for borrowing and reviews regularly the Company's level of gearing, cash flow projections and compliance with banking covenants. The Board has also performed stress testing and liquidity analysis.
- The Company typically has cash balances which, including money market funds, at 30 June 2021 amounted to £22.7 million. These balances allow the Company to meet liabilities as they fall due.
- The level of ongoing charges.
- There are no capital commitments currently foreseen that would alter the Board's view.
- Current market conditions caused by the global spread of the Covid-19 virus. In particular, the Board has considered the operational ability of the Company to continue in the current environment, which has been impacted by the Covid-19 pandemic and the ability of the key third-party suppliers to continue to provide essential services to the Company.

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

In making its assessment, the Board is also aware that there are other matters that could have an impact on the Company's prospects or viability in the future, including a greater than anticipated economic impact of the spread of the Covid-19 virus, economic shocks or significant stock market volatility caused by other factors, and changes in regulation or investor sentiment.

Future Strategy

The Board intends to maintain the strategic direction set out in the Strategic Report for the year ending 30 June 2022 as it is believed that these are in the best interests of shareholders.

On behalf of the Board
Liz Airey
Chairman
6 September 2021

Promoting the Success of the Company

Introduction

Section 172 (1) of the Companies Act 2006 (the "Act") requires each Director to act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year under that provision of the Act (the "Section 172 Statement"). This statement provides an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

The Purpose of the Company and Role of the Board

The purpose of the Company is to act as an investment vehicle to provide, over time, financial returns (both income and capital) to its shareholders. Investment trusts, such as the Company, are long-term investment vehicles and are typically externally managed, have no employees, and are overseen by an independent non-executive board of directors.

The Board, which at the end of the year, comprised five independent non-executive Directors with a broad range of skills and experience across all major functions that affect the Company, retains responsibility for taking all decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's service providers.

The Board's philosophy is that the Company should operate in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board reviews the culture and manner in which the Manager and Investment Manager operate at its meetings and receives regular reporting and feedback from the other key service providers. The Board is very conscious of the ways it promotes the Company's culture and ensures as part of its regular oversight that the integrity of the Company's affairs is foremost in the way that the activities are managed and promoted. The Board works very closely with the Manager and Investment Manager in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how the affairs are conducted.

The Company's main stakeholders have been identified as its shareholders, the Manager (and Investment Manager), service providers, investee companies, debt providers and, more broadly, the environment and community at large.

How the Board Engages with Stakeholders

The Board considers its stakeholders at Board meetings and receives feedback on the Manager's interactions with them.

Stakeholder	How We Engage
Shareholders	Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholders' views and aims to act fairly to all shareholders. The Manager and Company's stockbroker regularly meet with current and prospective shareholders to discuss performance and shareholder feedback is discussed by the Directors at Board meetings. In addition, Directors meet shareholders at the Annual General Meeting and the Chairman offers to meet with the Company's larger shareholders to discuss their views. The Company subscribes to Aberdeen Standard Investments' investor relations programme in order to maintain communication channels with the Company's shareholder base. Regular updates are provided to shareholders through the Annual Report, Half Yearly Report, monthly factsheets, Company announcements, including daily net asset value announcements, and the Company's website. The Company's Annual General Meeting provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager. Typically, the Board encourages as many shareholders as possible to attend the Company's Annual General and to provide feedback on the Company (but see comments in the Chairman's Statement on pages 7 and 8 regarding arrangements for the Annual General Meeting this year and the separate Online Shareholder Presentation and Investment Manager's Presentation events).

Stakeholder	How We Engage
Manager (and Investment Manager)	The Investment Manager's Review on pages 23 to 27 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with oversight provided by the Board. The Board regularly reviews the Company's performance against its investment objective and the Board undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its stakeholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy. The Board, through the Management Engagement Committee, formally reviews the performance of the Manager at least annually. More details are provided on page 55.
Service Providers	The Board seeks to maintain constructive relationships with the Company's service suppliers and the regulator either directly or through the Manager with regular communications and meetings. The Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations, carrying out their responsibilities and providing value for money.
Investee Companies	Responsibility for monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues. Through engagement and exercising voting rights, the Investment Manager actively works with companies to improve corporate standards, transparency and accountability. Further details are provided on page 14. The Board monitors investments made and divested and questions the rationale for investment and voting decisions made.
Debt Providers	On behalf of the Company, the Manager maintains a positive working relationship with The Royal Bank of Scotland International Limited ("RBSI"), the provider of the Company's loan facility, and provides regular updates on business activity and compliance with its loan covenants.
Environment and Community	The Board and Manager are committed to investing in a responsible manner and the Investment Manager embeds Environmental, Social and Governance ("ESG") considerations into its research and analysis as part of the investment decision-making process. Further details are provided on pages 30 to 35.

Promoting the Success of the Company Continued

Specific Examples of Stakeholder Consideration During the Year

While the importance of giving due consideration to the Company's stakeholders is not a new requirement, and is considered during every significant Board decision, the Directors were particularly mindful of stakeholder considerations during the following decisions undertaken during the year ended 30 June 2021. Each of these decisions was made after taking into account the short and long term benefits for stakeholders.

Portfolio

The Investment Manager's Review on pages 23 to 27 details the key investment decisions taken during the year. The overall shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objective and is reviewed at every Board meeting. Accordingly, at each Board meeting the Directors discuss performance in detail with the Investment Manager. In addition, during the year, the Board considered in detail how the Investment Manager incorporates ESG issues into its research and analysis work that forms part of the investment decision process.

As explained in more detail on page 55, during the year, the Management Engagement Committee decided that the continuing appointment of the Manager was in the best interests of shareholders.

Operational Systems & Covid-19

The Company is dependent on third parties for the provision of all systems and services (in particular, those of the abrdn Group) and any control failures and gaps in their systems and services could result in fraudulent activities or a loss or damage to the Company. Since the outbreak of the Covid-19 virus in 2020, with many people working from home, the Board has been liaising closely with the Manager to receive assurances (including the receipt of internal control reports) that the operations of the Manager and those of other third party service providers are operating effectively.

Dividends

The Board is recommending payment of a final dividend for the year of 5.00p per Ordinary share. Following payment of the final dividend, total dividends for the year will amount to 7.70p per Ordinary share, unchanged from the previous year.

Share Buy Backs

In accordance with the discount control policy included on page 15, during the year the Company bought back 1,382,632 Ordinary shares to be held in treasury, providing a small accretion to the NAV per share and a degree of liquidity to the market at times when the discount to the NAV per share has widened in normal market conditions. It is the view of the Board that this policy is in the interest of all shareholders.

Bank Borrowings

During the year, the Board approved an amendment to the Company's loan agreement with RBSI to provide it with an additional £20 million revolving credit facility ("RCF"). Following this amendment, the Company's borrowing facilities amount to £65 million in aggregate, comprising a £25 million fixed-rate loan, at an interest rate 2.349%, and a £40 million RCF. The entire facility is due to mature on 31 October 2022. The Board believes that the modest use of gearing by the Company is of long term benefit to shareholders.

Online Shareholder Presentation and Investment Manager's Presentation

As explained in more detail in the Chairman's Statement on pages 7 and 8, given the risks posed by the spread of the Covid-19 virus, the Annual General Meeting on 21 October 2021 is anticipated to be a functional-only meeting. Therefore, to encourage and promote interaction and engagement with the Company's shareholders, the Board has decided to hold an interactive Online Shareholder Presentation which will be held at 10.00am on 6 October 2021. At the presentation, shareholders will receive updates from the Chairman and Investment Manager and there will be the opportunity for an interactive question and answer session. The online presentation is being held ahead of the AGM so as to allow shareholders to submit their proxy votes prior to the meeting.

In order to give shareholders an opportunity to meet the Board and the Investment Manager, the Board will also hold an investor presentation in the Manager's office in London at 12 noon on Thursday 25 November 2021. Invitations are included with the Annual Report and a copy can be downloaded from the Company's website.

The Board places a great deal of importance on communications with shareholders and believes that these events will provide good opportunities for it to receive feedback from shareholders and provide responses to questions raised.

On behalf of the Board
Liz Airey
Chairman
6 September 2021

Results

	30 June 2021	30 June 2020	% change
Capital return			
Total assets (as defined on page 101)	£793.2m	£553.0m	43.4%
Equity shareholders' funds	£728.2m	£528.1m	37.9%
Market capitalisation[A]	£688.8m	£482.3m	42.8%
Net asset value per share (as defined on page 101)	737.97p	527.73p	39.8%
Share price	698.00p	482.00p	44.8%
Discount to NAV[B]	5.4%	8.7%	
Net gearing/(cash)[B]	5.7%	(0.3)%	
Reference index	6,977.10	4,653.87	49.9%
Dividends and earnings			
Revenue return per share[C]	6.43p	6.74p	(4.6%)
Total dividends per share[D]	7.70p	7.70p	–
Operating costs			
Ongoing charges ratio[BE]	0.88%	0.91%	

[A] Represents the number of Ordinary shares in issue in the Company multiplied by the Company's share price.
[B] Considered to be an Alternative Performance Measure, as defined on pages 93 and 94.
[C] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).
[D] The figures for dividend per share reflect the years in which they were earned (see note 7 on page 83).
[E] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis. The figure for 30 June 2020 has been restated in accordance with this guidance.

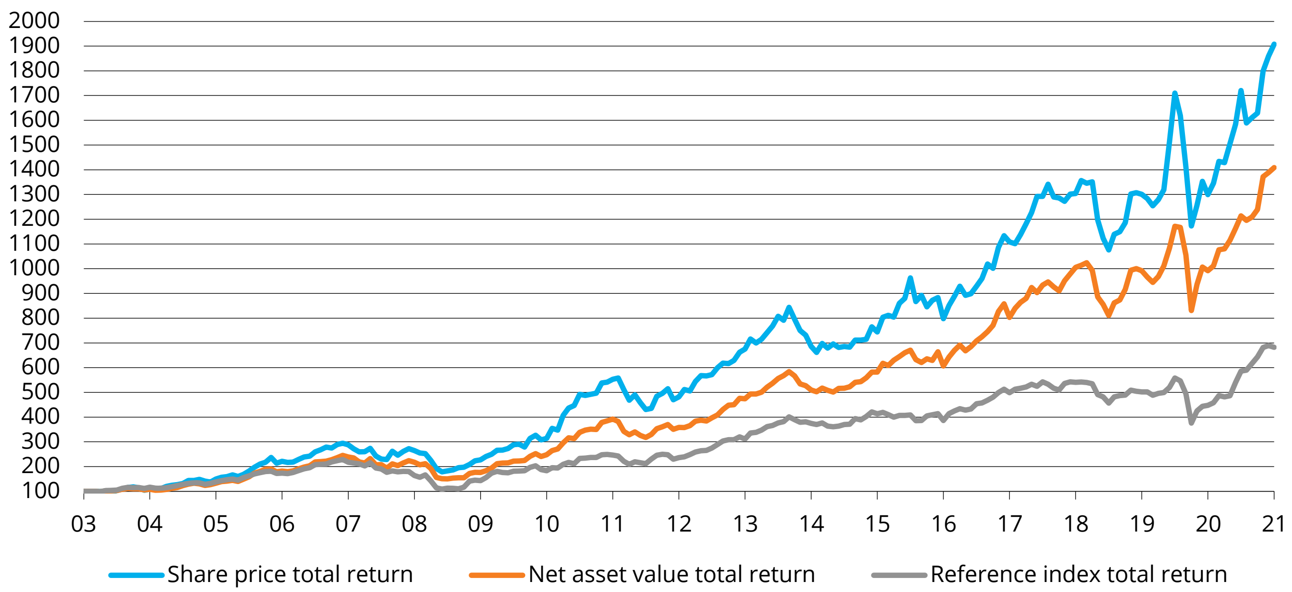
Performance

Performance (Total Return)

	1 year return %	3 years return %	5 years return %	10 years return %
Net asset value[AB]	+41.9	+39.8	+130.0	+255.8
Share price[B]	+46.9	+46.3	+139.2	+245.3
Reference Index	+52.3	+26.1	+76.6	+176.9
Peer Group weighted average (NAV)	+58.3	+30.8	+102.6	+224.2
Peer Group weighted average (share price)	+64.0	+35.0	+127.3	+262.4

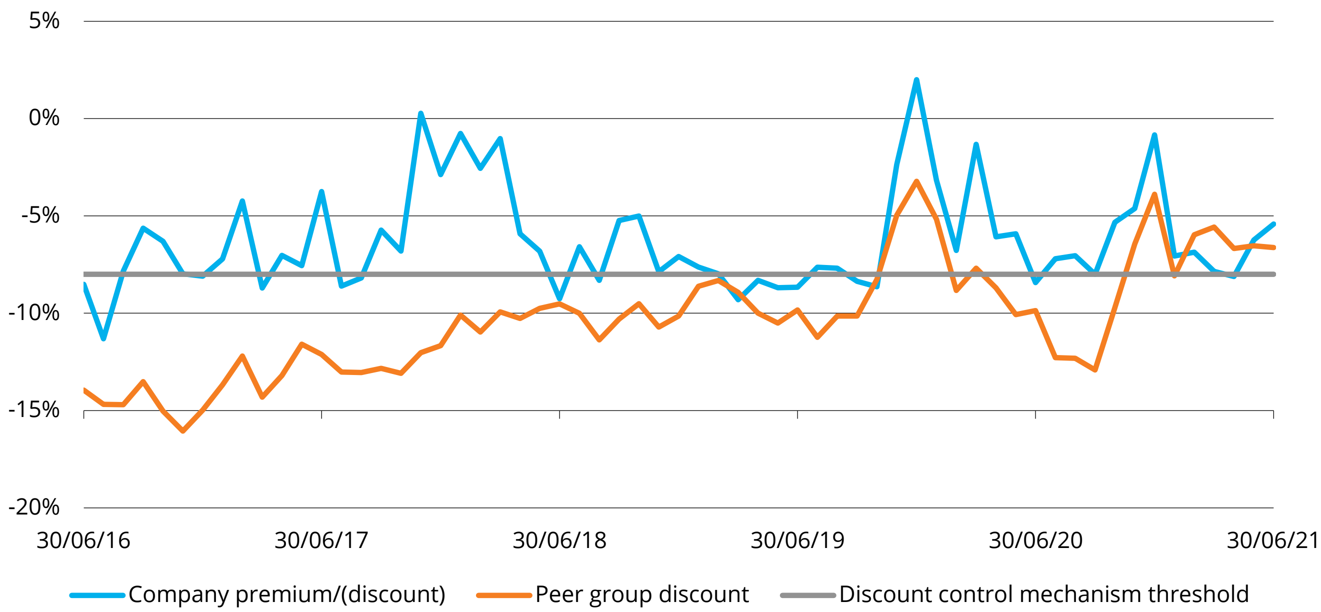
[A] Cum-income NAV with debt at fair value.
[B] Considered to be an Alternative Performance Measure (see page 94)
Source: Thomson Reuters Datastream

Long Term Total return of NAV v Share Price v Reference Index (rebased to 100 at 31 August 2003)



Source: Thomson Reuters Datastream

Premium/(discount) of Share Price to NAV v Peer Group
Five years ended 30 June 2021



Source: Thomson Reuters Datastream

Performance Continued

Ten Year Financial Record

Year to 30 June	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Per Ordinary share (p)										
Net revenue return	3.50	4.58	5.05	6.76	6.76	6.42	7.24	8.80	6.74	6.43
Ordinary dividends paid/proposed	3.10	4.05	4.50	5.80	6.60	6.70	7.00	7.70	7.70	7.70
Net asset value[A]	215.61	281.58	298.92	336.89	345.43	456.60	552.93	539.54	527.73	737.97
Share price	203.00	280.50	281.25	300.00	316.00	431.00	500.00	491.50	482.00	698.00
Discount(%)[A]	5.8	0.4	5.9	10.9	8.5	5.6	9.6	8.9	8.7	5.4
Ongoing charges ratio (%)[B]	0.96	1.28	1.19	1.19	1.13	1.08	1.04	0.90	0.91	0.88
Gearing ratio (%)[C]	5.8	8.8	(4.6)	4.1	3.6	1.7	3.6	1.5	(0.3)	5.7
Shareholders' funds (£m)[D]	140	193	219	243	241	324	408	543	528	728
Revenue reserves (£m)[E]	2.80	3.69	4.34	5.83	6.50	6.26	8.30	10.87	8.80	7.53

[A] Calculated with debt at par value and diluted for the effect of Convertible Unsecured Loan Stock conversion from 31 March 2011 until 30 June 2017. From 30 June 2018, net asset value is calculated with debt at par value.
[B] Calculated as an average of shareholders' funds throughout the year and in accordance with updated AIC guidance issued in October 2020, to include the Company's share of costs of holdings in investment companies on a look-through basis. The figure for 30 June 2020 has been restated in accordance with this guidance.
[C] Net gearing ratio calculated as debt less cash invested in AAA-rated money market funds and short-term deposits divided by net assets at the year end.
[D] Increase in 2018 included the effect of the merger with Dunedin Smaller Companies Investment Trust PLC.
[E] Revenue reserves are reported prior to paying the final dividend for the year.

Investment Manager's Review

Harry Nimmo and Abby Glennie, Aberdeen Standard Investments

The net asset value ("NAV") total return for the Company for the year ended 30 June 2021 was 41.9%, whilst the share price total return was 46.9%. By comparison, the UK smaller companies sector as represented by the Numis Smaller Companies plus AIM (ex investment companies) Index delivered a total return of 52.3%. Over the same period, the FTSE 100 Index of the largest UK listed companies delivered a total return of 18.0%. Since we took over the management of the Company on 1 September 2003, the share price total return is 1,808% from then to the current period end compared with the reference index's total return of 582%. The FTSE 100 Index's total return was 227% over the same period.

Equity Markets

Market performance during the period in question can be divided into three parts. Firstly, before the announcement of Covid vaccines in November 2020, secondly the value recovery phase which ran until March 2021, and thirdly, the more stable performance of markets once that recovery phase had come to an end. Small and mid-cap indices moved sideways during the summer and autumn as the world remained in the grip of Covid. However, following the first vaccine announcement on 9 November 2020, markets accelerated upwards. This was led by the so-called "value" stocks that were seen as the immediate beneficiaries of a post-Covid return to normal. After March, the market reverted to a more realistic approach as it became clear that normalisation would take longer than first thought. Continued ultra-low interest rates across the world combined with monetary stimulus have pushed markets ahead. Recent signs of widespread rising inflation have tempered that growth.

UK markets in general have performed less well than most other markets, particularly the technology-heavy Nasdaq Index in the USA, as well as most European and Far East markets, where Covid was tackled in a more robust fashion and economies came out the other side more quickly. Lately, resurgence of Covid has sent these trends into reverse somewhat. The issue of Brexit has largely been of secondary importance to Covid.

In the first period until 9 November 2020 Covid winners led the way with really spectacular stock performances from some of the Company's largest holdings. A second bout of lock-down encouraged this trend. However, since the announcement on 9 November we have witnessed a complete reversal, with a dramatic recovery for those worst affected and with most to gain from the potential return of normal conditions in the not too distant future. It was a classic recovery rally, not unlike the second quarter of 2009 after the trough of the Banking Crisis. However, by the end of March 2021, markets reverted more in favour of our quality, growth and momentum led process as a third Covid wave took hold, delaying the return to normality.

Sector performance was led by the three dramatic "style" reversals apparent during the year. On the whole, the value style won out. Sector performance saw dramatic swings during the year related to which "style" was in vogue at the time, be it a Covid beneficiary, value recovery or based on earnings performance. Given this, the recovery sectors led the way, particularly in the consumer discretionary sectors such as home construction, personal goods, media, retail and travel & leisure. A couple of industrial sectors performed well; those of electronics & electricals and industrial engineering. The losing sectors included oil & gas, mining, telecoms and consumer staples.

Following the first vaccine announcement on 9 November 2020, markets accelerated upwards. This was led by the so called "value" stocks that were seen as the immediate beneficiaries of a post-Covid return to normal.

Oil & gas and mining under-performed even though there was a strong recovery in the oil price, with Brent rising from \$43 to \$74 per barrel during the year. The key industrial metal copper rose 56% although gold was flat. It appears that the leading smaller oil and mining smaller company stocks performed poorly, showing a significant lack of correlation with their relevant commodity prices. The only conclusion here seems to be the impact that Environmental, Social and Governance ("ESG") thinking has had that has made these sectors unattractive, perhaps in the long term.

Bid activity started to pick up markedly, particularly in the final three months of 2020 and into 2021 with bids for William Hill, Countrywide, IMImobile, McCarthy & Stone, G4S, Aggreko, Morrisons and the AA among others, mainly from private equity funds and opportunist value buyers. **Sanne,** a fund administrator owned by the Company received a bid.

Investment Manager's Review Continued

Performance

A NAV total return of 41.9% would normally be considered an outstanding return figure. However, our smaller companies reference index did even better, delivering a total return of over 52%. This reflects the index's heavy weighting in higher risk value and recovery stocks. These are areas that traditionally perform less well over the economic cycle but come into their own in value recovery led markets which was the key feature of the mid-period of the financial year.

We have always been very clear that the portfolio is positioned to deliver outperformance over the cycle and that there will be periods when it will underperform. Over the more than 20 years that we have deployed the investment strategy that we use for the Company, we have seen that, during periods of sharp recovery that typically follow a crisis in the market, the portfolio underperforms for a time as investors focus on companies that have been particularly hard hit during that downturn. These stocks do not normally meet our investment criteria. Thankfully, such events only occur rarely and during rising markets of extreme smaller company popularity. We are long-term investors and are not timing experts and do not consider it appropriate to attempt to switch into such stocks for a short period. We last saw this in the spring of 2009, following the trough of the financial crisis.

We have always been very clear that the portfolio is positioned to deliver outperformance over the cycle and that there will be periods when it will underperform.

The recovery that we have seen across the world since the first announcement of a Covid vaccine on 9 November 2020 looks to be typical of this sort of market behaviour. Prior to the announcement, the portfolio was outperforming the reference index but, although it continued to increase in value after the start of November, it did not keep pace with the index. Happily for the portfolio's "relative" performance, the value recovery came to an abrupt end in the second half of March 2021.

Relative performance "pre-vaccine" was good and was driven by some really quite spectacular trading statements, from the likes of **Kainos, Games Workshop, Ergomed, Impax Asset Management, Team17, Gear4Music** and **Focusrite**. However, following the announcement of a Covid vaccine, the portfolio's performance appears pedestrian when compared to the index. This impact was particularly fierce in the week after the announcement of the first vaccine. Share price returns since March 2021 seem to be more rational and tend to reflect underlying trading within individual company holdings.

The five leading performers during the year were as follows:-

Future (closing weight 4.8%) +2.4% completed the acquisition of GoCo plc, the price comparison website. It also turned in a couple of sets of stellar results.

Kainos (closing weight 4.0%) +1.1% announced that results would be materially ahead of expectations and reinstated the dividend. Government digitalisation of processes continues apace as does Workday installations.

Impax Asset Management (closing weight 2.9%) +0.9% continues to ride the ESG wave and take in assets at a prodigious rate as it invests in companies well positioned to benefit from the transition to a more sustainable global economy.

Next Fifteen Communications (closing weight 1.9%) +0.7% has gained momentum in the digital media space under the leadership of industry veteran founder Tim Dyson.

Alpha Financial Markets (closing weight 2.4%) +0.5% is a specialist in providing consultancy to the asset management industry which is currently facing significant change.

The five worst performers during the year were as follows:-

Hilton Food Group (closing weight 2.6%) -1.5%. Although this innovative international beef and fish packer has performed well, there is the feeling abroad that it will suffer post-Covid when restaurants are open again.

Trainline (position sold during the year) -1.2%. The on-line rail ticketing agent was hit hard by the announcement that the new rail authority GB Rail would establish its own competing on-line ticketing system.

RWS (closing weight 1.7%) -1.1% has weakened following the share acquisition of SDL. This language translation company was seen as low grade by investors.

AO World (closing weight 1.3%) -1.0% decided to go for growth rather than profitability as it expands aggressively in the German market with its "appliances on-line" model.

First Derivatives (position sold during the year) -0.9%. This software company has not recovered from the untimely death of founder and major shareholder Brian Conlan.

Dealing and Activity

As ever, our investment process has driven stock selection with new purchases having high Matrix scores and sales either having lower Matrix scores or are stocks which are too big to be described as smaller companies. The new factor in the past year has been the return of the New Issues markets. It is pleasing to see good quality UK based companies list on the London Stock Exchange and the portfolio activity demonstrates our confidence in that quality.

The new factor in the past year has been the return of the New Issues markets. It is pleasing to see good quality UK based companies list on the London Stock Exchange and the portfolio activity demonstrates our confidence in that quality.

Fourteen new holdings were added to the portfolio of which five were new issues. The nine established companies were: **Impax Asset Management**, the specialist ESG orientated fund manager, **AO World**, the on-line white goods retailer, **Clipper Logistics,** the leading supplier of logistics services to the on-line retail industry, **Mortgage Advice Bureau,** the IT and services platform for home mortgage providers, **Draper Esprit**, the specialist technology orientated venture capital investor, **Treatt**, the flavours and fragrances specialist, **Hollywood Bowl** in ten pin bowling, **CVS Group**, the veterinary chain, and **Watches of Switzerland,** the luxury watch retailer. The five new issues were **Bytes Technology Group**, the broadly based UK orientated IT hardware, software and services provider, **Auction Technology Group** (ATG), the global on-line auction technology provider, **Moonpig,** the on-line greetings and gifting company, **Trustpilot,** the product and service review platform and **Victorian Plumbing**, the on-line plumbing products supply company. At the time of writing, all the new issues are ahead of their float price with ATG in particular up 126%.

The company sold out of the following stocks completely: **Greggs, Paypoint, Paragon, Midwich, Ricardo, Paypoint, FDM** and **Workspace** over concerns on trading during an extended lock down. Matrix scores were weak here. At the very start of the period, **Boohoo** was sold completely on concerns that the management were not taking seriously enough the work practices of their suppliers. **Trainline** was sold following the announcement that the new rail Authority, GB Rail, was planning to build its own on-line ticketing system. **First Derivatives** was sold as its Matrix score fell precipitating a review of the investment thesis. It had been held by the Company since 2008 and delivered returns to shareholders approaching ten times cost.

JD Sports and **Aveva** were sold because they have been so successful that they have both become constituents of the FTSE 100 Index and, in line with our investment policy, they no longer qualify as small cap companies. **Dechra Pharmaceuticals** likewise was also sold because it had become too big to be described as a smaller company.

The biggest purchases were:-

Mortgage Advice Bureau (MAB) is a platform that provides a range of back office services on its platform to mortgage advisers who in turn advise the public on home loan providers. MAB provides a range of services including regulatory, pricing and accounting services.

Clipper Logistics is a value added distributor for a range of on-line retailers in the UK, providing a range of fulfilment services.

Auction Technology Group (ATG) is a global leader in the provision of curated market places using proprietary auction platform technology to connect bidders, businesses, collectors, consigners and consumers across a variety of markets worldwide.

Treatt develops and manufactures the raw materials that go into fragrances and flavourings by blending and distilling oils and aromatic chemicals to a wide range of end of consumer goods end markets.

Bytes Technology Group is a supplier of IT and communications software and hardware across the UK, not dissimilar to Computacenter. Its track record is strong.

Sector Exposures

The investment process is centred on identifying individual companies that will grow and deliver returns to shareholders and, as a consequence, sector exposure is a by-product of these decisions. Our leading sectors are software, leisure goods, support services, media, food manufacturers, real estate, telecoms and financials. Leisure goods, media and financials saw the biggest increases during the year. Leisure goods has benefitted from activities that keep the youngsters amused at home, such as computer and hobby games and techno-music through holdings such as **Team17, Sumo, Games Workshop** and **Focusrite**. Financials has recently become the largest sector as we have targeted a number of high Matrix scoring niches such as funds administration (**JTC, Sanne**), specialist fund managers

Investment Manager's Review Continued

(Liontrust Asset Management, Impax Asset Management, Draper Esprit) and investment platforms (**AJ Bell, Mortgage Advice Bureau**). Media has been a strong performer under the influence of digital technology through the likes of **Future, Next15 Communications, GlobalData** and **Trustpilot**. Retailing has also made an on-line comeback with **Motorpoint** (used cars delivered to your door), **AO World** (on-line white goods), **Moonpig** (greeting cards and gifts) and **Victorian Plumbing** in on-line plumbing kit. This area is liable to see further growth as global franchises and technology continue to develop as lock downs ease.

The Company holds no materials, oil & gas, household goods and home construction and remains underweight in healthcare.

Gearing

At the end of the year, net gearing stood at 5.7% of net assets. The facilities were agreed in November 2017 and at the time the total funding of £45 million represented about 15% of net assets. In the 3 ½ years since then, net assets have more than doubled and today, if the facility was fully drawn, the Company could not be more than around 6% geared. Consequently, in May 2021, the Board arranged an expansion of the revolving credit facility to take total funding to £65 million. Gearing has been steadily increased since around November, reflecting our positive view on smaller companies, and since June the facility has been fully drawn.

Outlook

It feels like the recovery rally phase is over and has been fierce but short term. Under-performance has taken place into rising markets thus absolute returns have still been respectable. We expect to be able to look forward to sustained strong performance from small and mid-sized companies and more robust relative performance from our process as the cycle develops. This is typical of the first half of an economic cycle. We thus feel pretty positive about the short and long-term outlook for smaller companies as we see the continuation of the new economic cycle which effectively started on 19 March 2020. The improvements will come in fits and starts but commencing with the vaccine announcements last year and the assumption that Covid will soon be on the retreat. The worst unknowns of Brexit are now largely behind us. The biggest issue currently looks likely to be the risk of inflation. We are seeing significant supply chain dislocation and a return to labour shortages and wage inflation, not seen for a very long time. Our best guess is that this is short term and relates to the sudden and binary aspects of the influence of Covid. If anything, our process may be seen as an each way bet if that is not too strong an expression. If markets suffer because of inflation, the high quality, defensive characteristics of our process will cushion the blow somewhat. Finally, President Biden in the US brings a welcome level of sanity and predictability to that divided country. While geo-political issues are unlikely to go away, it is helpful to see that a sense of rationality has returned.

We should say a word about ESG issues and how this area influences our investment process and drives markets. Without impacting the long-term stability and strength of our Matrix driven quality, growth and momentum ("QGM") investment process, we have, in recent years, built comprehensive ESG thinking more formally into our process. Even though subliminally we have been there for many years, it is of note what we said earlier about the mining and oil & gas sectors. In smaller companies, these sectors are gaining pariah status which is not likely to go away as concerns over the environment and global warming impacts how people live their lives.

We expect to be able to look forward to sustained strong performance from small and mid-sized companies and more robust relative performance from our process as the cycle develops.

The new issues market was the most pleasant surprise of the year. After a fallow period, the recent crop of new issues suggests that the UK is punching above its weight at developing new world leading businesses that are transformational. The top half of the FTSE100 Index larger company market is indeed a dull place, with a last century feel about it, dominated by companies with "great futures behind them". This is not the case in the UK small and mid-cap world, certainly judging by some of the current crop of British companies coming to the market.

Valuation has always been secondary when it comes to stock selection. Nevertheless, as we look down the list of names in the portfolio, we find four out of our top ten with price earnings ratios in the teens. We haven't seen the largest positions trading on such low multiples for a while, which suggests to us that, after the recent market rotation, a significant number of our Quality, Growth and Momentum-led holdings are looking cheap.

A glance at the recent trading statements of the Company's holdings shows them to be overwhelmingly positive, with many upgrades, reinstated dividends and the paying back of furlough grants, which is very encouraging.

Having said that, there are clearly still clouds on the horizon as new variants of the virus appear, returns to normality are delayed, vaccine issues continue and the impact of Brexit filter through. Unemployment is likely to rise dramatically in the next six months as furlough comes to an end. Bearing in mind that the market typically looks two years ahead, we are comfortable that we are past the worst, that we are in a new economic cycle and that the next couple of years will be a good time for smaller companies relative to large caps.

As we have stressed before, our process remains unchanged. Our emphasis on risk aversion, resilience, growth and momentum still feels right for the future. Caution should be the watch-word however.

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

Harry Nimmo and Abby Glennie
Aberdeen Standard Investments
6 September 2021

Investment Process

Standard Life UK Smaller Companies Trust plc offers an actively managed portfolio of equity shares of smaller and mid-sized companies listed in the UK. Over the longer term, smaller company returns have outstripped those of their large-cap peers.

Management

The Company's Manager is Aberdeen Standard Fund Managers Limited ("ASFML", the "AIFM" or the "Manager"). ASFML is a wholly owned subsidiary of abrdn plc. The Company's portfolio is managed by Standard Life Investments Limited (the "Investment Manager") by way of a group delegation agreement in place between it and ASFML. Aberdeen Standard Investments is the brand of abrdn plc. Harry Nimmo has been the Portfolio Manager since 2003 and Abby Glennie was appointed as Co-manager in November 2020. They are part of a team focusing on investing in smaller and mid-sized companies.

Investment Philosophy and Process

The Board has identified that ASI has a proven and repeatable investment process, which has delivered strong returns to shareholders over the last 18 years. The investment process adheres to the ASI Smaller Companies' Quality, Growth and Momentum led philosophy. The Investment Manager aims to select lower risk smaller companies in growing markets where business momentum is positive, predictable and improving. The Investment Manager has a long-term investment horizon, aiming to maximise returns by running winners in the long term and cutting losers. The investment process embeds ASI's Environmental, Social and Governance principles.

The Matrix

In managing the Company's investment portfolio, the Quality, Growth and Momentum philosophy is enhanced by using ASI's proprietary screening tool, 'The Matrix', to focus research efforts and the stock selection process. The Matrix is a quantitative screening tool assessing potential and current investments on 13 separate proven indicators of financial performance. It is a powerful tool in helping the Investment Manager identify a shortlist of investable stocks for further analysis and monitoring the performance and prospects of the portfolio. Stocks that are identified in this way are then subjected to further analysis and may be selected for the portfolio following discussions with company management.

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

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

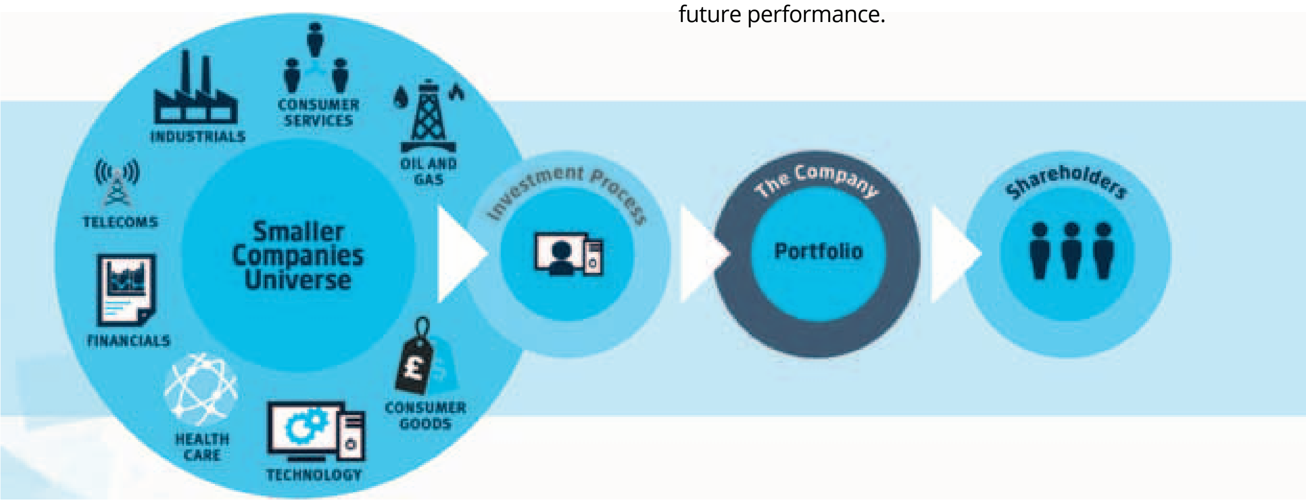
2. Quality
The strength of each company's relationships with its customers or clients, the existence and importance of long-term contracts and the degree to which the company has any element of pricing power is important as it allows the company to pass on any cost increases and thereby maintain margins.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

3. Buy for the long term
Identify the great companies of tomorrow and then hold them for the long term. This reduces the financial drag of high trading volumes.

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

5. Management longevity
Founders retaining positions of authority within the companies after flotation, along with longevity of tenure by CEOs are a positive signal. Four of the top 10 holdings in the portfolio are run by CEOs who have been with their business for over 20 years.

6. Valuation is secondary
Invest in companies which demonstrate positive earnings momentum as the team believes that it is a reliable predictor of future performance.



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The Investment Manager's Approach to ESG

Introduction

Although environmental, social and governance ("ESG") factors are not the over-riding criteria in relation to the investment decisions taken by the Investment Manager, significant prominence is placed on ESG and climate related factors throughout the investment process. The following pages highlight the way that ESG and climate change are considered by the Investment Manager. These processes are reviewed regularly and liable to change and the latest information will be available on the Company's website.

Core beliefs: Assessing Risk, Enhancing Value

Whilst the management of the Company's investments is not undertaken with any specific instructions to exclude certain asset types or classes, the consideration of ESG factors is a fundamental part of the Investment Manager's process and has been so for over 30 years. It is one of the key dimensions on which the Investment Manager assesses the investment case for any company in which it invests for three key reasons as set out in the table below.

Responsible Investing – Integration of ESG into the Investment Manager's Process

"By embedding ESG factors into our active equity investment process, we aim to reduce risk, enhance potential value for our investors and foster companies that can contribute positively to the world." Aberdeen Standard Investments

Financial Returns	ESG factors can be financially material – the level of consideration they are given in a company will ultimately have an impact on corporate performance, either positively or negatively. In the view of the Investment Manager, ESG can have a very positive effect on both corporate financial performance and on portfolios.
Fuller Insight	Systematically assessing a company's ESG risks and opportunities alongside other financial metrics allows the Investment Manager to make better investment decisions.
Corporate Advancement	Informed and constructive engagement helps foster better companies, protecting and enhancing the value of the Company's investments.

"We believe that the market systematically undervalues the importance of ESG factors. We believe that in-depth ESG analysis is part of both fundamental company research and portfolio construction and will lead to better client outcomes." Aberdeen Standard Investments

Researching Companies: Deeper Company Insights for Better Investor Outcomes

The Investment Manager conducts extensive and high-quality fundamental and first-hand research to fully understand the investment case for every company in the portfolio. A key part of this research involves focusing its extensive resources on analysis of ESG issues. As set out in more detail in the table below, the Investment Manager's portfolio managers, ESG Equity Analysts and central ESG Investment Team collaborate to generate a deep understanding of the ESG risks and opportunities associated with each company. Stewardship and active engagement with every company are also fundamental to the investment process, helping to produce positive outcomes that lead to better risk-adjusted returns.

Global ESG Infrastructure

The Investment Manager has around 150 equity professionals globally. Each systematically analyses ESG risks and opportunities as part of the research output for each company. Its central team and ESG equity analysts support the Investment Manager's first-hand company analysis, producing research into specific themes (e.g. labour relations or climate change), sectors (e.g. forestry) and ESG topics to understand and highlight best practice. Examples of thematic and sector research can be found on the Manager's website at: **aberdeenstandard.com/en/uk/investor/responsible-investing**.

Portfolio Managers	All of the Investment Manager's equity portfolio managers seek to engage actively with companies to gain insight into their specific risks and opportunities and provide a positive ongoing influence on their corporate strategy for governance, and environmental and social impact.
ESG Equity Analysts	The Investment Manager has dedicated and highly experienced ESG equity analysts located across the UK, US, Asia and Australia. Working as part of individual investment teams, rather than as a separate department, these specialists are integral to pre-investment due diligence and post-investment ongoing company engagement. They are also responsible for taking thematic research produced by the central ESG Investment Team (see below), interpreting and translating it into actionable insights and engagement programmes for its regional investment strategies.
ESG Investment Team	This central team of more than 20 experienced specialists based in Edinburgh and London provides ESG consultancy and insight for all asset classes. Taking a global approach both identifies regions, industries and sectors that are most vulnerable to ESG risks and identifies those that can take advantage of the opportunities presented. Working with portfolio managers, the team is key to the Investment Manager's active stewardship approach of using shareholder voting and corporate engagement to drive positive change.

The Investment Manager's Approach to ESG Continued

Climate Change

Climate change is one of the most significant challenges of the 21st century and has big implications for investors. The energy transition is underway in many parts of the world, and policy changes, falling costs of renewable energy, and a change in public perception are happening at a rapid pace. Assessing the risks and opportunities of climate change is a core part of the investment process. In particular, the Investment Manager considers:

- **Transition risks and opportunities**
  Governments could take robust climate change mitigation actions to reduce emissions and transition to a low-carbon economy. This is reflected in targets, policies and regulation and can have a considerable impact on high-emitting companies.
- **Physical risks and opportunities**
  Insufficient climate change mitigation action will lead to more severe and frequent physical damage. This results in financial implications, including damage to crops and infrastructure, and the need for physical adaptation such as flood defences.

The Investment Manager has aligned its approach with that advocated by the investor agenda of the Principles for Responsible Investment ("PRI") – a United Nations-supported initiative to promote responsible investment as a way of enhancing returns and better managing risk.

PRI provides an intellectual framework to steer the massive transition of financial capital towards low-carbon opportunities. It also encourages fund managers to demonstrate climate action across four areas: investments; corporate engagement; investor disclosure; and policy advocacy as explained below:

	Focus	Objective	Aim
Investments	Research & Data	Provide high quality climate-change insights and thematic research across asset classes and regions. This includes using climate-related data as an input into the investment process.	Provide relevant high-quality data and insights on climate-change trends, risks and opportunities that are fully integrated into our decision making and drive positive outcomes for our clients
Investments	Investment Integration	Understand the potential impacts of climate-change risks and opportunities across regions and sectors, integrate these into our investment decisions and understand the implications for our portfolios.	
Investments	Client Solutions	Understand client needs in relation to climate change and low-carbon product demand. Develop innovative climate-related client solutions and products across all asset classes.	
Corporate Engagement	Investee Engagement & Voting	Better understands investee exposure and management of climate change risks and opportunities. Influence investee companies on management of climate change risks and opportunities via engagement and voting. Highlight expectation to apply the Task Force on Climate-related Financial Disclosures ("TCFD") framework when reporting on climate-related data.	
Policy Advocacy	Collaboration & Influence	Collaborate with climate-change-related industry associations and participate in relevant initiatives. Engage with peers and policymakers to drive industry developments and best practice.	
Investor Disclosure	Disclosure	Disclose climate-change-related data using the TCFD reporting framework across the four pillars: governance, strategy, risk management, metrics and targets.	

Alignment with PRI Investor Agenda

From Laggards to Best in Class: Rating Company ESG Credentials

A systematic and globally-applied approach to evaluating stocks allows the Investment Manager to compare companies consistently on their ESG credentials – both regionally and against their peer group.

The Investment Manager captures the findings from its research and company engagement meetings in formal research notes.

Some of the key questions include:

- Which ESG issues are relevant for this company, how material are they, and how are they being addressed?
- What is the assessment of the quality of this company's governance, ownership structure and management?
- Are incentives and key performance indicators aligned with the company's strategy and the interests of shareholders?

Having considered the regional universe and peer group in which the company operates, the Investment Manager's equity team then allocates it an ESG rating between one and five (see below). This is applied across every stock that the Investment Manager covers globally.

The Investment Manager also uses a combination of external and proprietary in-house quantitative scoring techniques to complement and cross-check analyst-driven ESG assessments. ESG analysis is peer-reviewed within the equities team, and ESG factors impacting both sectors and stocks are discussed as part of the formal sector reviews. To be considered 'best in class', the management of ESG factors must be a material part of the company's core business strategy. It must provide excellent disclosure of data on key risks. It must also have clear policies and strong governance structures, among other criteria.

1. Best in class	2. Leader	3. Average	4. Below average	5. Laggard
ESG considerations are material part of the company's core business strategy	ESG considerations not market leading	ESG risks are considered as a part of principal business	Evidence of some financially material controversies	Many financially material controversies
Excellent disclosure	Disclosure is good, but not best in class	Disclosure in line with regulatory requirements	Poor governance or limited oversight of key ESG issues	Severe governance concerns
Makes opportunities from strong ESG risk management	Governance is generally very good	Governance is generally good but some minor concerns	Some issues in treating minority shareholders poorly	Poor treatment of minority shareholders

The Investment Manager's Approach to ESG Continued

Working with Companies: Staying Engaged, Driving Change

Once the Investment Manager invests in a company, it is committed to helping that company maintain or raise its ESG standards further, using its position as a shareholder to press for action as needed. The Investment Manager actively engages with the companies in which it invests to maintain ESG focus and encourage improvement.

The Investment Manager sees this programme of regular engagement as a necessary fulfilment of its duty as a responsible steward of clients' assets. It is also an opportunity to share examples of best practice seen in other companies and to use its influence to effect positive change. The Investment Manager's engagement is not limited to the company's management team. It can include many other stakeholders such as non-government agencies, industry and regulatory bodies, as well as activists and the company's clients. What gets measured gets managed, so the Investment Manager strongly encourages companies to set clear targets or key performance indicators on all material ESG risks.

The investment process consists of four interconnected and equally important stages.

Monitor	Contact	Engage	Act
Ongoing due diligence · Business performance · Company financials · Corporate governance · Company's key risks and opportunities	**Frequent dialogue** · Senior executives · Board members · Heads of departments and specialists · Site visits	**Exercise rights** · Attend AGMs/EGMs · Always vote · Explain voting decisions · Maximise influence to drive positive outcomes	**Consider all options** · Increase or decrease shareholding · Collaborate with other investors · Take legal action if necessary

Considerations Within ASI's Smaller Companies Team

ASI's Smaller Companies Team considers ESG risks and opportunities for all of its investments and thus, ESG considerations are inextricably embedded into the investment process in order to achieve a successful and sustainable performance for the longer term. There is a broad understanding within ASI and the team that a full and thorough assessment of ESG factors allows better investment decisions to be made that lead to better outcomes for clients; with ESG aspects considered alongside other financial and fundamental factors in order to make the best possible investment decisions at a stock picking and at a portfolio construction level.

ESG analysis is a core constituent in the "Quality" analysis of the Team's fundamental research. Especially for smaller companies, both risks and opportunities matter, and thus the research approach and analysis reviews this accordingly. As stated above, all of the equity analysts are required to undertake an ESG quality assessment which will be reflected in the research note provided for each of the companies under coverage. The ESG quality of a company is one of the core considerations in ensuring that the traditionally lower risk investment approach continues and portfolios will be weighted towards companies with higher scores.

The team has a very close relationship with the ESG specialists within ASI, while at the same time having an on-desk ESG analyst to assist in the above research process and ESG engagements with companies. Through the utilisation of third party provided research such as MSCI and, more recently ASI's in-house ESG rating tools, the team is able to identify, where appropriate, leaders and laggards, areas of weakness and areas of strength. Ratings processes for smaller companies can be less accurate given data availability and coverage, and therefore the engagement and fundamental research the Investment Manager and ESG equity analyst do with the investee companies is critical in adding value and ensuring the most important ESG risks and opportunities are well identified. Given the importance of ESG matters, these factors are reviewed on an ongoing basis in addition to monitoring companies' actions to assess the need for further engagement and/or changes to the internal investment view. Finally, as part of broader stewardship activities, the team participates actively in the voting process of the holdings, in line with best practice.

Portfolio

The Investment Manager aims to select lower risk smaller companies in growing markets where business momentum is positive, predictable and improving. The Investment Manager has a long-term investment horizon, aiming to maximise returns by running winners in the long term and cutting losers.


Games Workshop


Kainos

XP Power

Ten Largest Investments

As at 30 June 2021

Future

Future publishes special-interest consumer magazines, applications and websites.

Gamma Communications

Gamma Communications is a mid-sized telecoms company that supplies voice, data and mobile products and services in the UK. It provides fixed telephony, IP telephony, hosted phone systems, broadband and data connections, mobile services and unified communication solutions.

Kainos

Kainos is a digital services company offering information technology products and services to clients in a range of markets, including government, healthcare and financial services.

XP Power

XP Power is a designer and manufacturer of low power, low noise, highly efficient electric motors and electronic systems. It manufactures in China and Vietnam.

Impax Asset Management

Impax Asset Management is a specialist asset manager focused on investing for a sustainable economy.

Hilton Food Group

Hilton Food Group is a founder-run beef and fish packer. It works closely with food retailers across Europe and Australasia.

Cranswick

Cranswick is a high quality vertically integrated pork and chicken products company operating in the UK.

Safestore Holdings

Safestore Holdings is a self-storage business operating in the UK and France.

Games Workshop

Games Workshop designs, manufactures and sells fantasy miniatures and related products.

Diploma

Diploma is an international group of businesses supplying specialised technical products and services. Its subsidiaries distribute an assortment of scientific and lab equipment and telecommunications products.

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As at 30 June 2021

Company	Sector	Valuation 2021 £'000	Total portfolio %	Valuation 2020 £'000
Future	Media	37,256	4.8	19,885
Gamma Communications	Telecommunications Service Providers	31,807	4.1	23,451
Kainos	Software and Computer Services	30,624	4.0	20,058
XP Power	Electronic and Electrical Equipment	26,674	3.5	16,731
Impax Asset Management	Investment Banking and Brokerage Services	22,322	2.9	–
Hilton Food Group	Food Producers	20,313	2.6	21,709
Cranswick	Food Producers	19,659	2.6	17,896
Safestore Holdings	Real Estate Investment Trusts	19,471	2.6	14,917
Games Workshop	Leisure Goods	18,736	2.4	24,212
Diploma	Industrial Support Services	18,621	2.4	18,517
Top ten investments		**245,483**	**31.9**	
Alpha Financial Markets	Industrial Support Services	18,451	2.4	6,847
Team 17	Leisure Goods	17,502	2.3	12,199
discoverIE Group	Technology Hardware and Equipment	17,266	2.2	9,335
Bytes Technology Group	Software and Computer Services	17,141	2.2	–
Clipper Logistics	Industrial Support Services	16,985	2.2	–
Marshalls	Construction and Materials	16,733	2.2	15,024
Mortgage Advice Bureau	Finance and Credit Services	16,634	2.2	–
GB Group	Software and Computer Services	16,628	2.1	13,408
Focusrite	Leisure Goods	16,344	2.1	5,931
GlobalData	Media	15,479	2.0	13,803
Top twenty investments		**414,646**	**53.8**	
Auction Technology Group	Software and Computer Services	15,414	2.0	–
Next 15 Communications	Media	14,722	1.9	5,429
Liontrust Asset Management	Investment Banking and Brokerage Services	14,567	1.9	5,341
AJ Bell	Investment Banking and Brokerage Services	14,052	1.8	10,578
Hill & Smith Holdings	Industrial Metals and Mining	14,011	1.8	11,667
Intermediate Capital Group	Investment Banking and Brokerage Services	13,682	1.8	8,301
Sirius Real Estate	Real Estate Investment and Services	13,427	1.8	5,683
Ergomed	Pharmaceuticals and Biotechnology	13,338	1.7	–
Watches of Switzerland	Personal Goods	12,992	1.7	–
Morgan Sindall Group	Construction and Materials	12,900	1.7	3,272
Top thirty investments		**553,751**	**71.9**	

Investment Portfolio Continued

As at 30 June 2021

Company	Sector	Valuation 2021 £'000	Total portfolio %	Valuation 2020 £'000
Treatt	Chemicals	12,769	1.7	–
RWS	Industrial Support Services	12,767	1.7	16,471
JTC	Investment Banking and Brokerage Services	11,861	1.5	8,015
Sanne Group	Investment Banking and Brokerage Services	11,601	1.5	8,784
Draper Esprit	Investment Banking and Brokerage Services	10,886	1.4	–
AO World	Retailers	10,506	1.3	–
Midwich	Industrial Support Services	10,082	1.3	8,473
Telecom Plus	Telecommunications Service Providers	9,706	1.3	10,745
Gear4Music	Leisure Goods	9,321	1.2	3,072
Sumo Group	Leisure Goods	9,149	1.2	752
Top forty investments		**662,399**	**86.0**	
Trustpilot	Software and Computer Services	8,567	1.1	–
4imprint Group	Media	8,155	1.1	11,704
Big Yellow	Real Estate Investment Trusts	8,005	1.0	9,277
Jet2 (previously known as Dart Group)	Travel and Leisure	7,482	1.0	8,942
Robert Walters	Industrial Support Services	7,302	1.0	3,787
CVS Group	Consumer Services	7,145	0.9	–
Boot (Henry)	Real Estate Investment and Services	7,011	0.9	5,865
Motorpoint	Retailers	6,701	0.9	4,787
Avon Rubber	Aerospace and Defense	6,515	0.8	5,231
Mattioli Woods	Investment Banking and Brokerage Services	6,380	0.8	6,118
Top fifty investments		**735,662**	**95.5**	
Victorian Plumbing	Retailers	6,141	0.8	–
Gooch & Housego	Technology Hardware and Equipment	5,982	0.8	4,970
Inspecs Group	Personal Goods	5,481	0.7	–
Moonpig	Retailers	4,900	0.6	–
Hotel Chocolat	Food Producers	4,327	0.6	2,520
Hollywood Bowl	Travel and Leisure	3,554	0.5	–
AB Dynamics	Industrial Engineering	2,439	0.3	1,858
Fisher (James) & Sons	Industrial Transportation	1,517	0.2	8,826
Total portfolio		**770,003**	**100.0**	

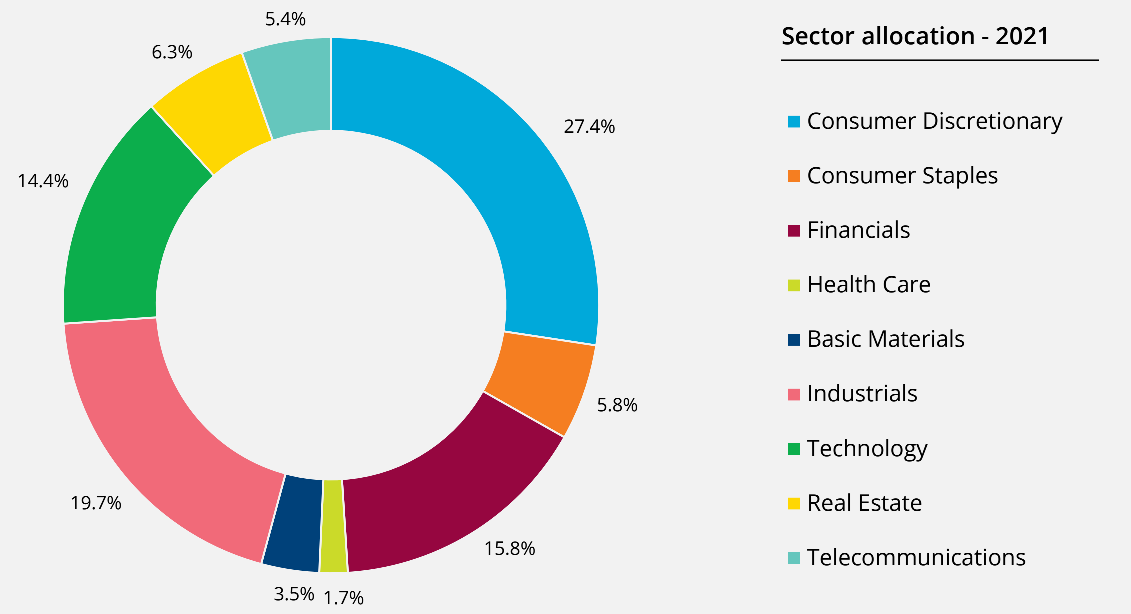
All investments are equity investments.

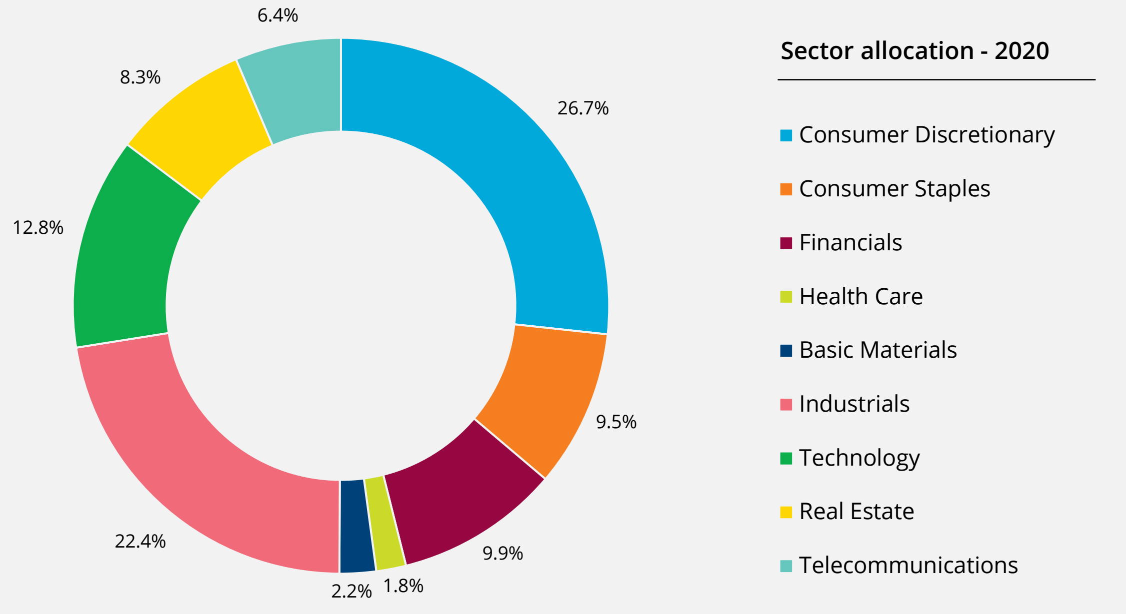
Sector Distribution of Investments

As at 30 June 2021

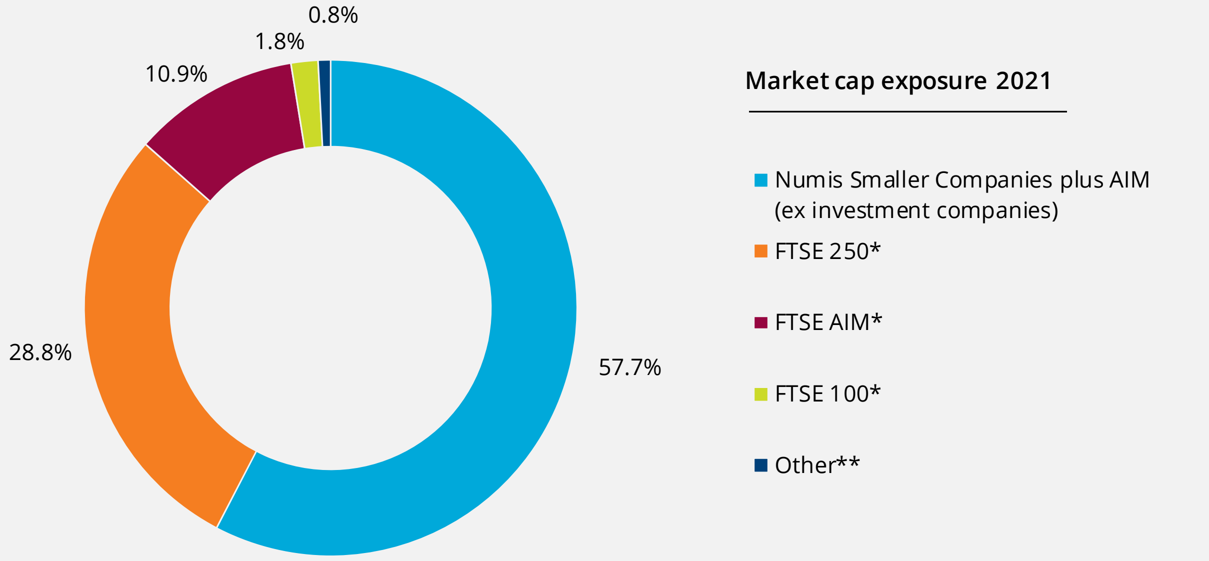
	Portfolio weighting	
	2021 %	2020 %
Consumer Discretionary	**27.4**	**26.7**
Consumer Services	0.9	–
Leisure Goods	9.2	8.8
Media	9.8	9.6
Personal Goods	2.4	–
Retailers	3.6	4.2
Travel and Leisure	1.5	4.1
Consumer Staples	**5.8**	**9.5**
Food Producers	5.8	8.0
Personal Care Drug and Grocery Stores	–	1.5
Financials	**15.8**	**9.9**
Finance and Credit Services	2.2	0.9
Investment Banking and Brokerage Services	13.6	9.0
Health Care	**1.7**	**1.8**
Pharmaceuticals and Biotechnology	1.7	1.8
Basic Materials	**3.5**	**2.2**
Chemicals	1.7	–
Industrial Metals and Mining	1.8	2.2
Industrials	**19.7**	**22.4**
Aerospace and Defense	0.8	1.0
Construction and Materials	3.9	3.9
Electronic and Electrical Equipment	3.5	3.2
Industrial Engineering	0.3	0.4
Industrial Support Services	11.0	12.2
Industrial Transportation	0.2	1.7
Technology	**14.4**	**12.8**
Software and Computer Services	11.4	10.1
Technology Hardware and Equipment	3.0	2.7
Real Estate	**6.3**	**8.3**
Real Estate Investment and Services	2.7	2.2
Real Estate Investment Trusts	3.6	6.1
Telecommunications	**5.4**	**6.4**
Telecommunications Service Providers	5.4	6.4
Total	**100.0**	**100.0**

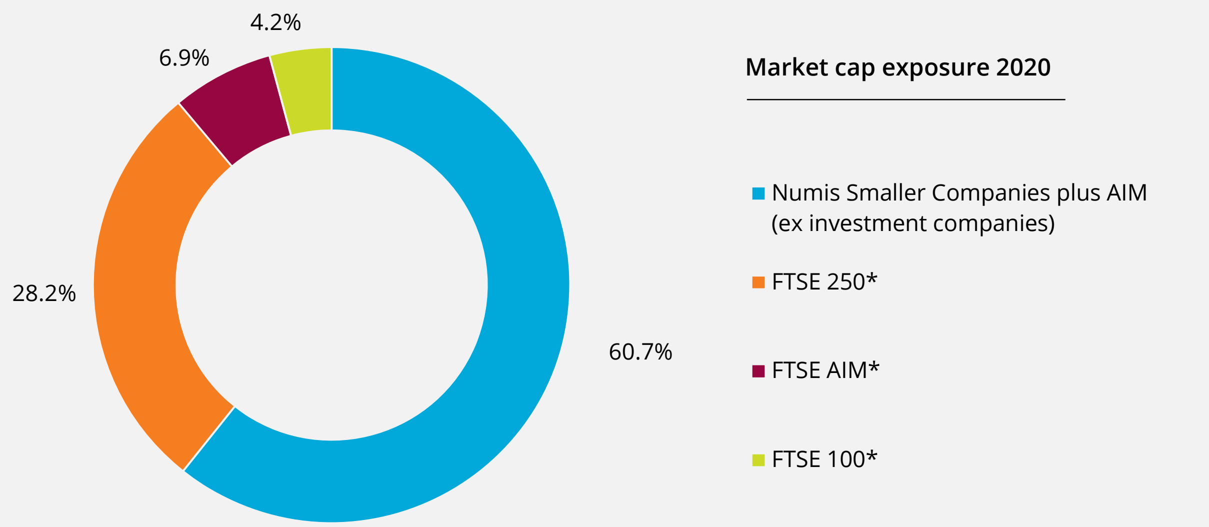
Investment Portfolio by Sector





Market Cap Exposure





* Consists of holdings which are not constituents of the Numis Smaller Companies plus AIM (ex investment companies) Index.
** Companies which have come to the market since the last rebalancing of the above indices

Investment Case Studies

discoverIE Group

In recent years, discoverIE has evolved from a distributor of electronic components to an international designer, manufacturer and supplier of customised, differentiated electronics. The company's strategy is to focus on generating organic growth in four target markets. Management identifies these as renewable energy, transportation, industrial & connectivity and medical. By operating in these growing markets, organic revenue growth should be well ahead of GDP over the economic cycle, and create acquisition opportunities.

The company operates in two divisions - Design & Manufacturing ("D&M") and Custom Supply ("CS"). The D&M division supplies technically demanding custom electronic products which are uniquely designed or specifically modified from an existing product to customer specifications. Repeating revenues, combined with the conversion of customer design wins from new projects drive the order book. This high margin division has developed from a UK-only business in 2011 to a global one, now operating in 23 countries. The CS division operates similarly to D&M, but mostly with products sourced from third-party suppliers rather than manufactured in-house.

Management's focus on markets with long term thematic growth drivers is key to the quality aspect of growth, and removes cyclicality. In the renewable energy market, growth will be driven by wind and solar power reaching commercial viability. Transportation will benefit from increasing regulation and investment in rail, along with electrification infrastructure which remains underinvested. Industrial connectivity plays into increasing connectivity and wireless communication. Drivers in the medical market include an ageing and increasingly affluent population.

The company's business model is capital-light and provides visibility thanks to the 'designed in' nature of its products. Margin progression may also be achieved through operational gearing alongside higher margin acquisitions. The company has an excellent track record of growth and of meeting and exceeding long term targets. The opportunity remains to continue expanding in current geographies and into new ones, to build a larger global electronics group. The balance sheet is strong and the next step is to self-fund acquisitions through cash generation.

discoverIE was resilient during lockdowns and its global footprint served to drive market share gains in this environment as smaller peers were unable to serve customers on the same international scale. The pandemic may well accelerate some trends in its four focus markets and also provide acquisition opportunities.

In the half yearly report in November 2020 the company enhanced its ESG credentials by targeting a 50% reduction in carbon emissions over five years through a combination of buying electricity from renewable sources where possible, implementing energy reduction measures and installing renewable energy electricity sources on site.

Focusrite

Focusrite is a high quality branded audio solutions business occupying a global market leading position for its high quality products. The products are the bridges between a musician's analogue instrument and the digital world. Management is developing an ecosystem where the integrated nature the company's products and software locks customers into a long term commitment and increases the likelihood of future purchases being from within the Focusrite range.

The business has grown organically as it has continued to win market share across all territories, boosted by the rise in content creation. The 'content generation' has seen users expand outside music as content is required for social media, podcasting and video streaming.

The medium term prospects for the company are good as management continues to innovate and expand across all territories as well as enter new categories. There is also additional opportunity as technology and software become a bigger part of music and content creation. It is an asset-light business model that is highly cash generative.

Focusrite is also open to mergers and acquisitions ("M&A"), with its recent ADAM and Martin acquisitions expanding the reach into the recording studio with speakers/monitors. There is scope to expand further into adjacent products over time.

Focusrite sells the vast majority of its products via distributors and third-party retailers, selling into 160 countries across a broad spread of ages. The product range is broad with price points for beginners and professionals.

The business traded well throughout lockdowns despite global supply chain challenges, maintaining its track record of delivery since IPO. The Investment Manager looks forward to continued momentum from new releases from the different brands each year, geographical expansion and M&A.

Governance

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager.


Cranswick Foods

Safestore Holdings


Team 17

Board of Directors

Liz Airey

Status:
Independent Non-Executive Chairman

Experience:
Liz Airey was, until March 2020, non-executive Chairman of Jupiter Fund Management plc. She is a non-executive director of Kirk Lovegrove & Company Limited, a member of the Investments Committee of the Institute of Chartered Accountants in England and Wales, and Chair of Trustees of the Rolls-Royce UK Pension Fund. She has previously been a non-executive director of Tate & Lyle plc, Dunedin Enterprise Investment Trust plc, JP Morgan European Smaller Companies Trust plc, Zetex plc and AMEC plc. In her executive career, Liz was Finance Director of Monument Oil and Gas plc, a post she held from 1990 until the sale of the company to Lasmo plc in 1999.

Length of service:
2 years, appointed a Director on 21 August 2019 and Chairman on 31 March 2020

Committee membership:
Management Engagement Committee and Nomination Committee (Chairman)

Contribution:
The Board has reviewed the contribution of Liz Airey in light of her proposed re-election at the AGM and has concluded that she has chaired the Company expertly since her appointment as Chairman on 31 March 2020, fostering a collaborative spirit between the Board and Manager whilst ensuring that meetings remain focused on the key areas of stakeholder relevance. In addition, she has provided significant insight to the Board through her financial and corporate experience and knowledge of the investment management sector.

Ashton Bradbury

Status:
Independent Non-Executive Director

Experience:
Ashton Bradbury has previously held roles at Charterhouse Tilney, Hill Samuel Investment Management and HSBC Asset Management Europe and was, until 2014, a fund manager with Old Mutual Global Investors Limited, where he established its Small and Mid-Cap equities team. Ashton is currently a non-executive director of Hargreave Hale AIM VCT plc and British Golf Association Limited and is non-executive Chairman of Golf Union of Wales Limited. Ashton holds a BSc in Banking and Finance from Loughborough University of Technology.

Length of service:
3 years, appointed a Director on 2 July 2018

Committee membership:
Audit Committee, Management Engagement Committee and Nomination Committee

Contribution:
The Board has reviewed the contribution of Ashton Bradbury in light of his proposed re-election at the AGM and has concluded that he continues to provide significant investment insight to the Board and knowledge of the investment management sector.

Alexa Henderson

Status:
Independent Non-Executive Director

Experience:
Alexa Henderson has over 30 years' experience in finance, accounting and audit having worked with KPMG, Arthur Andersen and Deutsche Bank (WM Company). She is currently a non-executive director of BMO Real Estate Investments Limited and Chairman of JP Morgan Japan Smaller Companies Trust PLC. In addition, Alexa is a director of Bravura Solutions Limited, a company incorporated in Australia. Previous directorships include Dunedin Smaller Companies Investment Trust PLC, Scottish Building Society (which she chaired for four years) and Adam & Company Group PLC. Alexa Henderson holds a BSc in Economics and Accounting from Edinburgh University and is a Chartered Accountant.

Length of service:
3 years, appointed a Director on 8 October 2018

Committee membership:
Audit Committee, Management Engagement Committee and Nomination Committee

Contribution:
The Board has reviewed the contribution of Alexa Henderson in light of her proposed re-election at the AGM and has concluded that she continues to provide significant financial and corporate insight to the Board and knowledge of the investment trust sector.

Caroline Ramsay

Status:
Independent Non-Executive Director and Chairman of the Audit Committee

Experience:
Caroline Ramsay is a member of the Supervisory Board of Aegon NV and was previously a non-executive director of Aegon UK PLC, Scottish Equitable plc, Scottish Equitable Holdings Limited and Cofunds Limited. She is also a non-executive director of Tesco Underwriting Limited and Brit Syndicates Limited and is a member of the Financial Conduct Authority's Regulatory Decisions Committee. Until June 2015, Caroline was the Group Chief Auditor for RSA plc having held previous senior positions at RSA plc, including UK Chief Financial Officer. After qualifying and practising as a chartered accountant with KPMG, she held various roles within Aviva Plc.

Length of service:
5 years, appointed a Director on 22 August 2016

Committee membership:
Audit Committee (Chairman), Management Engagement Committee and Nomination Committee

Contribution:
The Board has reviewed the contribution of Caroline Ramsay in light of her proposed re-election at the AGM and has concluded that she has chaired the Audit Committee expertly throughout the year and continues to provide significant financial insight to the Board.

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Tim Scholefield

Status:
Senior Independent Non-Executive Director and Chairman of the Management Engagement Committee

Experience:
Tim Scholefield is an Associate of the Society of Investment Professionals and previously held roles at Royal Sun Alliance Investments and Scottish Widows Investment Partnership. He was, until 2014, Head of Equities at Baring Asset Management. Tim is currently Chairman of Invesco Bond Income Plus Limited, a non-executive director of BMO Capital and Income Investment Trust Plc and Fidelity Asian Values Plc. In addition, he is a non-executive director of Jupiter Unit Trust Managers Limited and consultant to Gresham House Asset Management.

Length of service:
4 years, appointed a Director on 20 February 2017

Committee membership:
Audit Committee, Management Engagement Committee (Chairman) and Nomination Committee

Contribution:
The Board has reviewed the contribution of Tim Scholefield in light of his proposed re-election at the AGM and has concluded that he has continued to chair the Management Engagement Committee expertly throughout the year as well as acting as the Senior Independent Director. He continues to provide significant investment insight to the Board and knowledge of the investment management and investment trust sectors.

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2021.

Results and Dividends

The financial statements for the year ended 30 June 2021 are contained on pages 75 to 92. An interim dividend of 2.70p per Ordinary share was paid on 9 April 2021 and the Directors recommend a final dividend of 5.00p per Ordinary share, payable on 29 October 2021 to shareholders on the register on 8 October 2021. The ex-dividend date is 7 October 2021.

Principal Activity and Status

The Company is registered as a public limited company in Scotland under company number SC145455, 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 has applied for and has been accepted as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 July 2012. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

The Company intends to manage its affairs so that its Ordinary shares continue to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account.

Capital Structure and Voting Rights

The Company's issued share capital at 30 June 2021 consisted of 98,682,566 (2020: 100,065,198) Ordinary shares of 25 pence each and there were 5,481,856 (2020: 4,099,224) Ordinary shares held in treasury, representing 5.6% of the issued share capital as at that date (excluding treasury shares).

During the year, 1,382,632 Ordinary shares were bought back into treasury.

Since the year end, the Company has bought back a further 809,108 Ordinary shares into treasury. Accordingly, as at the date of this Report, the Company's issued share capital consisted of 97,873,458 Ordinary shares of 25 pence each and 6,290,964 Ordinary shares held in treasury.

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.

Management Agreement

The Company has appointed Aberdeen Standard Fund Managers Limited ("ASFML"), a wholly owned subsidiary of abrdn plc, as its Alternative Investment Fund Manager (the "Manager"). ASFML has been appointed to provide investment management, risk management, administration and company secretarial services, and promotional activities to the Company. The Company's portfolio is managed by Standard Life Investments Limited (the "Investment Manager") by way of a group delegation agreement in place between it and ASFML. In addition, ASFML has sub-delegated administrative and secretarial services to Aberdeen Asset Management PLC and promotional activities to Aberdeen Asset Managers Limited.

The management fee is calculated quarterly in arrears as 0.85% per annum applying to the first £250 million of the Company's net assets, 0.65% per annum applying to net assets above this threshold until £550 million, and 0.55% applying to net assets above this threshold.

In addition, the Manager receives a secretarial and administration fee of £75,000 plus VAT per annum with effect from 1 January 2021. Prior to this date, the secretarial and administration fee was £110,000 per annum, as uprated by movements in RPI. A fee of 0.02% of the net asset value of the Company in excess of £70 million was also payable and the fee was capped at £150,000 plus VAT in total per annum.

The Manager also receives a separate fee for the provision of promotional activities to the Company.

Further details of the fees payable to the Manager are shown in notes 4 and 5 to the financial statements.

The management agreement is terminable on not less than six months' notice. In the event of termination by the Company on less than the agreed notice period, compensation is payable to the Manager in lieu of the unexpired notice period.

External Agencies

The Board has contractually delegated to external agencies, including the Manager and other service providers, certain services including: the management of the investment portfolio, the day-to-day accounting and company secretarial requirements, the depositary services (which include cash monitoring, the custody and safeguarding of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements) and the share registration services. Each of these contracts was entered into

Directors' Report Continued

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.

Substantial Interests

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

The table below sets out the interests in 3% or more of the issued share capital of the Company, of which the Board was aware as at 30 June 2021.

Shareholder	Number of Ordinary shares	% held
Hargreaves Lansdown	10,842,849	11.0
Brewin Dolphin	10,584,514	10.7
Interactive Investor	9,562,441	9.7
Aberdeen Standard Investments Retail Plans	6,762,946	6.8
Rathbones	4,886,462	4.9
M&G Investment Management	3,961,300	4.0
Investec Wealth & Investment	3,738,755	3.8
AJ Bell	3,669,690	3.7
1607 Capital Partners	3,656,860	3.7

Since the year end, Brewin Dolphin has notified the Company of a reduction in its holding to 9,786,178 Ordinary shares (10.0%). The Company has not been notified of any other changes to the above holdings as at the date of this Report.

Directors

Biographies of the Directors of the Company are shown on pages 48 to 50. Liz Airey is the Chairman and Tim Scholefield is the Senior Independent Director.

All of the Directors will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting.

The Board has carried out an annual review of its own performance and effectiveness which it undertook through individually completed questionnaires and follow up discussion. It concluded that the Board continues to operate well and effectively and is focussing on the right issues in its work to promote the success of the Company and that each Director makes a significant contribution to the Board.

The Directors attended scheduled Board and Committee meetings during the year ended 30 June 2021 as follows (with their eligibility to attend the relevant meetings in brackets):

	Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination Committee Meetings
Liz Airey	5 (5)	- (-)	2 (2)	1 (1)
Ashton Bradbury	5 (5)	2 (2)	2 (2)	1 (1)
Alexa Henderson	5 (5)	2 (2)	2 (2)	1 (1)
Caroline Ramsay	5 (5)	2 (2)	2 (2)	1 (1)
Tim Scholefield	5 (5)	2 (2)	2 (2)	1 (1)

The Board meets more frequently when business needs require. During the year ended 30 June 2021 this included a Board meeting to approve an increase in the size of the Company's loan facility and Board Committee meetings to approve the annual and half yearly financial statements. All Directors were present at these meeting. All Directors attended the Annual General Meeting held on 21 October 2020 which was held as a functional-only meeting linked by video.

The Board believes that all the Directors seeking re-election remain independent of the Manager and free from any relationship which could materially interfere with the exercise of their judgement on issues of strategy, performance, resources and standards of conduct. The biographies of each of the Directors are shown on pages 48 to 50, setting out their range of skills and experience as well as length of service and their contribution to the Board during the year. The Board believes that each Director has the requisite high level and range of business, investment and financial experience which enables the Board to provide clear and effective leadership and proper governance of the Company. Following formal performance evaluations, each Director's performance continues to be effective and demonstrates commitment to the role, and their individual performances contribute to the long-term sustainable success of the Company. In addition, all Directors have demonstrated that they have sufficient time to fulfil their directorial roles with the Company. The Board therefore recommends the re-election of each of the Directors at the Annual General Meeting.

Board's Policy on Tenure

In normal circumstances, it is the Board's expectation that Directors will not serve beyond the Annual General Meeting following the ninth anniversary of their appointment. However, the Board takes the view that independence of individual Directors is not necessarily compromised by length of tenure on the Board and that continuity and experience can add significantly to the Board's strength. The Board believes that recommendation for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned, but also taking into account the need for regular refreshment and diversity.

It is the Board's policy that the Chairman of the Board will not normally serve as a Director beyond the Annual General Meeting following the ninth anniversary of his or her appointment to the Board. However, this may be extended in certain circumstances or to facilitate effective succession planning and the development of a diverse Board. In such a situation the reasons for the extension will be fully explained to shareholders and a timetable for the departure of the Chairman clearly set out.

The Role of the Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership to the Board, by setting the tone of the Company, demonstrating objective judgement and promoting a culture of openness and debate. The Chairman facilitates the effective contribution and encourages active engagement by each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making. The Chairman acts upon the results of the Board evaluation process by recognising strengths and addressing any weaknesses and also ensures that the Board engages with major shareholders and that all Directors understand shareholder views.

The Senior Independent Director acts as a sounding board for the Chairman and acts as an intermediary for other Directors, when necessary. Working closely with the Nomination Committee, the Senior Independent Director takes responsibility for an orderly succession process for the Chairman, and leads the annual appraisal of the Chairman's performance. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

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 financial year at the expense of the Company.

Management of Conflicts of Interest

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, each Director prepares a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or 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 Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although all Directors are issued with letters of appointment. There were no contracts during, or at the end of the year, in which any Director was interested.

The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Manager also adopts a group-wide zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption. Copies of the Manager's anti-bribery and corruption policies are available on its website.

In relation to the corporate offence of failing to prevent tax evasion, it is the Company's policy to conduct all business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion whether under UK law or under the law of any foreign country and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company has applied the principles identified in the UK Corporate Governance Code as published in July 2018 (the "UK Code"), which is available on the Financial Reporting Council's (the "FRC") website: **frc.org.uk**.

Directors' Report Continued

The Board has also considered the principles and provisions of the AIC Code of Corporate Governance as published in February 2019 (the "AIC Code"). The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The AIC Code is available on the AIC's website: **theaic.co.uk.** It includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders.

The Board confirms that, during the year, the Company complied with the principles and provisions of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- interaction with the workforce (provisions 2, 5 and 6);
- the role and responsibility of the chief executive (provisions 9 and 14);
- previous experience of the chairman of a remuneration committee (provision 32); and
- executive directors' remuneration (provisions 33 and 36 to 41).

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

Full details of the Company's compliance with the AIC Code of Corporate Governance can be found on its website.

Matters Reserved for the Board

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

These matters include:

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

Full and timely information is provided to the Board to enable it to function effectively and to allow the Directors to discharge their responsibilities.

Board Committees

The Board has appointed a number of Committees, as set out below. Copies of their terms of reference, which clearly define the responsibilities and duties of each Committee, are available on the Company's website, or upon request from the Company. The terms of reference of each of the Committees are reviewed and re-assessed by the Board for their adequacy on an ongoing basis.

Audit Committee
The Audit Committee's Report is contained on pages 63 to 66.

Management Engagement Committee
The Management Engagement Committee comprises the full Board and is chaired by Tim Scholefield. The main responsibilities of the Management Engagement Committee include:

- monitoring and evaluating the performance of the Manager;
- reviewing at least annually the continued retention of the Manager;
- reviewing, at least annually, the terms of appointment of the Manager including, but not limited to, the level and method of remuneration and the notice period of the Manager; and
- reviewing the performance and remuneration of the other key service providers to the Company.

The Management Engagement Committee met twice during the year to 30 June 2021 and, following a review of performance and the terms of appointment of the Manager, recommended to the Board that the continuing appointment of the Manager was in the best interests of the shareholders and the Company as a whole. In reaching this decision, the Management Engagement Committee considered the Company's long-term performance record and concluded that it remained satisfied with the capability of the abrdn Group to deliver satisfactory investment performance, that its investment screening processes are thorough and robust and that it employs a well-resourced team of skilled and experienced fund managers. In addition, the Management Engagement Committee is satisfied that the abrdn Group has the secretarial, administrative and promotional skills required for the effective operation and administration of the Company.

Nomination Committee
The Nomination Committee comprises the full Board and is chaired by Liz Airey. The main responsibilities of the Nomination 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, taking care to ensure that appointees have enough time available to devote to the position;
- ensuring that new appointees receive a formal letter of appointment and suitable induction and ongoing training;
- arranging for annual Board performance evaluations 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, Audit and Management Engagement Committees;
- assessing, on an annual basis, the independence of each Director;
- approving the re-election of any Director, subject to the UK Code, the AIC Code, or the Articles of Association, 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; and
- determining the Directors' remuneration policy and level of remuneration, including for the Chairman.

During the year, the Nomination Committee undertook an annual appraisal of the Chairman of the Board, individual Directors and the performance of Committees and the Board as a whole. This process involved the completion of questionnaires by each Director and follow-on discussions between the Chairman and each Director. The appraisal of the Chairman was undertaken by the Senior Independent Director. The results of the process were discussed by the Board following its completion, with appropriate action points made. Following this process, the Board concluded that it continues to operate well and effectively and is focussing on the right issues in its work to promote the success of the Company and that each Director makes a significant contribution to the Board. The Committee's intention is that the evaluation process in 2022 will be externally facilitated.

Directors' Report Continued

Going Concern

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

As at 30 June 2021, the Company had a £65 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. This consists of a five year, fixed-rate term loan facility of £25 million and a revolving credit facility of £40 million.

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 11 to 13 and they believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of this Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities is sufficiently liquid and could be used to meet short-term funding requirements were they to arise, including in current market conditions caused by the Covid-19 pandemic. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year and considered the Company's Statement of Financial Position as at 30 June 2021 which shows net current liabilities of £16.8 million at that date. Taking all of this into account, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Accountability and Audit

The respective responsibilities of the Directors and the Independent Auditor in connection with the financial statements appear on pages 69 and 70 to 74.

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Independent Auditor was unaware, and that each Director has 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.

Independent Auditor

Shareholders approved the re-appointment of KPMG LLP as the Company's Independent Auditor at the AGM on 21 October 2020 and resolutions to approve its re-appointment for the year to 30 June 2022 and to authorise the Directors to determine its remuneration will be proposed at the Annual General Meeting.

Financial Instruments

The financial risk management objectives and policies arising from financial instruments and the exposure of the Company to risk are disclosed in note 17 to the financial statements.

Relations with Shareholders

The Directors place a great deal of importance on communications with shareholders. Shareholders and investors may obtain up to date information on the Company through its website and the Manager's Customer Services Department (see Contact Addresses).

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (including the Company Secretary or the Manager) in situations where direct communication is required, and representatives from the Manager meet with major shareholders on at least an annual basis in order to gauge their views, and report back to the Board on these meetings. In addition, the Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. At each Board meeting the Board receives full details of any communication from shareholders to which the Chairman responds personally as appropriate.

The Company's Annual General Meeting usually provides a forum for communication primarily with private shareholders and is attended by the Board. The Manager makes a presentation to the meeting and all shareholders have the opportunity to put questions to both the Board and the Manager at the meeting. The Manager also hosts a regular 'Meet the Manager' session at which members of the Board are present and to which all shareholders are invited.

The notice of the Annual General Meeting is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board and Manager at the meeting.

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 issued by the Company other than certain restrictions which may from time to time be imposed by law (for example, the Market Abuse Regulation). 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 Directors' Remuneration Report on pages 59 to 62. The Company's Articles of Association may only be amended by a special resolution passed at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the management agreement with the Manager, further details of which are set out on page 51, the Company is not aware of any contractual or other agreements which are essential to its business which could reasonably be expected to be disclosed in the Directors' Report.

Annual General Meeting

The Notice of the Annual General Meeting ("AGM"), which will be held on Thursday, 21 October 2021, and related notes, may be found on pages 107 to 112.

Given the risks posed by the spread of the Covid-19 virus and in accordance with Government guidance, physical attendance at the Annual General Meeting may not be possible. If the law or Government guidance so requires at the time of the meeting, the Chairman will limit, in his or her sole discretion, the number of individuals in attendance at the meeting. Should Government measures be relaxed by the time of the meeting, the Company may still impose entry restrictions on certain persons wishing to attend the Annual General Meeting in order to ensure the safety of those attending the meeting.

Resolutions including the following business will be proposed.

Issue of Ordinary Shares

Resolution 11, which is an ordinary resolution, will, if passed, renew the Directors' authority to allot new Ordinary shares up to 10% of the issued share capital of the Company (excluding treasury shares) as at the date of the passing of the resolution.

Resolution 12, which is a special resolution, will, if passed, renew the Directors' existing authority to allot new Ordinary shares or sell treasury shares for cash without the new Ordinary shares first being offered to existing shareholders in proportion to their existing holdings. This will give the Directors authority to make limited allotments or sell shares from treasury of up to 10% of the total ordinary issued share capital (excluding treasury shares) as at the date of the passing of the resolution.

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 11.

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

The authorities being sought under resolutions 11 and 12 shall expire at the conclusion of the Company's next AGM in 2022 or, if earlier, on the expiry of 15 months from the date of the passing of the resolutions, unless such authorities are 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

Resolution 13, which is a special resolution, seeks to renew the Board's authority to make market purchases of the Company's Ordinary shares in accordance with the provisions contained in the Companies Act 2006 and the FCA's Listing Rules. Accordingly, the Company will seek 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 at a minimum price of 25 pence per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

The Board does not intend to use this authority to purchase the Company's Ordinary shares, unless to do so would result in an increase in the net asset value per Ordinary share and would be in the best interests of shareholders. Any Ordinary shares purchased shall either be cancelled or held in treasury. The authority being sought shall expire at the conclusion of the AGM in 2022 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution unless such authority is renewed prior to such time.

The Company bought back 1,382,632 Ordinary shares during the year ended 30 June 2021, representing 1.4% of the issued share capital. These buy backs were conducted in accordance with the Company's discount control policy which is included on page 15.

Directors' Report Continued

It is the view of the Board that this policy is in the best interests of shareholders as a whole. The use of the share buy back authority during the year is set out in the Chairman's Statement on page 6.

Sale of Treasury Shares

Subject to the passing of resolution 12, resolution 14, which is an ordinary resolution, will give the Directors authority to sell Ordinary shares out of treasury for cash at a price below the then prevailing net asset value of the Ordinary Shares, provided always that the Ordinary shares will only be sold or transferred out of treasury at prices (a) in excess of the average price at which the Ordinary shares were bought into treasury; and (b) at a narrower discount to the net asset value per share than the average level of discount that the Ordinary shares were purchased at. Any dilution to the net asset value associated with all the sale of treasury shares shall be restricted to no more than 0.5% in any financial year.

Tender Offers

In addition to the authority that is being sought by the Company under resolution 13 to purchase its own Ordinary shares of 25 pence each, resolution 15, which is a special resolution, grants the Board the authority to implement one or more tender offers and to repurchase up to a maximum of 10% of the Company's issued share capital in the financial year prior to the conclusion of the next AGM. If resolution 15 is passed, the tender offers will be structured by way of an on-market offer by a market-maker and the price will be an amount equal to the realisation value of the assets attributable to the shares tendered, as at the latest practicable date before such tender, less an exit charge of 2%. The shares will subsequently be bought back by the Company from the market-maker at the same price and cancelled or held in treasury.

If resolution 15 is passed, such authority will expire at the conclusion of the Company's AGM in 2022 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution unless renewed prior to that date.

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

Notice of Meeting

Under the Companies Act 2006, the notice period for the holding of general meetings of the Company is 21 clear days unless shareholders agree to a shorter notice period and certain other conditions are met. Resolution 16, which is a special resolution, will seek to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on not less than 14 clear days' notice, as permitted by the Companies Act 2006 amended by the Companies (Shareholders' Rights) Regulations 2009.

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where it is considered to be in the interests of all shareholders. If resolution 16 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the AGM in 2022 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution, unless renewed prior to such time.

Change of Company Name

Resolution 17, which will be proposed as a special resolution, seeks shareholder approval to change the Company's name to "abrdn UK Smaller Companies Growth Trust plc". The change of name is being proposed in order to align the Company's name with the name of the Manager's business, which has recently changed. If shareholders pass resolution 17, the Board will effect the change in name as soon as possible following the AGM.

Recommendation

The Board considers that the resolutions to be proposed at the AGM are 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, the Board recommends that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings, amounting to 64,900 Ordinary shares, representing 0.07% of the issued share capital.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary
1 George Street
Edinburgh EH2 2LL
6 September 2021

Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

1. a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the Annual General Meeting on 21 October 2020;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

Company law requires the Company's Independent Auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The Independent Auditor's report is included on pages 70 to 74.

As the Company has no employees, and the Board is comprised wholly of non-executive Directors, and given the size and nature of the Company, the Board has not established a separate Remuneration Committee. The Director's Remuneration Policy and level of Directors' remuneration are determined by the Nomination Committee, which is chaired by Liz Airey and comprises all of the Directors.

Remuneration Policy

The Directors' Remuneration Policy takes into consideration the principles of UK corporate governance and the AIC's recommendations regarding the application of those principles to investment companies.

No shareholder views have been sought in setting the remuneration policy and no communication was received from shareholders during the year regarding Directors' remuneration.

The Company's policy is that the remuneration of the Directors, all of whom are non-executive, should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts with a similar capital structure and similar investment objectives. Directors are remunerated exclusively in the form of fees, payable monthly in arrears to the Director personally. The fees for the Directors are determined within the limits set out in this Remuneration Policy which limits the aggregate of the fees payable to the Directors to £200,000 per annum. It is intended that the fees payable to the Directors should reflect their duties, responsibilities, and the value and amount of time committed to the Company's affairs, and should also be sufficient to enable candidates of a high quality to be recruited and retained. There is no performance-related remuneration scheme and therefore the Directors do not receive bonuses, pension benefits, share options, long-term incentive schemes or other benefits, and the fees are not specifically related to the Directors' performance, either individually or collectively.

The levels of fees at the year end are set out in the table below. Fees are reviewed annually and, if considered appropriate, increased accordingly.

	30 June 2021 £	30 June 2020 £
Chairman	35,000	35,000
Chairman of the Audit Committee	27,800	27,800
Chairman of the Management Engagement Committee	25,200	25,200
Director	23,700	23,700

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive and are appointed under the terms of letters of appointment.
- The terms of appointment provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. The Company's Articles of Association require all Directors to retire by rotation at least every three years. However, notwithstanding the Articles of Association, the Board has agreed that all Directors should retire annually and, if appropriate, seek re-election at the AGM.
- Any Director newly appointed to the Board will receive the fee applicable to each of the other Directors at the time of appointment together with any other fee then currently payable in respect of a specific role which the new Director is to undertake for the Company.
- No incentive or introductory fees will be paid to encourage a person to become a Director.
- Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties as a Director of the Company.

Directors' Remuneration Report Continued

Performance, Service Contracts, Compensation and Loss of Office

- Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- There is no notice period and no provision for compensation upon early termination of appointment, save for any arrears of fees which may be due.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

There were no changes to the Directors' Remuneration Policy during the year nor are there any proposals for changes in the foreseeable future. The Remuneration Policy is reviewed by the Nomination Committee on an annual basis and it is the Committee's intention that this Remuneration Policy will apply for the three year period ending 30 June 2023.

Statement of Voting at General Meeting

At the Annual General Meeting held on 21 October 2020, shareholders approved the Directors' Remuneration Policy. 99.3% of proxy votes were in favour of the resolution, 0.6% were against and 0.1% abstained.

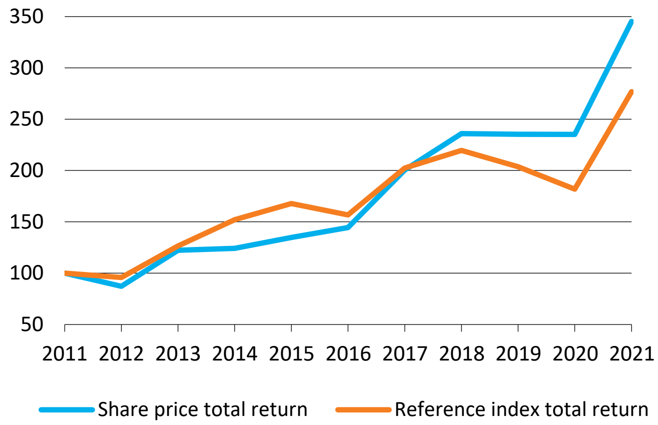
Implementation Report

Review of Directors' Fees

The Nomination Committee carried out a review of the level of Directors' fees during the year, which included consideration of fees paid by comparable investment trusts and the sector as a whole. Following this review, the Nomination Committee concluded that fees would be increased with effect from 1 July 2021 to £37,400 for the Chairman, £29,700 for the Chairman of the Audit Committee, £27,000 for the Chairman of the Management Engagement Committee and £25,300 for the other Directors. The Nomination Committee was not provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

Company Performance

The graph below shows the share price total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the Numis Smaller Companies plus AIM (ex investment companies) Index for the ten year period to 30 June 2021 (rebased to 100 at 30 June 2011). This index was chosen for comparison purposes as it is the reference index used for investment performance measurement purposes.



Statement of Voting at General Meeting

At the Company's last Annual General Meeting, held on 21 October 2020, shareholders approved the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 30 June 2020. 99.3% of proxy votes were in favour of the resolution, 0.5% were against and 0.2% abstained.

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 30 June 2021 will be proposed at the Annual General Meeting.

Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

Audited Information
Directors' Remuneration

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

	Year ended 30 June 2021			Year ended 30 June 2020		
Director	Fees £	Taxable Expenses £	Total £	Fees £	Taxable Expenses £	Total £
Liz Airey[A]	35,000	118	35,118	23,276	958	24,234
Ashton Bradbury	23,700	-	23,700	23,700	1,124	24,824
Alexa Henderson	23,700	-	23,700	23,700	-	23,700
Allister Langlands[B]	-	-	-	26,250	1,263	27,513
Caroline Ramsay	27,800	-	27,800	27,800	3,793	31,593
Tim Scholefield	25,200	-	25,200	25,200	1,248	26,448
Total	**135,400**	**118**	**135,518**	**149,926**	**8,386**	**158,312**

[A] Appointed a Director on 21 August 2019 and Chairman on 31 March 2020
[B] Retired 31 March 2020

The above amounts exclude any employers' national insurance contributions, if applicable. All fees are at a fixed rate and there is no variable remuneration. Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

Annual Percentage Change in Directors' Remuneration

The table below sets out the annual percentage change in Directors' remuneration for the past two years.

	Year ended 30 June 2021		Year ended 30 June 2020	
	Fees %	Taxable Expenses %	Fees %	Taxable Expenses %
Liz Airey[A]	50.4	(87.7)	n/a	n/a
Ashton Bradbury	-	(100.0)	3.0	25.4
Alexa Henderson[B]	-	-	40.9	n/a
Caroline Ramsay	-	(100.0)	3.0	10.4
Tim Scholefield	-	(100.0)	2.9	-18.4

[A] Appointed a Director on 21 August 2019 and Chairman on 31 March 2020
[B] Appointed a Director on 8 October 2018

Directors’ Remuneration Report Continued

Directors’ Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 30 June 2021 and 30 June 2020 had no interest in the share capital of the Company other than those interests, all of which are beneficial, shown in the following table.

	30 June 2021 Ordinary shares	30 June 2020 Ordinary shares
Liz Airey	40,000	40,000
Ashton Bradbury	10,000	10,000
Alexa Henderson	4,391	2,942
Caroline Ramsay	4,545	4,545
Tim Scholefield	5,964	5,964

There have been no changes to the Directors’ interests in the share capital of the Company since the year end up to the date of approval of this Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 30 June 2021:

- the major decisions on Directors’ remuneration;
- any substantial changes relating to Directors’ remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

On behalf of the Board
Liz Airey
Chairman
6 September 2021

Audit Committee's Report

The Audit Committee presents its Report for the year ended 30 June 2021.

Committee Composition

The Audit Committee comprises all of the non-executive Directors other than the Chairman of the Board. The Audit Committee is chaired by Caroline Ramsay who is a Chartered Accountant and has recent and relevant financial experience. The Board is satisfied that the Audit Committee as a whole has competence relevant to the investment trust sector.

Functions of the Audit Committee

The principal role of the Audit Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Audit Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on at least an annual basis. Copies of the terms of reference are published on the Company's website and are available from the Company on request.

The Committee's main functions are listed below:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant and internal audit and compliance reports (including review of non-financial risks) (the Directors' statement on the Company's internal controls and risk management is set out below);
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company and any formal announcements relating to the Company's financial performance, by reviewing, and challenging where necessary the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly financial reports, and any formal announcements relating to the Company's financial performance;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with the Independent Auditor to review the proposed audit programme of work and the findings of the Independent Auditor. The Audit Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the Independent Auditor to supply non-audit services. There were no non-audit fees paid to the Independent Auditor during the year under review or during the previous year. All non-audit services must be approved in advance by the Audit Committee and will be reviewed in the light of relevant guidance and statutory requirements regarding the provision of non-audit services by the external audit firm, and the need to maintain the Auditor's independence;
- to review a statement from the abrdn Group detailing the arrangements in place within the group whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations to the Board in relation to the appointment of the Independent Auditor and to approve the remuneration and terms of engagement of the Independent Auditor; and
- to monitor and review the Auditor's independence, objectivity, effectiveness, resources and qualification, taking into consideration relevant UK professional and regulatory requirements;

Activities During the Year

The Audit Committee met twice during the year when, amongst other things, it considered the Annual Report and the Half-Yearly Financial Report in detail. Representatives of the abrdn Group's internal audit, risk and compliance departments reported to the Audit Committee at these meetings on matters such as internal control systems, risk management and the conduct of the business in the context of its regulatory environment. No significant weaknesses in the control environment were identified and it was also noted that there had not been any adverse comment from the Independent Auditor and that the Independent Auditor had not identified any significant issues in its audit report. The Committee, therefore, concluded that there were no significant issues which required to be escalated to the Board.

Audit Committee's Report Continued

The Audit Committee also considered the implications for the Company as a result of the spread of the Covid-19 virus, including the resilience of the reporting and control systems in place for both the Manager and other service providers.

Internal Controls and Risk Management

The Audit Committee confirms that there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that has been in place for the year ended 30 June 2021 and up to the date of approval of the Annual Report, is regularly reviewed by the Audit Committee and accords with the FRC's guidance on internal controls.

The Board has overall responsibility for ensuring that there is a system of internal controls and risk management in place and a process for reviewing its effectiveness. Day-to-day measures have been delegated to the Manager with an effective process of reporting to the Board for supervision and control. The system of internal controls and risk management is designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the system of internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, by its nature, can only provide reasonable and not absolute assurance against material misstatement or loss.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board, through the Audit Committee, has prepared its own risk register which lists potential risks as summarised in the Strategic Report on pages 11 to 13. The Audit Committee considers the potential cause and possible effect of these risks as well as reviewing the controls in place to mitigate them.

Clear lines of accountability have been established between the Board and the Manager. The Audit Committee receives regular reports covering key performance and risk indicators and considers control and compliance issues brought to its attention. In carrying out its review, the Audit Committee has had regard to the activities of the abrdn Group, including its internal audit and compliance functions, and the Independent Auditor.

The Audit Committee has reviewed the abrdn Group's process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed. The Audit Committee has also reviewed the effectiveness of the abrdn Group's system of internal control as it relates to the Company, including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurances Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organization". Any weaknesses identified that are relevant to the Company are reported to the Audit Committee and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Audit Committee.

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

- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers. These agreements are reviewed periodically by the Board;
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- as a matter of course the abrdn Group's internal audit and compliance departments continually review its operations;
- bi-annually, the Audit Committee carries out an assessment of internal controls by considering documentation from the abrdn Group, including the internal audit and compliance functions and reports to the Board on its conclusions; and
- the Audit Committee reviews internal control reports provided by the Depositary, BNP Paribas Securities Services, London Branch.

The Audit Committee has considered the need for an internal audit function. However, the Company has no employees and the day-to-day management of the Company's assets has been delegated to the abrdn Group which has its own compliance and internal control systems and internal audit department which provides reports to the Audit Commiteee for discussion. The Audit Committee has therefore decided to place reliance on those systems and internal audit procedures and has concluded that it is not necessary for the Company to have its own internal audit function.

Financial Statements and Significant Matters

During its review of the Company's financial statements for the year ended 30 June 2021, the Audit Committee considered the following significant matters, in particular those communicated by the Independent Auditor during its planning and reporting of the year end audit:

Valuation, Existence and Ownership of Investments

How the matter was addressed - The Company uses the services of an independent depositary (BNP Paribas Securities Services, London Branch) (the "Depositary") to hold the assets of the Company. An annual internal control report is received from the Depositary and reviewed by the Audit Committee. This provides details of the Depositary's control environment. The investment portfolio is reconciled regularly by the Manager. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared quarterly and are considered at the quarterly meetings of the Board. The Audit Committee also considered the Independent Auditor's work and conclusions in this area. The valuation of investments is undertaken in accordance with the accounting policies disclosed in note 2(b) to the financial statements.

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

Recognition of Dividend Income

How the matter was addressed - The recognition of dividend income is undertaken in accordance with accounting policy note 2(d) to the financial statements. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the specific circumstances. Management accounts are reviewed by the Board on a quarterly basis and discussions take place with the Manager regarding the allocation of any special dividends that have been received. The Audit Committee also considered the Independent Auditor's work and conclusions in this area.

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

Review of Financial Reporting

The Audit Committee, when considering the draft Annual Report and financial statements for the year ended 30 June 2021, concluded that taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In reaching this conclusion, the Audit Committee has assumed that the reader of the Annual Report and financial statements would have a reasonable knowledge of the investment industry in general and of investment trusts in particular.

Review of Independent Auditor

The Audit Committee has reviewed the effectiveness of the Independent Auditor, KPMG LLP ("KPMG"), including:

- Independence - the Independent Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Audit Committee aware of any potential issues, explaining all relevant safeguards.
- Quality of audit work - including the ability to resolve issues in a timely manner (identified issues are satisfactorily and promptly resolved), its communications/presentation of outputs (the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible), and working relationship with management (the Independent Auditor has a constructive working relationship with the Manager).
- Quality of people and service - including continuity and succession plans (the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the audit partner).
- Fees – including current and proposed fees for future years.

The Independent Auditor's report is included on pages 70 to 74. Details of the amounts paid to KPMG during the year for audit services are set out in note 5 to the financial statements.

Audit Committee's Report Continued

Tenure of the Independent Auditor

KPMG was initially appointed as the Company's Independent Auditor at the Annual General Meeting on 26 October 2017. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 30 June 2021 is the fourth year for which the present audit partner, Philip Merchant, has served.

In compliance with the appropriate regulations, the next audit tender of the Company is due to take place by 2027.

The Audit Committee is satisfied with the quality of the work and service carried out by KPMG and with the level of fees. The Audit Committee is also satisfied that KPMG is independent and therefore supports the recommendation to the Board that the re-appointment of KPMG be put to shareholders for approval at the Annual General Meeting.

On behalf of the Audit Committee
Caroline Ramsay
Chair of the Audit Committee
6 September 2021

Financial Statements

For the year ended 30 June 2021, the Company's Net Asset Value ("NAV") total return was 41.9%. The share price total return was 46.9%. This compares to the total return of the Company's reference index, the Numis Smaller Companies plus AIM (ex investment companies) Index, of 52.3%.

A steel bear sculpture by Scottish artist Andy Scott, in Dunbar, East Lothian. The welded artwork was hot dip galvanized at one of Hill & Smith's plants.

Gamma Communications

Diploma

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 the Directors are required to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, but not for the content of any information included on the website that has been prepared or issued by third parties. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; and
- the Strategic Report and Directors' Report include 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.

On behalf of the Board
Liz Airey
Chairman
6 September 2021

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

1. Our Opinion is Unmodified

We have audited the financial statements of Standard Life UK Smaller Companies Trust plc (the "Company") for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

- We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

- We were first appointed as auditor by the shareholders on 26 October 2017. The period of total uninterrupted engagement is for the four financial years ended 30 June 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key Audit Matters: Our Assessment of Risks of Material Misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2020), in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

Carrying amount of quoted investments (£770.0 million; 2020: £527.0 million) *Refer to page 65 (Audit Committee Report), page 79 (accounting policy) and pages 84 and 85 (financial disclosures).*	**Low risk, high value** The Company's portfolio of quoted investments makes up 97% (2020: 95%) of the Company's total assets (by value) and is considered to be the key driver of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	We performed the detailed tests below rather than seeking to rely on controls, because the nature of the balance is such that detailed testing is determined to be the most effective manner of obtaining audit evidence. Our procedures included: · **Tests of detail:** Agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and · **Enquiry of Depositary:** Agreeing 100% of investment holdings in the portfolio to independently received third party confirmations from the Depositary. **Our results:** We found the carrying amount of quoted investments to be acceptable (2020: acceptable).

3. Our Application of Materiality and an Overview of the Scope of our Audit

Materiality for the financial statements as a whole was set at £7.9 million (2020: £5.5 million), determined with reference to a benchmark of total assets, of which it represents 1% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £5.9 million (2020: £4.1 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £400,000 (2020: £275,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

4. Going Concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the “going concern period”).

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company’s financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company’s available financial resources and its ability to operate over this period were:

- The impact of a significant reduction in the valuation of investments and the implications for the Company’s debt covenants;
- The liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due; and
- The operational resilience of key service organisations.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company’s current and projected cash and liquid investment position.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors’ assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors’ statement in Note 2 (a) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company’s use of that basis for the going concern period, and we found the going concern disclosure in note 2 (a) to be acceptable; and
- the related statement under the Listing Rules set out on page 56 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

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

5. Fraud and Breaches of Laws and Regulations - Ability to Detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- Reading Board and Audit Committee minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we have rebutted the fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation. We did not identify any significant unusual transactions or additional fraud risks.

Identifying and Responding to Risks of Material Misstatement due to Non-compliance with Laws and Regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, the Investment Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and its qualification as an Investment Trust under UK taxation legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We assessed the legality of the distributions made by the Company in the period based on comparing the dividends paid to the distributable reserves prior to each distribution, including consideration of accounts filed during the year.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the Ability of the Audit to Detect Fraud or Breaches of Law or Regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We Have Nothing to Report on the Other Information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of Emerging and Principal Risks and Longer-Term Viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 15 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement set out on page 15 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate Governance Disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

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

7. We Have Nothing to Report on the Other Matters on Which we are Required to Report by Exception

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.

We have nothing to report in these respects.

8. Respective Responsibilities

Directors' Responsibilities

As explained more fully in their statement set out on page 69, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

9. The Purpose of Our Audit Work and to Whom we Owe our Responsibilities

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.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG
6 September 2021

Statement of Comprehensive Income

		Year ended 30 June 2021			Year ended 30 June 2020		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains/(losses) on investments held at fair value	10	–	213,905	213,905	–	(6,556)	(6,556)
Income	3	8,573	–	8,573	8,744	–	8,744
Investment management fee	4	(1,149)	(3,449)	(4,598)	(985)	(2,953)	(3,938)
Other administrative expenses	5	(828)	–	(828)	(811)	–	(811)
Net return before finance costs and taxation		6,596	210,456	217,052	6,948	(9,509)	(2,561)
Finance costs	6	(204)	(612)	(816)	(201)	(604)	(805)
Return before taxation		6,392	209,844	216,236	6,747	(10,113)	(3,366)
Taxation	7	–	–	–	–	–	–
Return after taxation		**6,392**	**209,844**	**216,236**	**6,747**	**(10,113)**	**(3,366)**
Return per Ordinary share (pence)	9	**6.43**	**211.01**	**217.44**	**6.74**	**(10.10)**	**(3.36)**

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

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

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

Statement of Financial Position

	Notes	As at 30 June 2021 £'000	As at 30 June 2020 £'000
Non-current assets			
Investments held at fair value through profit or loss	10	770,003	527,040
Current assets			
Debtors	11	2,238	879
Investments in AAA-rated money market funds		22,636	26,465
Cash and short term deposits		95	49
		24,969	27,393
Current liabilities			
Creditors: other amounts falling due within one year	12	(1,775)	(1,443)
Bank loan	12,13	(40,000)	–
		(41,775)	(1,443)
Net current (liabilities)/assets		(16,806)	25,950
Total assets less current liabilities		753,197	552,990
Creditors: amounts falling due after more than one year			
Bank loan	13	(24,951)	(24,914)
Net assets		**728,246**	**528,076**
Capital and reserves			
Called-up share capital	14	26,041	26,041
Share premium account		170,146	170,146
Special reserve		20,132	28,534
Capital reserve	15	504,395	294,551
Revenue reserve		7,532	8,804
Equity shareholders' funds		**728,246**	**528,076**
Net asset value per Ordinary share (pence)	16	**737.97**	**527.73**

The financial statements on pages 75 to 92 were approved by the Board of Directors on 6 September 2021 and were signed on its behalf by:

Liz Airey
Chairman

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

Statement of Changes in Equity

For the year ended 30 June 2021

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2020	26,041	170,146	28,534	294,551	8,804	528,076
Return after taxation	–	–	–	209,844	6,392	216,236
Buyback of Ordinary shares into Treasury (see note 14)	–	–	(8,402)	–	–	(8,402)
Dividends paid (see note 8)	–	–	–	–	(7,664)	(7,664)
Balance at 30 June 2021	**26,041**	**170,146**	**20,132**	**504,395**	**7,532**	**728,246**

For the year ended 30 June 2020

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2019	26,041	170,146	30,977	304,664	10,866	542,694
Return after taxation	–	–	–	(10,113)	6,747	(3,366)
Buyback of Ordinary shares into Treasury (see note 14)	–	–	(2,443)	–	–	(2,443)
Dividends paid (see note 8)	–	–	–	–	(8,809)	(8,809)
Balance at 30 June 2020	**26,041**	**170,146**	**28,534**	**294,551**	**8,804**	**528,076**

The capital reserve at 30 June 2021 is split between realised of £179,141,000 and unrealised of £325,254,000 (30 June 2020 – realised £139,823,000 and unrealised £154,728,000).

The Company's reserves available to be distributed by way of dividends or buybacks which includes the revenue reserve and the realised element of the capital reserve amount to £186,673,000 (30 June 2020 – £148,627,000). In addition, the special reserve of £20,132,000 (30 June 2020 – £28,534,000) is available to fund buy backs but cannot be used to pay dividends.

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

Statement of Cash Flows

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Operating activities		
Net return before taxation	216,236	(3,366)
Adjustment for:		
(Gains)/losses on investments	(213,905)	6,556
(Increase)/decrease in accrued dividend income	(994)	880
Decrease in accrued interest income	7	5
Finance costs	816	805
Increase in other debtors	(3)	(2)
Increase in other creditors	281	19
Overseas withholding tax received	–	21
Net cash inflow from operating activities	2,438	4,918
Investing activities		
Purchases of investments	(188,635)	(84,429)
Sales of investments	159,116	101,466
Purchases of AAA-rated money market funds	(150,977)	(99,397)
Sales of AAA-rated money market funds	154,806	88,843
Net cash (outflow)/inflow from investing activities	(25,690)	6,483
Financing activities		
Bank and loan interest paid	(756)	(768)
Repurchase of Ordinary shares into Treasury	(8,282)	(2,443)
Drawdown of loan	40,000	20,000
Repayment of loan	–	(20,000)
Equity dividends paid	(7,664)	(8,809)
Net cash inflow/(outflow) from financing activities	23,298	(12,020)
Increase/(decrease) in cash	**46**	**(619)**
Analysis of changes in cash during the year		
Opening balance	49	668
Increase/(decrease) in cash as above	46	(619)
Closing balance	**95**	**49**

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

Notes to the Financial Statements

1. **Principal activity.** The Company is a closed-end investment company, registered in Scotland No SC145455, with its Ordinary shares being listed on the London Stock Exchange.

2. **Accounting policies**

a) **Basis of accounting and going concern**. The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in April 2021. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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

The Company does not have a fixed life and, under the Articles of Association, there is no requirement for a continuation vote.

The Company has a £65 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. This consists of a five year, fixed-rate term loan facility of £25 million and a revolving credit facility of £40 million. The Board has set limits for borrowing and regularly reviews the Company's gearing levels and its compliance with bank covenants. A replacement option would be sought in advance of the expiry of the facility on 31 October 2022, or, should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required.

The Board has considered the impact of COVID-19 and believe that this will have a limited financial impact on the Company's operational resources and existence. The results of stress testing prepared by the Manager, which models a sharp decline in market levels and income, demonstrated that the Company had the ability to raise sufficient funds so as to remain within its debt covenants and pay expenses. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year and considered the Company's Statement of Financial Position as at 30 June 2021 which shows net current liabilities of £16.8 million at that date.

Taking the above factors into consideration, and acknowledging that the Company has net current liabilities at the year end, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

The accounting policies applied are unchanged from the prior year and have been applied consistently.

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

Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery to be made 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 the FTSE All-Share and the most liquid AIM constituents.

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

Notes to the Financial Statements Continued

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

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

e) **Expenses and interest payable**. Expenses are accounted for on an accruals basis. Expenses are charged to the capital column of the Statement of Comprehensive Income when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs are allocated 25% to revenue and 75% to the capital columns of the Statement of Comprehensive Income in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively (see notes 4 and 6).

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

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

g) **Nature and purpose of reserves**

Called-up share capital. The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve. This reserve is not distributable.

Share premium account. The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 25p. This reserve is not distributable.

Special reserve. 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. The special reserve is used to fund share purchases of its own Ordinary shares by the Company.

Capital reserve. Gains or losses on disposal of investments and changes in fair values of investments are transferred to the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve. The part of this reserve represented by realised capital gains is available for distribution by way of share buybacks and dividends.

Revenue reserve. Income and expenses which are recognised in the revenue column of the Statement of Comprehensive Income are transferred to the revenue reserve. The revenue reserve is available for distribution including by way of dividend.

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

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

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

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

j) **Judgements and key sources of estimation uncertainty.** Disclosure is required of judgements and estimates made by management in applying the accounting policies that have a significant effect on the Financial Statements. There are no significant estimates or judgements which impact these Financial Statements.

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

l) **Bank borrowing.** Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the straight line method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

m) **Treasury shares.** When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effect, and is recognised as a deduction from the special reserve. When these shares are sold subsequently, the amount received is recognised as an increase in equity, and any resulting surplus on the transaction is transferred to the share premium account and any resulting deficit is transferred from the capital reserve.

3. Income

	2021 £'000	2020 £'000
Income from investments		
UK dividend income	6,394	6,675
Property income distributions	867	1,143
Overseas dividend income	1,054	466
Special dividends	232	288
	8,547	8,572
Other income		
Interest from AAA-rated money market funds	26	172
Total income	**8,573**	**8,744**

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4. Investment management fee

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**1,149**	**3,449**	**4,598**	**985**	**2,953**	**3,938**

The balance due to Aberdeen Standard Fund Managers Limited ("ASFML") at the year end was £1,264,000 (2020 – £983,000). For further details see note 21.

5. Administrative expenses (inclusive of VAT)

	2021 £'000	2020 £'000
Secretarial fees[A]	135	180
Promotional activities[A]	180	120
Directors' fees	135	150
Auditor's remuneration:		
– fees payable to the Company's Independent Auditor for the audit of the annual accounts (excluding VAT)	33	26
– VAT on audit fees	6	5
Registrar's fees	26	26
Professional fees	45	46
Custody fees	29	25
Depositary fees	92	101
Other expenses	147	132
	828	**811**

[A] The Company has an agreement with ASFML for the provision of secretarial services and promotional activities. Secretarial fees payable during the year, inclusive of VAT, were £135,000 (2020 – £180,000) and the amount due to ASFML at the year end was £68,000 (2020 – £90,000). Costs relating to promotional activities during the year, inclusive of VAT, were £180,000 (2020 – £120,000) and the amount due to ASFML at the year end was £60,000 (2020 – £42,000).

6. Finance costs

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loan interest	177	532	709	171	514	685
Non-utilisation fees	18	52	70	21	62	83
Amortisation of loan arrangement expenses	9	28	37	9	28	37
	204	**612**	**816**	**201**	**604**	**805**

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7. Taxation

(a) Analysis of charge for year

			2021			2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Tax charge	–	–	–	–	–	–

(b) Provision for deferred taxation. At 30 June 2021, the Company had unutilised management expenses and loan relationship losses of £69,571,000 (2020 – £64,228,000). A deferred tax asset has not been recognised on the unutilised management expenses and loan relationship losses as it is unlikely there will be suitable future taxable profits against which these tax losses could be deducted. The rate of which a potential deferred tax asset would have been assessed at will change from 19% to 25% with effect from 1 April 2023.

(c) Factors affecting the tax charge for the year. The UK corporation tax rate is 19% (2020 – same). The tax charge for the year is lower (2020 – higher) than the standard rate of corporation tax in the UK of 19% (2020 – 19%). The differences are explained in the following table.

			2021			2020
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	6,392	209,844	216,236	6,747	(10,113)	(3,366)
Corporation tax at a rate of 19% (2020 – 19%)	1,215	39,870	41,085	1,282	(1,922)	(640)
Effects of:						
Non-taxable UK dividend income	(1,259)	–	(1,259)	(1,323)	–	(1,323)
Non-taxable overseas dividend income	(200)	–	(200)	(89)	–	(89)
Management expenses and loan relationship losses not utilised	244	771	1,015	130	676	806
Non-taxable (gains)/losses on investments	–	(40,641)	(40,641)	–	1,246	1,246
Total tax charge	–	–	–	–	–	–

8. Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the period:		
2020 final dividend of 5.00p per share (2019 – 6.10p) paid on 30 October 2020	4,986	6,106
2021 interim dividend of 2.70p per share (2020 – 2.70p) paid on 9 April 2021	2,678	2,703
	7,664	**8,809**

The proposed 2021 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.

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Set out below are 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 £6,392,000 (2020 – £6,747,000).

	2021 £'000	2020 £'000
Interim dividend 2021 of 2.70p per share (2020 – 2.70p) paid on 9 April 2021	2,678	2,703
Proposed final dividend 2021 of 5.00p per share (2020 – 5.00p) payable on 29 October 2021	4,894	5,002
	7,572	**7,705**

The amount payable for the proposed final dividend is based on the Ordinary shares in issue as the date of approval of this Report, 6 September 2021, which satisfies the requirement of Section 1159 of the Corporation Tax Act 2010.

9. Return per Ordinary share

	2021 p	2021 £000	2020 p	2020 £000
Basic				
Revenue return	6.43	6,392	6.74	6,747
Capital return	211.01	209,844	(10.10)	(10,113)
Total return	**217.44**	**216,236**	**(3.36)**	**(3,366)**
Weighted average number of Ordinary shares in issue		**99,447,493**		**100,172,276**

10. Investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Opening book cost	372,312	369,229
Opening investment holdings gains	154,728	181,680
Opening fair value	527,040	550,909
Additions at cost	188,543	84,089
Disposals – proceeds	(159,485)	(101,402)
Gains/(losses) on investments	213,905	(6,556)
Closing fair value	**770,003**	**527,040**

	2021 £'000	2020 £'000
Closing book cost	444,749	372,312
Closing investment holding gains	325,254	154,728
Closing fair value	**770,003**	**527,040**

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

The Company received £159,485,000 (2020 – £101,402,000) from investments sold in the period. The book cost of these investments when they were purchased was £116,107,000 (2020 – £81,006,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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/(losses) on investments in the Statement of Comprehensive Income. The total costs were as follows:

	2021 £'000	2020 £'000
Purchases	600	297
Sales	98	68
	698	**365**

11. Debtors

	2021 £'000	2020 £'000
Amounts due from brokers	631	262
Dividends receivable	1,587	593
Other debtors	20	24
	2,238	**879**

12. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Amounts payable to brokers	120	92
Bank loan	40,000	–
Interest payable	121	98
Investment management fee payable	1,264	983
Sundry creditors	270	270
	41,775	**1,443**

Bank loan

On 1 November 2017 the Company entered into a £45 million unsecured loan facility agreement arranged with The Royal Bank of Scotland International Limited, which was increased to £65 million effective 10 May 2021. The facilities consist of a five year fixed-rate term loan facility of £25,000,000 (the "Term Loan") and a five year revolving credit facility of £40,000,000 (the "RCF"). The Term Loan has a maturity date of 31 October 2022.

The Company had drawn down £25 million of the Term Loan at the year end, at an interest rate of 2.349% (2020: same) and £40 million of the RCF, at an interest rate of 1.201% (2020: nil), with a maturity date of 12 July 2021. Subsequent to the year end, the loan was rolled over and £40 million was drawn down at the date of this Report at an approximate SONIA interest rate of 1.20% until 13 September 2021.

The terms of the unsecured loan facility agreement ("the agreement") contain covenants that the Consolidated Net Tangible Assets as defined in the agreement must not be less than £200 million, the percentage of borrowings against the Adjusted Portfolio Value as defined in the agreement shall not exceed 30%, and the portfolio contains a minimum of thirty eligible investments (investments made in accordance with the Company's investment policy). The Company complied with all covenants throughout the year.

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13. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank loan	25,000	25,000
Unamortised loan arrangement expenses	(49)	(86)
	24,951	**24,914**

The fair value of the term loan as at 30 June 2021 was £25,742,000 (2020 – £26,390,000), the value being calculated per the disclosure in note 20.

14. Called-up share capital

	2021		2020	
	Number	£'000	Number	£'000
Authorised	**150,000,000**	**37,500**	**150,000,000**	**37,500**
Issued and fully paid:				
Ordinary shares of 25p each	98,682,566	24,671	100,065,198	25,016
Held in treasury:	5,481,856	1,370	4,099,224	1,025
	104,164,422	**26,041**	**104,164,422**	**26,041**

	Ordinary shares Number	Treasury shares Number	Total Number
Opening balance	100,065,198	4,099,224	104,164,422
Share buybacks	(1,382,632)	1,382,632	–
Closing balance	**98,682,566**	**5,481,856**	**104,164,422**

During the year the Company repurchased 1,382,632 (2020 – 520,213) Ordinary shares to treasury at a cost of £8,402,000 (2020 – £2,443,000). Subsequent to the year end, a further 809,108 Ordinary shares were repurchased to treasury at a cost of £5,961,000.

15 Capital reserve

	2021 £'000	2020 £'000
Opening balance	294,551	304,664
Unrealised gains/(losses) on investment holdings	170,527	(26,952)
Gains on realisation of investments at fair value	43,378	20,396
Management fee charged to capital	(3,449)	(2,953)
Finance costs charged to capital	(612)	(604)
Closing balance	**504,395**	**294,551**

The capital reserve includes investment holding gains amounting to £325,254,000 (2020 – gains of £154,728,000) as disclosed in note 10.

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 Statement of Financial Position reflects the rights, under the Articles of Association, of the Ordinary shareholders on a return of assets.

	2021	2020
Net assets attributable (£'000)	728,246	528,076
Number of Ordinary shares in issue at year end[A]	98,682,566	100,065,198
Net asset value per share	737.97p	527.73p

[A] Excluding shares held in treasury.

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. No such transactions took place during the year

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

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

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 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.

As at 30 June 2021, the Company had drawn down £65 million (2020 – £25 million) of the £65 million (2020 – £45 million) unsecured loan facility agreement arranged with The Royal Bank of Scotland International Limited. The facilities consist of a five year fixed-rate term loan facility of £25 million and a five year revolving credit facility of £40 million.

Notes to the Financial Statements Continued

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

As at 30 June 2021	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Investments in AAA-rated money market funds	–	0.08	–	22,636
Cash deposits	–	–	–	95
Total assets	**–**	**–**	**–**	**22,731**
Liabilities				
Bank loan	1.33	2.35	25,000	–
Bank loan	0.08	1.20	40,000	–
Total liabilities	**–**	**–**	**65,000**	**–**

As at 30 June 2020	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Investments in AAA-rated money market funds	–	0.34	–	26,465
Cash deposits	–	–	–	49
Total assets	**–**	**–**	**–**	**26,514**
Liabilities				
Bank loan	2.33	2.35	25,000	–
Total liabilities	**–**	**–**	**25,000**	**–**

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 investments in AAA-rated 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 year end date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's profit for the year ended 30 June 2021 and net assets would increase/decrease by £227,000 (2020 – increase/decrease by £265,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and money market funds.

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets and the stock selection process, as detailed on pages 30 and 31, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are mainly listed on the London Stock Exchange.

Other price risk sensitivity. If market prices at the year end date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary Shareholders for the year ended 30 June 2021 would have increased/decreased by £77,000,000 (2020 – increase/decrease of £52,704,000). 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 and AAA-rated money market funds, which can be sold to meet funding commitments if necessary. The maturity of the Company's existing borrowings is set out in the credit risk profile section of this note.

As at 30 June 2021	Expected cash flows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
Bank loan	65,825	40,190	439	25,196

As at 30 June 2020	Expected cash flows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
Bank loan	26,370	148	439	25,783

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

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

– investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, both stock and cash reconciliations to the Custodians' records are performed on a daily basis to ensure discrepancies are investigated on a timely basis.

– cash is held only with reputable banks with high quality external credit enhancements.

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

Notes to the Financial Statements Continued

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

Current assets	2021 Statement of Financial Position £'000	2021 Maximum exposure £'000	2020 Statement of Financial Position £'000	2020 Maximum exposure £'000
Debtors	631	631	262	262
Investments in AAA-rated money markets funds	22,636	22,636	26,465	26,465
Cash and short term deposits	95	95	49	49
	23,362	**23,362**	**26,776**	**26,776**

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

18. Analysis of changes in net debt

	At 30 June 2020 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2021 £'000
Cash and cash equivalents	49	46	–	95
Investments in AAA-rated money market funds	26,465	(3,829)	–	22,636
Debt due in less than one year	–	(40,000)	–	(40,000)
Debt due after more than one year	(24,914)	–	(37)	(24,951)
	1,600	**(43,783)**	**(37)**	**(42,220)**

	At 30 June 2019 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2020 £'000
Cash and cash equivalents	668	(619)	–	49
Investments in AAA-rated money market funds	15,911	10,554	–	26,465
Debt due after more than one year	(24,877)	–	(37)	(24,914)
	(8,298)	**9,935**	**(37)**	**1,600**

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

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

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

The Company's capital comprises the following:

	2021 £'000	2020 £'000
Equity		
Equity share capital	26,041	26,041
Reserves	702,205	502,035
Liabilities		
Bank loan	64,951	24,914
	793,197	**552,990**

The Company's net gearing comprises the following:

	2021 £'000	2020 £'000
Bank loans	(64,951)	(24,914)
Cash and investments in AAA-rated money market funds	22,731	26,514
Amounts due from brokers	631	262
Amounts payable to brokers	(120)	(92)
Net (debt)/funds	**(41,709)**	**1,770**
Net assets	**728,246**	**528,076**
Net gearing/(cash) (%)	**5.7**	**(0.3)**

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.

Notes to the Financial Statements Continued

20. **Fair value hierarchy**. FRS 102 requires an entity to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (2020 – 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 (2021 – £770,003,000; 2020 – £527,040,000) have therefore been deemed as Level 1.

The investment in AAA rated money market funds of £22,636,000 (2020 – £26,465,000) is considered to be Level 2 under the fair value hierarchy of FRS 102 due to not trading in an active market.

The fair value of the £25 million Term Loan as at the 30 June 2021 has been estimated at £25,742,000 (2020 – £26,390,000) with a par value per Statement of Financial Position of £24,951,000 (2020 – £24,914,000) using the interest rate swap valuation technique. The £40 million revolving credit facility loan has a fair value of £40,000,000 due to it being short-term in nature. Under the fair value hierarchy in accordance with FRS 102, these borrowings can be classified at Level 2.

21. **Transactions with the Manager**. The Company has an agreement with Aberdeen Standard Fund Managers Limited for the provision of management services. The management fee is calculated on a calendar quarterly basis at and is payable in arrears at 0.85% per annum on the first £250 million of net assets, 0.65% on net assets between £250 million and £550 million and 0.55% on net assets above £550 million. The contract is terminable by either party on six months notice.

The Manager also receives a separate fee for the provision of secretarial services and promotional activities as disclosed in note 5 and on page 51.

22. **Related party transactions.** The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 59 to 62. The Directors' shareholdings are detailed on page 62.

Aberdeen Standard Fund Managers Limited received fees for its services as Manager and Company Secretary. Further details are provided in notes 4, 5 and 21.

Alternative Performance Measures

Alternative performance measures ("APMs") are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP.

The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. Where the calculation of an APM is not detailed within the financial statements, an explanation of the methodology employed is provided below:

Discount. A discount is the percentage by which the market price is lower than the Net Asset Value ("NAV") per share.

	30 June 2021	30 June 2020
Share price	698.00p	482.00p
Net Asset Value per share	737.97p	527.73p
Discount	5.4%	8.7%

Net gearing/(cash). Net gearing/(cash) measures the total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes amounts due from and to brokers at the period end as well as cash and short-term deposits.

	30 June 2021 £'000	30 June 2020 £'000
Total borrowings [A]	**(64,951)**	**(24,914)**
Cash and short term deposits	95	49
Investments in AAA-rated money market funds	22,636	26,465
Amounts due from brokers	631	262
Amounts payable to brokers	(120)	(92)
Total cash and cash equivalents[B]	**23,242**	**26,684**
Net gearing/(cash) (borrowings less cash & cash equivalents)[A-B]	**(41,709)**	**1,770**
Shareholders' funds	**728,246**	**528,076**
Net gearing/(cash) (borrowings less cash & cash equivalents)[A-B]	**5.7%**	**(0.3)%**

Alternative Performance Measures Continued

Ongoing charges ratio. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC, which is defined as the total of investment management fees and recurring administrative expenses and expressed as a percentage of the average of daily net asset values throughout the year.

	30 June 2021 £'000	30 June 2020 £'000
Investment management fee	4,598	3,938
Administrative expenses	828	811
Less: non-recurring charges[A]	(8)	(8)
Ongoing charges	**5,418**	**4,741**
Average daily net assets	**624,000**	**539,070**
Ongoing charges ratio (excluding look-through costs)	**0.87%**	**0.88%**
Look-through costs[B]	**0.01%**	**0.03%**
Ongoing charges ratio (including look-through costs)	**0.88%**	**0.91%**

[A] Comprises professional fees not expected to recur.

[B] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis. The figure for 30 June 2020 has been restated in accordance with this guidance.

The ongoing charges ratio differs from the other ongoing costs figure reported in the Company's Key Information Document calculated in line with the PRIIPs regulations, which includes the ongoing charges ratio and the financing and transaction costs.

Total return. NAV and share price total returns show how the NAV and share price have performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return assumes reinvesting the net dividend paid by the Company back into the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return assumes reinvesting the net dividend back into the share price of the Company on the date on which that dividend goes ex-dividend.

NAV total return Year ended 30 June 2021	**2021**	**2020**
Opening NAV (p)	527.73p	539.54p
Closing NAV (p)	737.97p	527.73p
Increase/(decrease) in NAV (p)	210.24	–11.81
% Increase/(decrease) in NAV	39.8%	–2.2%
Uplift from reinvestment of dividends[A]	2.1%	1.7%
NAV total return increase/(decrease)	41.9%	–0.5%

[A] The uplift from reinvestment of dividends assumes that the dividends of 5.0p in October 2020 and 2.7p in April 2021 (6.1p and 2.7p in 2019/20) paid by the Company were reinvested in the NAV of the Company on the ex-dividend date.

Share price total return Year ended 30 June 2021	**2021**	**2020**
Opening share price (p)	482.00p	491.50p
Closing share price (p)	698.00p	482.00p
Increase/(decrease) in share price (p)	216.00	–9.50
% Increase/(decrease) in share price	44.8%	–1.9%
Uplift from reinvestment of dividends[A]	2.1%	1.8%
Share price total return increase/(decrease)	46.9%	–0.1%

[A] The uplift from reinvestment of dividends assumes that the dividends of 5.0p in October 2020 and 2.7p in April 2021 (6.1p and 2.7p in 2019/20) paid by the Company were reinvested in the shares of the Company on the ex-dividend date.

Corporate Information

The Company was incorporated in 1993 and has been managed by Aberdeen Standard Investments since August 2003.

Information about the Investment Manager

Standard Life Investments Limited

The Company's Investment Manager is Standard Life Investments Limited which is a wholly-owned subsidiary of abrdn plc. The group's assets under management and administration were £532 billion as at 30 June 2021, managed for a range of clients including 23 UK-listed closed end investment companies.

Aberdeen Standard Investments is the brand of the asset management division of abrdn plc.

The Investment Team Senior Managers

Harry Nimmo
Investment Leader, Smaller Companies

Harry Nimmo is "Investment Leader and Custodian of the Investment Process" within the Smaller Companies Team at ASI. In addition to Standard Life UK Smaller Companies Trust plc, Harry is co-manager of the Standard Life UK Smaller Companies Fund (OEIC) and the ASI (AAM) UK Smaller Companies Fund. In addition, he is co-manager of the Global Smaller Companies (OEIC) and Global Mid-Cap Fund (SICAV).

Harry spent the early years of his career as a Land Surveyor working both in the UK and in oil & gas construction in Saudi Arabia. He joined Standard Life in 1985 and has held various investment analyst and manager roles covering US equity funds and larger UK quoted company funds. In February 2020 he stepped down from being Head of the Smaller Companies Team after 27 years in that role. Harry was responsible for the launch of the UK Smaller Companies Fund in 1997 and the Global Smaller Companies Fund in 2012.

Harry has won a number of awards in recognition of his achievements within small/mid-caps and beyond. In 2012, he won the Morningstar OBSR "Outstanding Investor" Award for "Exceptional returns over at least 10 years with consideration to loyalty, tenure, consistency of approach, risk adjusted returns and assets under management".

Harry has an MA (Hons) degree in Geography from the University of Dundee, an MBA from the University of Edinburgh, and a Diploma in Surveying from the University of Glasgow. He is the Honorary Consul of Finland in Edinburgh, Glasgow and Aberdeen.

Abby Glennie
Deputy Head, Smaller Companies

Abby Glennie is Deputy Head of the Smaller Companies Team at ASI having been appointed to this role in March 2020. She is lead manager of the UK mid-cap strategies and co-manager of all the UK small-cap strategies.

Abby joined ASI in February 2013 as a member of the UK Equity Team, before transferring to the Smaller Companies Team in January 2016. Prior to this she worked at Kames Capital (previously Aegon Asset Management) as a Graduate Trainee Investment Manager.

Abby has an MA (First Class Hons) degree in Economics and Finance from the University of Aberdeen and is a CFA.

Investor Information

Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed Aberdeen Standard Fund Managers Limited as its Alternative Investment Fund Manager and BNP Paribas Securities Services, London Branch as its Depositary under the AIFMD.

The AIFMD requires Aberdeen Standard Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: **standardlifeuksmallercompaniestrust.co.uk.** The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 105.

Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen Standard Investments has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Aberdeen Standard Investments does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: **fca.org.uk/consumers/scams**

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars (see Contact Addresses). Changes of address must be notified to the Registrars in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see Contact Addresses) or by email to: **CEF.CoSec@aberdeenstandard.com.**

For questions about an investment held through the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan or Investment Trust Individual Savings Account ("ISA"), please telephone the Manager's Customer Services Department on **0808 500 0040**, email **inv.trusts@aberdeenstandard.com** or write to:

Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2021/22 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan or Investment Trust Individual Savings Account ("ISA"), or through the many stockbroker platforms which offer the opportunity to acquire shares in investment companies.

Aberdeen Standard Investments Children's Plan

Aberdeen Standard Investments operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including the Company. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors only pay Government Stamp Duty (currently 0.5%) on purchase where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Investor Information Continued

Aberdeen Standard Investments Share Plan

Aberdeen Standard Investments operates an Investment Trust Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on purchase where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investments ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the 2021/22 tax year.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of Capital Gains Tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to Aberdeen Standard Investments, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Nominee Accounts and Voting Rights

All investments in the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors are provided with the equivalent of full voting and other rights of share ownership.

How to Attend and Vote at Company Meetings

Investors who hold their shares in the Company via the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan and Investment Trust ISA and who would like to attend and vote at Company meetings (including AGMs) will be sent for completion and return a Letter of Direction in connection with the relevant meeting.

Keeping You Informed

Further information about the Company may be found on its dedicated website: **standardlifeuksmallercompaniestrust.co.uk.**

This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Twitter:
twitter.com/AberdeenTrusts

LinkedIn:
linkedin.com/company/aberdeen-standard-investment-trusts

Details are also available at: **invtrusts.co.uk**

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Company's website.

Literature Request Service

For literature and application forms for Aberdeen Standard Investments' investment trust products, please contact us through: **invtrusts.co.uk**.

Or telephone: **0808 500 4000**

Or write to:
Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Terms and Conditions

Terms and conditions for Aberdeen Standard Investments managed savings products can also be found under the literature section of the Manager's website at: **invtrusts.co.uk**.

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking long-term capital growth by investment in UK-quoted smaller companies, and who understand and are willing to accept the risks of exposure to equities.

Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that the securities issued by the Company can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs") and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management and Financial Advice Association at: **pimfa.co.uk**.

Financial Advisers

To find an adviser who recommends on investment trusts, visit: **unbiased.co.uk**.

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Website: **fca.org.uk/firms/financial-services-register**

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, known as the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

The information on pages 97 to 99 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Glossary of Terms

Aberdeen Standard Investments

Aberdeen Standard Investments or ASI
Aberdeen Standard Investments is the brand of the asset management division of abrdn plc.

Investment Manager
Standard Life Investments Limited is a wholly owned subsidiary of abrdn plc and acts as the Company's investment manager. It is authorised and regulated by the FCA.

Manager, AIFM or ASFML
Aberdeen Standard Fund Managers Limited is a wholly owned subsidiary of abrdn plc and acts as the Alternative Investment Fund Manager for the Company. It is authorised and regulated by the FCA.

abrdn Group
The abrdn plc group of companies.

AIC
The Association of Investment Companies.

AIFMD
The Alternative Investment Fund Managers Directive. The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.

Alternative Performance Measures or APMs
Numerical measures of the Company's current, historical or future performance, financial position, other than the financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS102 and the AIC SORP.

Capital Return Per Share
The realised and unrealised gains and losses of the investment portfolio net of costs, interest and tax of the Company that have been allocated to capital, divided by the weighted average number of shares in issue during the year.

Closed-End Fund
A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.

Depositary
A depositary is responsible for cash monitoring, the custody and safeguarding of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements. The Company's Depositary is BNP Paribas Securities Services, London Branch.

Discount
The amount by which the market price per share of an Investment Trust is lower than the Net Asset Value per share. The discount is normally expressed as a percentage of the Net Asset Value per share.

Dividend Cover
Revenue return per share divided by dividends per share expressed as a ratio.

Dividend per Share
The total of all dividends paid by the Company over the year on a per share basis.

Dividend Yield
The annual Dividend per Share expressed as a percentage of the share price.

Earnings per Share or EPS
The net income after tax of the Company divided by the weighted average number of shares in issue during the year. In an Investment Trust this is made up of the sum of the Revenue EPS and Capital EPS.

FCA
Financial Conduct Authority.

Gearing or Net Gearing
Net gearing is calculated by dividing total borrowings less cash and cash equivalents by Shareholders' Funds, expressed as a percentage.

Index
A market index calculates the average performance of its constituents, normally on a weighted basis. It provides a means against which the performance of individual instruments can be assessed.

Investment Trust
A type of Closed-End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.

Key Information Document or KID
The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance.

Leverage
For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its Net Asset Value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Market Capitalisation
The latest price of an Ordinary share multiplied by the number of shares in issue.

Net Asset Value, NAV or Shareholders' Funds
The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The Net Asset Value divided by the number of shares in issue produces the Net Asset Value per Ordinary share.

Ongoing Charges
Ratio of total expenses as a percentage of average daily Shareholders' Funds calculated as per the AIC's industry standard method.

Pre-Investment Disclosure Document ("PIDD")
The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, which can be found on the Company's website.

Premium
The amount by which the market price per share of an Investment Trust exceeds the Net Asset Value per share. The premium is normally expressed as a percentage of the Net Asset Value per share.

Price/Earnings Ratio
This is calculated by dividing the market price per share by the Earnings per Share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

Prior Charges
The name given to all borrowings including debentures, loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital, irrespective of the time until repayment.

Record Date
The date when an investor needs to be holding a share in order to qualify for a forthcoming dividend.

Revenue Return Per Share
The net income from dividends and interest received, after costs, interest and tax allocated to revenue, divided by the weighted average number of shares in issue during the year.

Total Assets
Total assets less current liabilities (before deducting Prior Charges as defined above), as per the Statement of Financial Position.

Total Return
The theoretical return including reinvesting each dividend in additional shares in the Company on the day that the shares go ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the ex-dividend date.

Share Capital History

Issued Share Capital at 30 June 2021

98,682,566	Ordinary shares of 25p (104,164,422 including treasury shares)

Treasury Shares at 30 June 2021

5,481,856	Ordinary shares

Share Capital History

Year ended 30 June 1994	The Company's authorised share capital on incorporation was £15,000,000, divided into 60,000,000 Ordinary shares of 25p 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 25p 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).
Year ended 30 June 2007	32,629,217 Ordinary shares purchased for cancellation and 117,791 Warrants cancelled following the tender offer which was approved by shareholders on 9 November 2006.
	2,194,000 Ordinary shares purchased for cancellation.
Year ended 30 June 2008	559,175 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2009	On 4 February 2009, as part of the merger with Gartmore Smaller Companies Trust plc ("Gartmore"), 31,189,825 Conversion ("C") shares 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.
	1,164,545 Warrants exercised as a result of the last exercise date of 30 September 2008, which resulted in the issue of the same number of new Ordinary shares. 1,732,965 Warrants lapsed without value.
Year ended 30 June 2011	3,670,243 Ordinary shares purchased to hold in treasury, 4,229,418 Ordinary shares sold from treasury and 825,000 new Ordinary shares issued.
	£25 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") issued.
Year ended 30 June 2012	425,000 new Ordinary shares issued.
	22,003 new Ordinary shares issued as a result of the first conversion of CULS as at 30 September 2011. 5,346 new Ordinary shares issued as a result of the second conversion of CULS as at 31 March 2012.
Year ended 30 June 2013	1,650,000 new Ordinary shares issued.
	4,679 new Ordinary shares issued as a result of the third conversion of CULS as at 30 September 2012. 11,404 new Ordinary shares issued as a result of the fourth conversion of CULS as at 31 March 2013.
Year ended 30 June 2014	2,900,000 new Ordinary shares issued.
	1,038,382 new Ordinary shares issued as a result of the fifth conversion of CULS as at 30 September 2013. 779,216 new Ordinary shares issued as a result of the sixth conversion of CULS as at 31 March 2014.

Year ended 30 June 2015	2,307,155 Ordinary shares purchased to hold in treasury.
	243,589 new Ordinary shares issued as a result of the seventh conversion of CULS as at 30 September 2014. 98,580 Ordinary shares issued from treasury as a result of the eighth conversion of CULS as at 31 March 2015.
Year ended 30 June 2016	3,470,930 Ordinary shares purchased to hold in treasury following the tender offer which completed on 28 July 2015.
	669,513 Ordinary shares issued from treasury as a result of the ninth conversion of CULS as at 30 September 2015. 803,871 Ordinary shares issued from treasury as a result of the tenth conversion of CULS as at 31 March 2016.
Year ended 30 June 2017	443,818 Ordinary shares purchased to hold in treasury.
	378,514 Ordinary shares issued from treasury as a result of the eleventh conversion of CULS as at 30 September 2016. 895,583 Ordinary shares issued from treasury as a result of the twelfth conversion of CULS as at 31 March 2017.
Year ended 30 June 2018	927,892 Ordinary shares issued from treasury as a result of the thirteenth conversion of CULS as at 30 September 2017. 4,658,405 new Ordinary Shares issued as a result of the final conversion of CULS as at 31 March 2018.
Year ended 30 June 2019	27,878,842 new Ordinary shares issued as a result of the merger with Dunedin Smaller Companies Investment Trust PLC which completed on 8 October 2018.
	1,131,061 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2020	520,213 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2021	1,382,632 Ordinary shares purchased to hold in treasury.

Share Capital History Continued

Year ended 30 June	Ordinary shares bought back for cancellation	Ordinary shares bought back into treasury	Ordinary shares issued from treasury	Ordinary shares issued	Ordinary shares in issue (excluding treasury shares)	Convertible Unsecured Loan Stock issued (£)	Convertible Unsecured Loan Stock exercised (£)	Convertible Unsecured Loan Stock total (£)	Warrants exercised	Warrants bought back	Warrants lapsed	Total Warrants In issue
1994	-	-	-	-	69,436,770	-	-	-	-	-	-	13,886,996
1995	-	-	-	-	69,525,796	-	-	-	89,026	-	-	13,797,970
1996	-	-	-	-	69,527,676	-	-	-	1,880	-	-	13,796,090
1997	-	-	-	-	69,528,656	-	-	-	980	1,592,201	-	12,202,909
1998	-	-	-	-	69,529,717	-	-	-	1,061	6,075,144	-	6,126,704
1999	-	-	-	-	69,530,267	-	-	-	550	1,350,000	-	4,776,154
2000	-	-	-	-	69,543,990	-	-	-	13,723	1,671,143	-	3,091,288
2001	-	-	-	-	69,601,685	-	-	-	57,695	-	-	3,033,593
2002	2,200,000	-	-	-	67,403,646	-	-	-	1,961	-	-	3,031,632
2003	-	-	-	-	67,403,646	-	-	-	-	-	-	3,031,632
2004	-	-	-	-	67,403,646	-	-	-	-	-	-	3,031,632
2005	-	-	-	-	67,404,646	-	-	-	1,000	-	-	3,030,632
2006	-	-	-	-	67,404,746	-	-	-	100	-	-	3,030,532
2007	34,823,217	-	-	-	32,583,790	-	-	-	2,261	117,791	-	2,910,480
2008	-	559,175	-	-	32,037,585	-	-	-	12,970	-	-	2,897,510
2009	-	-	-	29,961,251	63,163,381	-	-	-	1,164,545	-	1,732,965	-
2010	-	-	-	-	63,163,381	-	-	-	-	-	-	-
2011	-	3,670,243	4,229,418	825,000	64,547,556	25,000,000	-	25,000,000	-	-	-	-
2012	-	-	-	452,349	64,999,905	-	64,929	24,935,071	-	-	-	-
2013	-	-	-	1,666,083	66,665,988	-	38,184	24,896,887	-	-	-	-
2014	-	-	-	4,717,598	71,383,586	-	4,312,437	20,584,450	-	-	-	-
2015	-	2,307,155	98,580	243,589	69,418,600	-	811,868	19,772,582	-	-	-	-
2016	-	3,470,930	1,473,384	-	67,421,054	-	3,495,770	16,276,812	-	-	-	-
2017	-	443,818	1,274,097	-	68,251,333	-	3,022,923	13,253,889	-	-	-	-
2018	-	-	927,892	4,658,405	73,837,630	-	13,253,889	-	-	-	-	-
2019	-	1,131,061	-	27,878,842	100,585,411	-	-	-	-	-	-	-
2020	-	520,213	-	-	100,065,198	-	-	-	-	-	-	-
2021	-	1,382,632	-	-	98,682,566	-	-	-	-	-	-	-

AIFMD Disclosures (unaudited)

Aberdeen Standard Fund Managers Limited and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website.

There have been no material changes to the disclosures contained within the PIDD since its most recent update in March 2021.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report, note 17 to the financial statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretary, Aberdeen Asset Management PLC, on request, and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2020 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	3.00:1	2.00:1
Actual level at 30 June 2021	1.15:1	1.18:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company, the right of use of collateral or any guarantee granted under any leveraging arrangement, or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

General

We will be hosting an Online Shareholder Presentation at 10.00am on Wednesday 6 October 2021. There will a separate Investment Manager's Presentation in London on 25 November 2021. Further details are contained in the Chairman's Statement.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Standard Life UK Smaller Companies Trust plc will be held at 6 St Andrew Square, Edinburgh EH2 2AH on Thursday 21 October 2021 at 12 noon 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 11 inclusive, as ordinary resolutions and, in the case of numbers 12 and 13, as special resolutions:

1. To receive and consider the Directors' Report and financial statements for the year ended 30 June 2021, together with the Independent Auditor's report thereon.

2. To receive and approve the Directors' Remuneration Report for the year ended 30 June 2021.

3. To approve a final dividend for the year ended 30 June 2021 of 5.00 pence per Ordinary share.

4. To re-elect Ashton Bradbury as a Director of the Company.

5. To re-elect Alexa Henderson as a Director of the Company.

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

7. To re-elect Tim Scholefield as a Director of the Company.

8. To re-elect Liz Airey as a Director of the Company.

9. To re-appoint KPMG LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.

10. To authorise the Directors to fix the remuneration of the Independent Auditor for the year to 30 June 2022.

11. 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 up to 10% of the nominal value of the issued share capital (excluding treasury shares) of the Company, as at the date of the passing of this resolution, 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.

12. Disapplication of pre-emption rights
    That, subject to the passing of resolution 11 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 11 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:

Notice of Annual General Meeting Continued

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 10% of the nominal value of the issued share capital of the Company, as at the date of the passing of this resolution.

13. 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 14.99% of the Company's issued share capital at the date of the passing of this resolution (excluding treasury shares);

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

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

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

Special Business

As special business, to consider and, if thought fit, pass resolution 14 as an ordinary resolution and resolutions 15 to 17 as special resolutions:

14. Authority to sell shares from treasury at a discount to net asset value
That, subject to the passing of resolution 12 set out above, the Directors of the Company be authorised for the purposes of paragraph 15.4.11 of the Listing Rules of the Financial Conduct Authority to sell or transfer out of treasury Ordinary shares of 25p each in the capital of the Company (the "Share(s)") for cash at a price below the net asset value per Share of the existing Shares in issue (excluding treasury shares), provided always that:

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

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

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

(d) this power shall be limited to the sale of Shares having an aggregate nominal value of up to 10% of the nominal value of the issued share capital of the Company as at the date of the passing of this resolution 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 12 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.

15. 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 13 set out above and in accordance with the terms and conditions of the tender offer(s) which may be set out in the circular to be sent electronically or, if requested in hard copy form to shareholders, the Company be and is hereby authorised for the purpose of Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of its issued Shares either for cancellation or for retention as treasury shares for future reissue, resale or transfer provided that:

(a) the maximum number of Shares hereby authorised to be purchased pursuant to one or more tender offer(s) is 10% of the Shares in issue (excluding any Shares held in treasury) as at the date of the passing of this resolution;

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

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

16. 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.

17. Change of Company Name
That the change of name of the Company to "abrdn UK Smaller Companies Growth Trust plc" be approved.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary
1 George Street
Edinburgh EH2 2LL
6 September 2021

Registered Office
1 George Street
Edinburgh EH2 2LL

Notice of Annual General Meeting Continued

NOTES:

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

ii. 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.

iii. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at close of business on 19 October 2021 (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.

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

v. 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.

vi. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID number 3RA50) by 12 noon on 19 October 2021 (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.

vii. 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.

viii. 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.

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ix. 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 i and ii above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

x. 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.

xi. 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.

xii. 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: **standardlifeuksmallercompaniestrust.co.uk.**

xiii. 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 Independent 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. 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.

xiv. As at 6.00pm on 6 September 2021 (being the last practicable date prior to publication of this notice) the Company's issued share capital comprised 97,873,458 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. Accordingly, the total number of voting rights in the Company as at 6 September 2021 was 97,873,458.

xv. 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.

xvi. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website: **standardlifeuksmallercompaniestrust.co.uk.**

Notice of Annual General Meeting Continued

xvii. **Given the risks posed by the spread of the Covid-19 virus and in accordance with the provisions of the Articles of Association and Government guidance, physical attendance at the Annual General Meeting may not be possible. If the law or Government guidance so requires at the time of the meeting, the Chairman will limit, in his/her sole discretion, the number of individuals in attendance at the meeting. Should Government measures be relaxed by the time of the meeting, the Company may still impose entry restrictions, pursuant to its Articles of Association, on certain persons wishing to attend the Annual General Meeting in order to ensure the safety of those attending the meeting.**

Contact Addresses

Directors
Liz Airey (Chairman)
Ashton Bradbury
Alexa Henderson
Caroline Ramsay
Tim Scholefield

Registered Office and Company Secretary
Aberdeen Asset Management PLC
1 George Street
Edinburgh EH2 2LL

Email: **CEF.CoSec@aberdeenstandard.com**

Alternative Investment Fund Manager
Aberdeen Standard Fund Managers Limited
1 George Street
Edinburgh EH2 2LL

Investment Manager
Standard Life Investments Limited
1 George Street
Edinburgh EH2 2LL

Aberdeen Standard Investments Customer Services Department, Children's Plan, Share Plan and ISA enquiries
Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: **0808 500 0040**
(open Monday to Friday, 9.00 a.m. to 5.00 p.m., excluding public holidays in England and Wales)

Email: **inv.trusts@aberdeenstandard.com**

Company Registration Number
SC145455 (Scotland)

Website
standardlifeuksmallercompaniestrust.co.uk

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: **0370 889 4076**
Fax: **0370 703 6101**

Website: **investorcentre.co.uk**

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

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

Solicitors
Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Independent Auditor
KPMG LLP
20 Castle Terrace
Edinburgh EH1 2EG

Legal Entity Identifier ("LEI")
213800UUKA68SHSJBE37

MIX
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Overview
Strategic Report
Portfolio
Governance
Financial Statements
Corporate Information
General

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Aberdeen Standard Investments