

Aberdeen Smaller Companies Income Trust PLC

An investment trust offering income and capital growth
prospects from smaller UK listed companies



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Objective

The objective of the Company is to provide a high and growing dividend and capital growth from a portfolio invested principally in the ordinary shares of smaller UK companies and UK fixed income securities.

Benchmark

FTSE SmallCap Index - excluding Investment Companies (total return).

Management

The Company's alternative investment fund manager is Aberdeen Fund Managers Limited ("AFML" or "the Manager") (authorised and regulated by the Financial Conduct Authority). The Company's portfolio is managed on a day-to-day basis by Aberdeen Asset Managers Limited ("AAML" or "the Investment Manager") by way of a delegation agreement in place between AFML and AAML.

Highlights and Financial Calendar

	30 June 2018	31 December 2017	% change
Equity shareholders' funds (£'000)	75,854	75,421	+0.6
Net asset value per share	343.08p	341.12p	+0.6
Share price (mid-market)	296.00p	288.00p	+2.8
Discount to net asset value	13.7%	15.6%	
Dividend yield	2.4%	2.5%	
Ongoing charges ratio ^A	1.25%	1.35%	

^A Considered to be an Alternative Performance Measure. Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses (annualised) divided by the average cum income net asset value throughout the year. The ratio for 30 June 2018 is based on forecast ongoing charges for the year ending 31 December 2018.

Performance (total return)

	Six months ended 30 June 2018	1 year ended 30 June 2018	3 years ended 30 June 2018	5 years ended 30 June 2018
Share price ^A	+ 4.1%	+ 31.6%	+ 47.5%	+ 86.0%
Net asset value per share ^A	+ 1.7%	+ 18.0%	+ 43.1%	+ 105.6%
FTSE SmallCap Index (ex IC's)	+ 0.1%	+ 6.4%	+ 31.6%	+ 78.7%
FTSE All-Share Index	+ 1.7%	+ 9.0%	+ 31.6%	+ 52.8%

^A Considered to be an Alternative Performance Measure. All figures are for total return and assume re-investment of net dividends excluding transaction costs.

Source: AFML, Morningstar & Factset.

Financial Calendar

19 September 2018	Announcement of unaudited half yearly financial results for the six months ended 30 June 2018
September 2018	Half Yearly Report published and posted to shareholders
October 2018	Third interim dividend 2018 payable to shareholders
31 December 2018	Company's financial year end
January 2019	Fourth interim dividend 2018 payable to shareholders
March 2019	Announcement of annual financial results for the year ended 31 December 2018
March 2019	Annual Report and Accounts published and posted to shareholders
April 2019	First interim dividend 2019 payable to shareholders
2 May 2019 (12 noon)	Annual General Meeting
July 2019	Second interim dividend 2019 payable to shareholders

Interim Board Report - Chairman's Statement

Performance

In the six month period to the end of June 2018, the Trust has outperformed its benchmark, the FTSE Smaller Companies Index (excl. Investment Trusts), returning 1.7% on a Net Asset Value (NAV) basis compared to the Index return of 0.1%. The Trust's share price grew 4.1% with the discount to NAV narrowing over the period. Over the 1, 3 and 5 year periods, it is pleasing to report that both the NAV and share price are comfortably ahead of the benchmark returns.

Trust Gearing and Debt

We renewed the Trust's debt facilities at the end of April, opting to continue with a 5 year £5m fixed rate loan facility and a 3 year £5m revolving credit facility. There has been no change to the level of borrowings drawn down with £7m of the total £10m facility currently being deployed. The Trust's gearing remains modest and continues to be used largely to fund the fixed income portfolio as this provides a good yield enhancement on what is attractively priced debt. Portfolio gearing was approximately 8% at the end of June 2018 which is a slight reduction from 8.5% at the end of December 2017 and reflects a slightly higher cash balance at this half year end.

We are comfortable that there is sufficient flexibility with these facilities for the Manager to put more money to work quickly should interesting investment opportunities arise.

Dividend

After some robust dividend growth from the portfolio, and the addition of some large special dividends from Victrex and Aveva this year, the income account looks very healthy. The portfolio is also well positioned for sound dividend growth in the years ahead.

Ongoing Charges

Your Board actively monitors costs and is committed to keeping these under tight control. Following a review, it was agreed to revise the basis of the calculation of the management fee from net assets plus debt to net assets with effect from 19 April 2018. The management fee rate remains at 0.75%.

Management Changes

Following the merger of Aberdeen Asset Management PLC and Standard Life plc, and the subsequent integration of the equity teams at Aberdeen Standard Investments (ASI), Abby Glennie has taken over the management of the Company's portfolio. Abby has been at Standard Life Investments since February 2013 and joined the UK Smaller Companies team at Standard Life Investments in January 2016.

Our previous portfolio manager, Jonathan Allison, has moved to another team at ASI and we would like to take this opportunity to thank him for his stewardship.

Outlook

At a global level, trade war fears have arguably overtaken concerns over the interest rate cycle as the main talking point for markets and will continue to dominate economic headlines for the foreseeable future. Narrowing the lens on the UK domestic picture, the future shape of Brexit remains frustratingly unclear and one suspects this will continue to act as a dampener on UK growth and general investor sentiment for some time yet.

These are volatile times but as a Board we take comfort in the judicious and systematic investment approach followed by our Managers, which is focused on identifying stocks with the most diversified earnings streams and resilient business models. We believe this approach will help to buffer the portfolio during times of stress and help to position the portfolio to deliver attractive longer term returns for our shareholders.

Robert Lister
Chairman

19 September 2018

Interim Board Report – Other

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has identified the principal risks and uncertainties facing the Company together with a description of the mitigating actions it has taken. These can be summarised under the following headings:

- Investment and Market
- Investment Portfolio Management
- Gearing
- Income and Dividend
- Reliance on Third Party Service Providers

Details of these risks are provided in detail on pages 5 to 6 of the 2017 Annual Report. The principal risks have not changed nor are they expected to change in the second half of the financial year ended 31 December 2018.

The impact on the risks of the Company following the implementation of the 'Leave' decision of the EU Referendum is difficult to assess at this stage although it may affect the Company's risk profile by introducing potentially significant new uncertainties and instability in financial markets as the United Kingdom negotiates its exit terms.

Going Concern

In accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014, the Directors have undertaken a rigorous review and consider both that there are no material uncertainties and that the adoption of the going concern basis of accounting is appropriate. The Company's assets consist principally of equity shares in companies listed on the London Stock Exchange which are, in most circumstances, realisable within a short timescale.

The Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and at least twelve months from the date of approval of this Half Yearly Report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibility Statement

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

- the condensed set of Financial Statements has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'
- the Interim Board Report includes a fair review of the information required by rule 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the financial year)
- the Interim Board Report includes a fair review of the information required by 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so).

The Half Yearly Financial Report for the six months to 30 June 2018 comprises the Interim Board Report and a condensed set of financial statements.

For and on behalf of the Board of Aberdeen Smaller Companies Income Trust PLC

Robert Lister
Chairman

19 September 2018

Investment Manager's Review

Equity Portfolio Performance

Stock specific rather than sector allocation reasons contributed to the Trust's outperformance in the first six months of the year.

During this period, the UK software engineering business **Aveva** and animal pharmaceutical business **Dechra** were the biggest positive contributors. Aveva's share price has continued to move ahead, following its merger with Schneider Electric's Software division, as investors have begun to factor in the significant cost savings and revenue growth opportunities on offer as a result of the combination. Dechra continues to deliver good growth numbers, particularly out of its North American business, and the market also reacted positively to news of two further acquisitions earlier in the year which will strengthen its European presence. Against this, **Dignity** and **RPC** were the primary laggards. Dignity shares fell sharply after its strategic review earlier in the year highlighted an increasingly competitive UK funeral services market and RPC disappointed investors with an organic outlook that was slightly below expectations.

Economic Overview

Recent macroeconomic news has been dominated by Trade War talk. President Trump's decision to impose tariffs on selected Chinese goods, and his threats to do so elsewhere, has increased the risk of a surge in protectionist measures across the globe. Despite these risks the latest trade figures are healthy with most economists' global GDP growth figures little changed since the start of the year.

In the UK, weak growth numbers in the first quarter of the year were due to temporary factors, including a disruptive week of snow in late February/early March, with growth bouncing back in the second quarter. A stronger recovery in household spending is likely to be constrained by both tighter credit conditions and tough welfare reforms. Those factors, together with evidence that inflation was easing from its highs earlier in the year, are likely to have caused the Bank of England to hold off on increasing interests rates in May. However, the Monetary Policy Committee in early August voted unanimously to raise rates to 0.75%. Bank of England Governor Mark Carney has suggested most recently that one hike a year over the next three years might be the appropriate path for rates.

In the Eurozone there are concerns over whether the recovery there could be running out of steam. Our view is that the investment outlook continues to improve and that the region is still some way short of running into any major capacity constraints. There are more acute risks in both Spain and Italy because of the more uncertain political environments in those countries.

In the US, economic momentum has picked up this year, benefitting from tax cuts and higher government spending, against this, as mentioned above, trade tensions have risen and it remains uncertain as to what the eventual outcome of negotiations with large trading partners like China will be.

The outlook for emerging markets continues to be dominated by fears of escalating trade protectionism and what a strong Dollar will mean for those countries - like Argentina and Turkey - that have substantial amounts of Dollar based lending.

Portfolio Activity

We participated in two capital raisings earlier in the year. The first was an equity placing by **Dechra Pharmaceuticals** to help fund the acquisition of Dutch animal pharma business AST Farma and European animal-focused company Le Vet. These two businesses will help Dechra expand its European network as well as bolster the product portfolio and pipeline. We also supported **Unite Group's** placing to finance some large student accommodation developments in London and Oxford, an attractive continuation of their niche property strategy.

Other strategic actions included the exit of **Xaar**, **Dignity** and **Mothercare** and introductions of **Hollywood Bowl** and **Hostelworld**.

Xaar released another weak trading update announcing that the decline in sales from its legacy ceramic tile business was more severe than expected and it is now reliant on cost savings to meet full year estimates. We view the risk to near term guidance as significant and have been unconvinced that the investment to support growth in new areas is delivering the necessary results. The announcement that the fairly new CFO would be departing in November was further cause for concern. We recycled the proceeds into **Hollywood Bowl**, a niche UK leisure business which runs ten pin bowling centres, that has a good track record of delivering reliable, steady growth over the long term. Returns in the business are attractive helped by a carefully managed refurbishment programme and innovative pricing initiatives. The company offers a high dividend yield with the potential for additional special dividends in the absence of larger acquisitions.

We also started a new position in **Hostelworld** in the Trust. The company's booking platform is a global leader with strong growth opportunities in a number of markets, as the hostel industry continues to professionalise. It also benefits from the powerful network effects that being a dominant platform provider brings. The cash flow and balance sheet are strong, enabling it to pay an attractive yield with good growth prospects.

Mothercare had been a difficult investment for us for some time but one that we'd deliberately kept at a very low weight with the prevailing investment rationale one of 'managing for short term value', given the lowly valuation and market expectations. Unfortunately, like a number of other embattled UK consumer businesses, the company experienced a very difficult Christmas trading period resulting in a set of weak UK numbers both in-store and online. Unlike in past years, the International business was unable to offset this weakness as acute trading problems, in Russia and the Middle East specifically, hampered the performance of that division. Finally, whilst we had taken some comfort earlier last year that Mothercare would be able to materially improve its debt position over the short to medium term, following the difficult trading more recently, net debt guidance was pushed out to £50m for the financial year 2018 from an already adjusted £30-40m range. This was a further cause for concern and something we believed would ultimately limit the company's ability to take more meaningful restructuring actions and hence the holding was sold.

In **Dignity's** case our decision to sell ultimately came down to our growing uncertainty over the company's ability to prosper in what has become an increasingly competitive pricing environment in the funeral market. The overall level of debt on the balance sheet was also cause for concern especially under a scenario where the quality of earnings and cash flows is not as strong as it once was.

Corporate Governance

Highlights for the first six months of the year included a meeting with BBA Aviation's Remuneration Committee Chair and Company Secretary in order to address our concerns regarding their proposed remuneration amendments. They have taken on board our comments and we should see greater clarity of disclosure on targets and performance going forward. We also discussed Board and CEO succession and welcomed the positive progress culminating in the appointment of new CEO Mark Johnstone at the start of the year. We have also been conducting regular engagement with RPC Group, Europe's largest plastics business, on its sustainability strategy. RPC is broadly in favour of a revision to the Plastic Recovery Note (PRN) system. PRN's are taken by accredited recyclers for every tonne of recycled material taken for processing but there is a de minimis in place for companies that handle less than 50 tonnes of waste and have less than £2m of turnover. RPC is in favour of a revision of this exemption to allow more companies to fall under the regulatory requirements. The company has also developed a 'circular economy' rating tool. This tool is integral to the design process and rates products according to RecyClass criteria such as light-weighting, recycled content and end-of-life use.

Fixed Income and Preference Shares

Market volatility jumped sharply higher in 2018, with political uncertainty in Italy, where the prospect of an anti-establishment government clashing with Brussels, unsettled markets and President Trump's less than orthodox approach to both domestic and foreign policy were a constant source of market nervousness. US data has demonstrated a solid pace of economic activity and it continues to lead and outperform other developed markets globally. This has led to further tightening by the US Fed. UK data was a mixed bag over the second quarter. There was significant evidence that the first quarter was, as suspected, weather affected and therefore not to be extrapolated, however, some industrial and manufacturing data continues to show weakness. This is in keeping with, and likely connected to, similar weakness across Europe and in such places as China. Like other countries UK government yields have risen, with the expectation of another rate rise in the not too distant future. On the back of this, corporate bond spreads widened from the lows in February 2018, particular long dated and lower quality credits. This was led by banks and insurance companies which have previously been the stronger performers.

The only transaction in the Trust's bond portfolio has been the part tender of **Wales & West Utilities**. Trading at +120bp over gilts, it was tendered at +50bp. The remaining holding is expected to be called in December 2018.

In March the preference shares within the portfolio suffered some sharp falls following the announcement by **Aviva** that it might cancel some of these securities at par despite their 'irredeemable' status. After significant investor criticism, and engagement from a number of parties including ourselves, Aviva decided not to cancel these shares. The preference stocks climbed favourably in response, largely regaining their prior valuations.

Outlook

Domestically exposed UK businesses face additional pressures from Brexit unpredictability, which has led to a drop in consumer confidence and expectations of more lacklustre growth ahead. However, this increased market volatility can also create interesting valuation opportunities for patient bottom up investors. UK stocks now look relatively good value and we anticipate some interesting investment opportunities to arise as a result. As ever, our focus is on selecting a range of high quality businesses that are capable of weathering shorter term gyrations in the market as well as thriving over the long term.

Aberdeen Asset Managers Limited
19 September 2018

Portfolio – Ten Largest Equity Investments

As at 30 June 2018

Company	Sector	Market value £'000	Total portfolio %
XP Power A power solutions business that designs and manufactures power convertors used by customers to ensure their electronic equipment can function both safely and efficiently. With over 5,000 different products, XP Power can provide a full value add capability to its customers.	Electronic & Electrical Equipment	3,316	4.1
Dechra Pharmaceuticals An international specialist veterinary pharmaceuticals business that manufactures and distributes veterinary products in more than 50 countries around the world. Recent acquisitions have enhanced the pipeline of drugs as well as granted access to new markets.	Pharmaceuticals & Biotechnology	3,020	3.7
Victrex The leading global manufacturer of PEEK polymer which is a high performance thermoplastic. With its high strength and performance qualities it is used as an alternative product to metal in a number of different industries. Victrex's dominant position is entrenched through their reputation and product quality as well as their track record in commercialising applications for PEEK.	Chemicals	2,929	3.6
Aveva Group One of the world's leading engineering, design and information management software providers to the process, plant and marine industries. Aveva's world-leading technology was originally developed and spun out of Cambridge University and today the business operates in 46 countries around the world.	Software & Computer Services	2,914	3.6
DiscoverIE Group DiscoverIE Group is a supplier of niche electronic products, manufacturing customs designed and built electronics to industrial and medical companies across Europe and South Africa.	Support Services	2,830	3.5
Assura Assura is a long-term investor and developer of primary care property, working with general practitioners, health professionals and National Health Services to deliver patient care.	Real Estate Investment Trusts	2,724	3.3
Euromoney Institutional Investor International business-to-business information company. Euromoney's publications provide extensive financial and business information and are delivered largely in digital format on a yearly subscription basis which ensures a strong stream of recurring revenues.	Media	2,617	3.2
Smart Metering Systems Smart Metering Systems is the largest independent provider of gas and electricity metering assets in the UK. The company is set to benefit from the growth arising from a UK government initiative mandating the installation of a smart meter in every home and small business across the UK by 2020.	Support Services	2,223	2.7
Chesnara Chesnara is a holding company engaged in the management of life and pension books in the UK, Sweden and the Netherlands. The overriding strategy is to deliver a reliable dividend stream to shareholders funded from the emergence of surplus cash from their various life assurance subsidiaries.	Life Insurance	2,137	2.6
Morgan Sindall Morgan Sindall operates a specialist construction group in the United Kingdom and the Channel Islands. The main activities include office design, fitting out, refurbishment, building contracting, property investment and related specialist services.	Construction & Materials	2,071	2.5
Ten Largest Equity Investments		26,781	32.8

Portfolio – Other Equity Investments

As at 30 June 2018

Company	Sector	Market value £'000	Total portfolio %
Burford Capital	Financial Services	2,006	2.5
Workspace Group	Real Estate Investment Trusts	1,960	2.4
Unite Group	Real Estate Investment Trusts	1,909	2.3
Close Brothers	Financial Services	1,902	2.3
Genus	Pharmaceuticals & Biotechnology	1,819	2.2
Telecom Plus	Fixed Line Telecommunications	1,790	2.2
Big Yellow	Real Estate Investment Trusts	1,738	2.1
Abcam	Pharmaceuticals & Biotechnology	1,734	2.1
Ultra Electronics	Aerospace & Defence	1,734	2.1
RPC Group	General Industrials	1,728	2.1
Twenty largest investments		45,101	55.1
Robert Walters	Support Services	1,714	2.1
Manx Telecom	Fixed Line Telecommunications	1,692	2.1
Oxford Instruments	Electronic & Electrical Equipment	1,640	2.0
Elementis	Chemicals	1,628	2.0
Wilmington	Media	1,624	2.0
Stock Spirits Group	Beverages	1,608	2.0
Rathbone Brothers	Financial Services	1,595	2.0
Victoria	Household Goods & Home Construction	1,564	1.9
Fisher (James) & Sons	Industrial Transportation	1,540	1.9
Intermediate Capital Group	Financial Services	1,504	1.9
Thirty largest investments		61,210	75.0
Devro	Food Producers	1,503	1.8
Barr (A.G.)	Beverages	1,432	1.8
Cairn Homes ^A	Household Goods & Home Construction	1,420	1.8
BBA Aviation	Industrial Transportation	1,390	1.7
Hiscox	Non-life Insurance	1,342	1.6
Savills	Real Estate Investment & Services	1,227	1.5
Scandinavian Tobacco ^A	Tobacco	1,211	1.5
Fuller Smith & Turner 'A'	Travel & Leisure	936	1.1
Hostelworld	Travel & Leisure	898	1.1
Hollywood Bowl	Travel & Leisure	863	1.1
Forty largest investments		73,432	90.0
Hansteen	Real Estate Investment Trusts	732	0.9
Keller Group	Construction & Materials	720	0.9
GIMA TT A	Industrial Engineering	330	0.4
Total Equity Investments		75,214	92.2

^A All investments are listed on the London Stock Exchange (sterling based), except those marked, which are listed on overseas exchanges based in sterling.

Portfolio - Other Investments

Company	Market value £'000	Total portfolio %
Convertible Preference Shares		
Balfour Beatty Cum Conv 10.75%	972	1.2
Total Convertible Preference Shares	972	1.2
Corporate Bonds		
Anglian Water 4.5% 2026	548	0.7
SSE 3.875% Var Perp GBP	505	0.6
HBOS Cap Funding 6.461% Var Perp	406	0.5
Wales & West Utilities Finance 6.75% 2036	272	0.3
Total Corporate Bonds	1,731	2.1
Preference Shares		
Aviva 8.75%	1,405	1.7
General Accident 8.875%	1,357	1.7
Ecclesiastical Insurance 8.625%	912	1.1
Total Preference Shares	3,674	4.5
Total Other Investments	6,377	7.8
Total Investments	81,591	100.0

All investments are listed on the London Stock Exchange (Sterling based).

Distribution of Assets and Liabilities

	Valuation at 31 December 2017		Movement during the period			Valuation at 30 June 2018		
	£'000	%	Purchases	Sales	Gains/ (losses)	£'000	%	
			£'000	£'000	£'000			
Listed investments								
Equities	74,544	98.9	5,735	(5,822)	757	75,214	99.2	
Convertible preference shares	1,004	1.3	-	-	(32)	972	1.3	
Corporate bonds	2,028	2.7	-	(244)	(53)	1,731	2.3	
Preference shares	4,097	5.4	-	-	(423)	3,674	4.8	
	81,673	108.3	5,735	(6,066)	249	81,591	107.6	
Current assets	912	1.2				1,469	1.9	
Other current liabilities	(164)	(0.2)				(225)	(0.3)	
Short-term loan	(7,000)	(9.3)				(2,000)	(2.6)	
Long-term loan	-	-				(4,981)	(6.6)	
Net assets	75,421	100.0				75,854	100.0	
Net asset value per share	341.1p							343.1p

Condensed Statement of Comprehensive Income

	Notes	Six months ended 30 June 2018 (unaudited)			Six months ended 30 June 2017 (unaudited)			Year ended 31 December 2017 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value		-	249	249	-	7,660	7,660	-	17,278	17,278
Currency gains		-	-	-	-	-	-	-	1	1
Revenue										
Dividend income	2	1,512	-	1,512	1,173	-	1,173	2,212	-	2,212
Interest income/(expense) from investments	2	46	-	46	101	(13)	88	104	347	451
Other income	2	1	-	1	2	-	2	2	-	2
		1,559	249	1,808	1,276	7,647	8,923	2,318	17,626	19,944
Expenses										
Investment management fees		(88)	(206)	(294)	(78)	(183)	(261)	(167)	(390)	(557)
Other administrative expenses		(187)	-	(187)	(204)	-	(204)	(371)	-	(371)
Finance costs		(26)	(61)	(87)	(25)	(57)	(82)	(50)	(116)	(166)
Profit/(loss) before tax		1,258	(18)	1,240	969	7,407	8,376	1,730	17,120	18,850
Taxation	3	(11)	-	(11)	(8)	-	(8)	(14)	-	(14)
Profit/(loss) attributable to equity holders		1,247	(18)	1,229	961	7,407	8,368	1,716	17,120	18,836
Return per Ordinary share (pence)	5	5.64	(0.08)	5.56	4.35	33.51	37.86	7.76	77.43	85.19

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The Company does not have any income or expense that is not included in profit for the year, and therefore the "Profit/(loss) attributable to equity holders" is also the "Total comprehensive income attributable to equity holders" as defined in IAS 1 (revised).

The accompanying notes are an integral part of these condensed financial statements.

Condensed Balance Sheet

	Notes	As at 30 June 2018 (unaudited) £'000	As at 30 June 2017 (unaudited) £'000	As at 31 December 2017 (audited) £'000
Non-current assets				
Equities		75,214	65,552	74,544
Convertible preference shares		972	1,024	1,004
Corporate bonds		1,731	2,046	2,028
Preference shares		3,674	3,748	4,097
Securities at fair value		81,591	72,370	81,673
Current assets				
Cash		724	191	582
Other receivables		745	318	330
		1,469	509	912
Current liabilities				
Bank loan		(2,000)	(7,000)	(7,000)
Trade and other payables		(225)	(152)	(164)
		(2,225)	(7,152)	(7,164)
Net current liabilities		(756)	(6,643)	(6,252)
Total assets less current liabilities		80,835	65,727	75,421
Non-current liabilities				
Bank loan		(4,981)	-	-
Net assets		75,854	65,727	75,421
Share capital and reserves				
Called-up share capital		11,055	11,055	11,055
Share premium account		11,892	11,892	11,892
Capital redemption reserve		2,032	2,032	2,032
Capital reserve	6	47,715	38,020	47,733
Revenue reserve		3,160	2,728	2,709
Equity shareholders' funds		75,854	65,727	75,421
Net asset value per Ordinary share (pence)	7	343.08	297.28	341.12

The accompanying notes are an integral part of these condensed financial statements.

Condensed Statement of Changes in Equity

Six months ended 30 June 2018 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2017	11,055	11,892	2,032	47,733	2,709	75,421
(Loss)/profit for the period	-	-	-	(18)	1,247	1,229
Dividends paid in the period	-	-	-	-	(796)	(796)
As at 30 June 2018	11,055	11,892	2,032	47,715	3,160	75,854

Six months ended 30 June 2017 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2016	11,055	11,892	2,032	30,613	2,541	58,133
Profit for the period	-	-	-	7,407	961	8,368
Dividends paid in the period	-	-	-	-	(774)	(774)
As at 30 June 2017	11,055	11,892	2,032	38,020	2,728	65,727

Year ended 31 December 2017 (audited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2016	11,055	11,892	2,032	30,613	2,541	58,133
Profit for the year	-	-	-	17,120	1,716	18,836
Dividends paid in the year	-	-	-	-	(1,548)	(1,548)
As at 31 December 2017	11,055	11,892	2,032	47,733	2,709	75,421

The accompanying notes are an integral part of these condensed financial statements.

Condensed Cash Flow Statement

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Cash flows from operating activities			
Dividend income received	1,531	1,160	2,152
Interest income received	29	88	117
Other income received	1	2	2
Investment management fees paid	(304)	(296)	(585)
Other cash expenses	(195)	(217)	(365)
Cash generated from operations	1,062	737	1,321
Interest paid	(94)	(85)	(182)
Overseas taxation suffered	(26)	(14)	(26)
Net cash inflows from operating activities	942	638	1,113
Cash flows from investing activities			
Purchases of investments	(5,682)	(8,025)	(15,198)
Sales of investments	5,678	7,805	15,667
Net cash (outflows)/inflows from investing activities	(4)	(220)	469
Cash flows from financing activities			
Equity dividends paid	(796)	(774)	(1,548)
Net cash outflows from financing activities	(796)	(774)	(1,548)
Net increase/(decrease) in cash and cash equivalents	142	(356)	34
Analysis of changes in cash and cash equivalents during the period			
Opening balance	582	547	547
Currency gains	-	-	1
Increase/(decrease) in cash and cash equivalents as above	142	(356)	34
Cash and cash equivalents at the end of the period	724	191	582

The accompanying notes are an integral part of these condensed financial statements.

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

The condensed financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') 34 - 'Interim Financial Reporting', as adopted by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB. They have also been prepared using the same accounting policies applied for the year ended 31 December 2017 financial statements, which received an unqualified audit report.

The financial statements have been prepared on a going concern basis. In accordance with the Financial Reporting Council's guidance on 'Going Concern and Liquidity Risk' the Directors have undertaken a review of the Company's assets which principally consist of equity shares in companies listed on the London Stock Exchange which, in most circumstances, are realisable within a short timescale.

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
2. Income			
Income from investments			
UK listed dividends	1,141	939	1,746
Overseas listed dividends	251	195	324
Property income distribution	89	39	142
Scrip dividends	31	-	-
	1,512	1,173	2,212
Fixed interest income	46	101	104
	1,558	1,274	2,316
Other income			
Bank interest	1	-	-
Underwriting commission	-	2	2
	1	2	2

The Company amortises the premium or discount on acquisition on debt securities against the capital reserve. For the six months to 30 June 2018 this represented £nil (30 June 2017 - £13,000; 31 December 2017 - £1,000) which has been reflected in the capital column of the Condensed Statement of Comprehensive Income.

3. Taxation

The tax expense reflected in the Condensed Statement of Comprehensive Income represents irrecoverable withholding tax suffered on overseas dividend income.

4. Dividends

The following table shows the revenue for each period less the dividends declared in respect of the financial period to which they relate.

Notes to the Financial Statements continued

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Revenue	1,247	961	1,716
Dividends declared	(796) ^A	(774) ^B	(1,559) ^C
	451	187	157

^A Dividends declared relate to first two interim dividends (both 1.80p each) declared in respect of the financial year 2018.

^B Dividends declared relate to first two interim dividends (both 1.75p each) declared in respect of the financial year 2017.

^C Dividends declared relate to the four interim dividends declared in respect of the financial year 2017 totalling 7.05p.

	Six months ended 30 June 2018 p	Six months ended 30 June 2017 p	Year ended 31 December 2017 p
5. Return per share			
Revenue return	5.64	4.35	7.76
Capital return	(0.08)	33.51	77.43
Net return	5.56	37.86	85.19

The returns per share are based on the following figures:

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Revenue return	1,247	961	1,716
Capital return	(18)	7,407	17,120
Net return	1,229	8,368	18,836
Weighted average number of shares in issue	22,109,765	22,109,765	22,109,765

6. Capital reserves

The capital reserve reflected in the Condensed Balance Sheet at 30 June 2018 includes gains of £29,551,000 (30 June 2017 – gains of £21,773,000; 31 December 2017 – gains of £29,015,000) which relate to the revaluation of investments held at the reporting date.

7. Net asset value per share

Ordinary shares

The net asset value per Ordinary share and the net asset values attributable to Ordinary shareholders at the period end calculated in accordance with the Articles of Association were as follows:

	As at 30 June 2018 (unaudited)	As at 30 June 2017 (unaudited)	As at 31 December 2017 (audited)
Attributable net assets (£'000)	75,854	65,727	75,421
Number of Ordinary shares in issue	22,109,765	22,109,765	22,109,765
Net asset value per Ordinary share (p)	343.08	297.28	341.12

8. Transaction costs

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

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Purchases	31	32	64
Sales	4	5	9
	35	37	73

9. Fair value hierarchy

IFRS 13 'Fair Value Measurement' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets measured at fair value in the Condensed Balance Sheet are grouped into the fair value hierarchy as follows:

At 30 June 2018 (unaudited)	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	75,214	-	-	75,214
Quoted convertibles, bonds and preference shares	b)	-	6,377	-	6,377
		75,214	6,377	-	81,591

At 30 June 2017 (unaudited)	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	65,552	-	-	65,552
Quoted convertibles, bonds and preference shares	b)	-	6,818	-	6,818
		65,552	6,818	-	72,370

At 31 December 2017 (audited)	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	74,544	-	-	74,544
Quoted convertibles, bonds and preference shares	b)	-	7,129	-	7,129
		74,544	7,129	-	81,673

Notes to the Financial Statements continued

a) Quoted equities

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

b) Quoted convertibles, bonds and preference shares

The fair value of the Company's investments in quoted convertibles, bonds and preference shares has been determined by reference to their quoted bid prices at the reporting date. Investments categorised as Level 2 are not considered to trade in active markets.

Quoted preference shares of £3,748,000 at 30 June 2017 have been reclassified as level 2 investments from level 1 due to them not being considered to trade in active markets.

There have been no transfers of assets between levels of the fair value hierarchy during the period to 30 June 2018.

10. Related party transactions

There were no related party transactions during the period.

11. Transactions with the Manager

The Company has agreements with Aberdeen Fund Managers Limited ("AFML" or "the Manager") for the provision of investment management, secretarial, accounting and administration and promotional activities.

The management fee was calculated at an annual rate of 0.75% of the net assets of the Company adding back bank debt, calculated and paid monthly until 18 April 2018. With effect from 19 April 2018, the Company and the Manager agreed that the management fee be calculated at an annual rate of 0.75% of the net assets of the Company, calculated and paid monthly. During the period £294,000 (30 June 2017 – £261,000; 31 December 2017 – £557,000) of investment management fees were payable to the Manager, with a balance of £41,000 (30 June 2017 – £45,000; 31 December 2017 – £52,000) being payable to AFML at the period end. There were no commonly managed funds held in the portfolio during the period to 30 June 2018 (30 June 2017 and 31 December 2017 – none). The management fee is chargeable 30% to revenue and 70% to capital.

During the period expenses of £30,000 (30 June 2017 – £30,000; 31 December 2017 – £59,000) were payable to the Manager in connection with the promotion of the Company. The balance outstanding at the period end was £30,000 (30 June 2017 – £15,000; 31 December 2017 – £15,000).

12. Segmental information

The Company is engaged in a single segment of business, which is to invest in equity securities and debt instruments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.

13. Publication of non-statutory accounts

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 30 June 2018 and 30 June 2017 has not been audited.

The information for the year ended 31 December 2017 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

14. This Half Yearly Financial Report was approved by the Board on 19 September 2018.

Investor Information

How to Invest

Investors can buy and sell shares in Aberdeen Smaller Companies Income Trust PLC (the "Company") directly through a stockbroker or an online dealing and investment platform or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Aberdeen Standard Investment Trust Share Plan, Individual Savings Account ("ISA") or Investment Plan for Children.

Aberdeen Standard Investment Trust 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 simply pay Government Stamp Duty (currently 0.5%) on entry. 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 the Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investment Trust ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2018/19.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. 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.

Aberdeen Standard Investment Plan for Children

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 simply pay Government Stamp Duty (currently 0.5%) on entry. 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 the Aberdeen Standard Investments in writing at any time.

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in the Aberdeen Standard Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income, for UK investors, is £2,000 for the 2018/2019 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 by the Company 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.

Keeping You Informed

The Company's Ordinary share price appears under the heading 'Investment Companies' in the Financial Times and information of the Company may be found on its dedicated website: aberdeensmallcompanies.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.

Details on the Company or literature and application forms on Aberdeen Standard investment trust products can be found:

Investor Information continued

Website: invtrusts.co.uk
Email: inv.trusts@aberdeenstandard.com
Tel: 0808 500 0040
Address: Aberdeen Investment Trusts, PO Box 11020,
Chelmsford, Essex CM99 2DB

Terms and conditions for the Aberdeen Standard investment trust products can be found under the Literature section of this website.

If you have an administrative query which relates to a direct shareholding in the Company, please contact Equiniti Limited, the Company's Registrars (see page 20 for details).

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website at: invtrusts.co.uk/en/investmenttrusts/literature-library.

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 exposure to smaller companies in the United Kingdom 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 providers and platforms

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company, such as self-invested personal pension (SIPP). 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. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell You Invest; Alliance Trust Savings; Barclays Stockbrokers; Charles Stanley Direct; Halifax Share Dealing; Fidelity Personal Investing; Hargreave Hale; Hargreaves Lansdown; Idealing; Interactive Investor; Selftrade; The Share Centre; Stocktrade.

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 & 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:

Tel: 0800 111 6768 or
Website: fca.org.uk/firms/systems-reporting/register/search
Email: register@fca.org.uk

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 their 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 the 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 its Customer Services Department using the above details.

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

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, 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 above information 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.

Corporate Information

Directors

Robert Lister, Chairman
David Fletcher
Dagmar Kent Kershaw
Barry Rose

Manager, Secretary and Registered Office

Alternative Investment Fund Manager

Aberdeen Fund Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH

Investment Manager

Aberdeen Asset Managers Limited

Secretary and Registered Office

Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY
Telephone: 0131 528 4000

Company Registration Number

SC137448 (Scotland)

Website

www.aberdeensmallercompanies.co.uk

Broker

Winterflood Securities

Auditors

Ernst & Young LLP

Depository

BNP Paribas Securities Services, London Branch

Registrars

Equiniti Limited
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Textel/Hard of hearing line: 0371 384 2255

(Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding bank holidays. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider).

Foreign Account Tax Compliance Act ("FATCA")

IRS Registration Number (GIIN): DGR5S1.99999.SL.826

Legal Entity Identifier

213800J6D2TVHRGKBG24

Pre-investment Disclosure Document (PIDD)

The Alternative Investment Fund Managers Directive ("AIFMD") requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Aberdeen Smaller Companies Income Trust PLC ("the Company"), to make available to investors certain information prior to such investors' investment in the Company.

The Company's PIDD is available for viewing on the Company's website.



Visit us online
aberdeensmallercompanies.co.uk