Aberdeen Smaller Companies High Income Trust PLC

Annual Report and Accounts
31 December 2013

Contents

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Strategic Report – Company Summary and Financial Highlights

The Company
The Company is an investment trust and its Ordinary shares are listed on the premium segment of the London Stock Exchange. The Company aims to attract long term private and institutional investors wanting to benefit from the income and capital growth prospects of smaller companies.

Our investment trust is a collective investment vehicle which invests in a diversified portfolio of securities and which enables a spread of investment and risk. The Company is governed by an independent Board of Directors and the management of the Company's investments is delegated to an Investment Manager.

Investment 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.

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

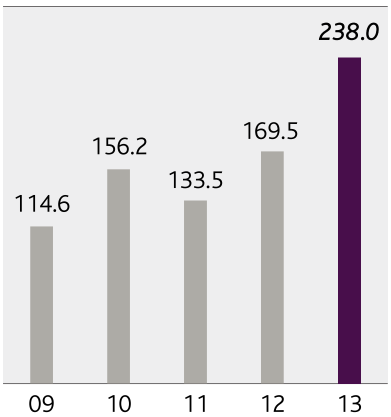
Manager
The Company is managed by Aberdeen Asset Managers Ltd ("AAM" or the "Manager").

Website
Up-to-date information can be found on the Company's website - www.aberdeensmallercompanies.co.uk

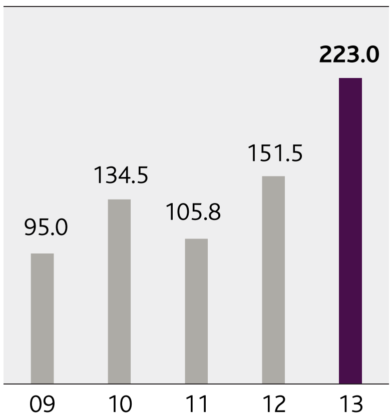
Financial Highlights

	2013	2012
Net asset value total return	+45.0%	+32.2%
Share price total return	+52.1%	+50.7%
Earnings per share (revenue)	6.8p	5.7p
Dividend per share	6.25p	6.05p

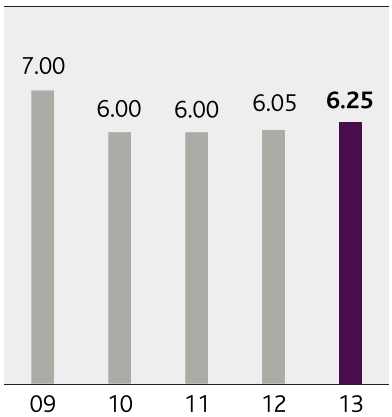
Net asset value per share
At 31 December – pence



Mid-market price per share
At 31 December - pence



Dividends per share
For year to 31 December – pence



Strategic Report – Overview of Strategy

Introduction

The purpose of this report is to provide shareholders with details of the Company's strategy and business model as well as the principal risks and challenges it faces.

The business of the Company is that of an investment trust and the Directors do not envisage any change in this activity in the foreseeable future.

Investment Policy

The Company invests in equities, bonds and preference shares. Investment in corporate bonds and preference shares is primarily to enhance the income generation of the Company. The investment risk within the portfolio is managed by investing in different categories of investment and by the Manager adhering to various guidelines set by the Board.

Gearing is used with the intention of enhancing income and long-term total returns.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 14 to the financial statements. The Board has adopted a matrix of the key risks that affect its business.

Investment Risk

The Directors are responsible for determining the investment policy and the investment objectives of the Company, while the day-to-day management of the Company's assets has been delegated to the Manager under investment guidelines determined by the Board. The Board regularly reviews these guidelines to ensure they remain appropriate and Board approval is required before any exceptions are permitted. The Manager invests in equities, bonds and preference shares, following their investment processes.

(i) Equity Investment Process

The equity investment process is active and bottom-up, based on disciplined evaluation of companies through direct visits by fund managers. Stock selection is the major source of added value, concentrating on quality first, then value. Great emphasis is placed on understanding the business and understanding how it should be valued. New investments are not made without the Manager having first met management of the investee company, undertaken further analysis and written detailed notes to outline the underlying investment merits. Top-down investment factors are secondary in the equity portfolio construction, with diversification rather than formal controls guiding stock and sector weights. However, the exposure to equities is limited by investment guidelines drawn up by the Board in conjunction with the Manager which include:

- Maximum equity gearing of 110% of Net Asset Value
- Maximum 5% of investee company's ordinary shares
- Maximum 5% of the Company's total assets invested in the securities of one company
- No unquoted investments

(ii) Fixed Income Investment Process

The fixed income investment process is an active investment style which identifies value between individual securities. This is achieved by combining bottom-up security selection with a top-down investment approach. Investments in corporate bonds and preference shares are also managed by investment guidelines drawn up by the Board in conjunction with the Manager which include:

- No holding in a single fixed interest security to exceed 5% of the total bond issue of the investee company
- Maximum acquisition cost of an investment grade bond - £1 million
- Maximum acquisition cost of non-investment grade bond - £500,000

Gearing Risk

Gearing is used with the intention of enhancing income and long-term total returns. Gearing has the effect of accentuating market falls and market gains. The Company's gearing currently in place is a two year facility comprising a £5 million fixed and £5 million floating rate. The facility commenced on 23 July 2013 and was fully drawn at the period end.

The risk of gearing is also managed by investing in corporate bonds, the vast majority of which are investment grade and preference shares of large financial institutions.

Scottish Independence

As a Scottish-registered Company, the Board is aware that there is uncertainty arising in relation to the referendum on Scottish independence due on 18 September 2014. The Board has given consideration to the implications that this might have for the Company, however, considers that it is too early at this stage to prejudge the outcome of a vote, or of any subsequent negotiations as they may affect the Trust and its shareholders.

Performance and Outlook

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The Board also considers the marketing and promotion of the Company, including effective communications with shareholders, which is explained in more detail on page 23. The future strategic direction and development of the Company is regularly discussed as part of Board meeting agendas.

A review of the Company's activities and performance during the year to 31 December 2013 and future developments is detailed in the Chairman's Statement and the Manager's Review. This covers market background, investment activity, portfolio strategy, dividend and gearing policy and investment outlook. A comprehensive analysis of the portfolio is provided in the Portfolio of Investments and Distribution of Assets and Liabilities on pages 12 to 15.

Key Performance Indicators (KPIs)

The main KPIs used by the Board in assessing the Company's performance include:

- Net asset value total return v benchmark
- Share price total return
- Premium/(discount)
- Income generation

Details of the Company's results are provided on pages 9 to 11.

Duration

The Company does not have a fixed life. However, the Company's Articles of Association require that an ordinary resolution is proposed at the eighth and then every fifth Annual General Meeting to allow the Company to continue as an investment trust for a further five year period. The present five year mandate expires at the Annual General Meeting to be held in 2015.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the appropriate knowledge in order to allow the Board to fulfill its obligations. At 31 December 2013, the Board consisted of three males and one female. The Company has no employees. The Board's statement on diversity is set out in the Statement of Corporate Governance.

Employee and Socially Responsible Policies

As the Company has delegated the management of the portfolio, it has no employees and therefore has no requirement for disclosures in this area. The Company's socially responsible investment policy is out in the Statement of Corporate Governance.

Global Greenhouse Gas Emissions

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

The Manager's corporate socially responsible policy including environmental policy can be found on http://www.aberdeen-asset.com/aam.nsf/groupCsr/home.

Carolan Dobson
Chairman
4 March 2014

Strategic Report - Chairman's Statement

Carolan Dobson
Chairman

Overview

I am pleased to report that our Trust delivered another year of very strong growth. The Trust delivered a Net Asset Value (NAV) total return of 45.0%, the discount narrowed and the share price total return was 47.2%. This compares favourably against the total return of the FTSE Small Cap (excluding Investment Trust) index which was 43.9%.

Our Trust has now delivered good absolute and relative returns over both the short and long term and this is the consistency of returns that we are striving for as a Board. We understand there may be periods of volatility ahead but the quality of the companies in which the Trust invests leaves the portfolio well placed to deal with these conditions.

We are also pleased that we have grown the dividend over the last two years and this has been at the forefront of our thoughts throughout our Board meetings. As a Board, we are very aware of how important the yield is to our shareholders and this will continue to be an area of focus for us looking ahead.

Performance

Smaller companies ended 2013 at post financial crisis and two decade highs. This might come as a surprise given the economic backdrop has only recently improved but there is a case for sentiment improving and 2014 expectations for the UK and Eurozone economies are showing signs of recovery. Against this the Trust delivered a balanced return across Equity, Fixed Income and Preference share portfolios. The Equity portfolio returned 45.0%, Fixed Income a robust 12.8%, and Preference shares 9.6%.

The Manager has spoken consistently about valuations looking stretched across equity and bond markets through the course of the year. The Manager has therefore been active in taking profits in strongly performing markets and reinvesting the proceeds into areas where they identified relative value. There were periods where value was elusive and this was not only an equity phenomenon; bond markets were similarly identified as being expensive at the onset of the year. The Manager and the Board therefore reviewed the potential capital loss from increases in interest rates and changes to the shape of the yield curve. As bond yields were at or near historic lows and with preservation of capital at the forefront of our thoughts, we sold some bond positions to further reduce the duration. Having the ability to search out value in both bond and equity markets and managing the portfolio as a cohesive entity is an important feature of our Trust. The proceeds realised from reducing our bond portfolio were used to increase our equity weighting, where we saw better valuations and higher yields. This increased the equity gearing to a modest 104%.

Strategy

Every year the Board and Manager set clear objectives for the year ahead. This has to be flexible as markets do not stand still but it is important to scenario plan, leading us to be proactive rather than reactive. This is normally conducted as usual course of business but we supplement this with reviews from the Manager on specific topics. In 2013 one of the topics we looked at was financing. This helped us formulate our views on the best course of action for the coming years and was integral in the decision making process. This year we also looked in more depth at the revenue account across the different asset classes and set parameters on the level of the equity yield premium that we should try to achieve.

This was an interesting exercise and engendered considerable debate around total, capital or income returns. These are really all intertwined and whilst we obviously strive to deliver the best total return, a balance of capital and income growth is an important goal. The strong share price performance of a number of companies had led to lower yields and the portfolio bias had swung towards growth at the expense of income. In addition we could not seek out yield in the bond market as we were reducing our exposure due to the very low yields. The decision was taken to sell some long standing equity holdings that through performance had moved to very low yields and seek out new holdings with good prospects on higher yields. Later in our report the Manager will explain the stock specifics of the changes. Hindsight is always wonderful but this proved to be the right decision for us and we saw strong capital and income growth delivered.

Gearing/Debt

We referred to the refinancing of the £10m facility in the half year report and accounts. We believe that we got the best of both worlds with a combination of a £5m fixed and £5m floating rate two year facility. This was also the most cost effective solution for our shareholders coming in cheaper than the previous financing, whilst also giving us some protection should interest rates rise. It is also worth pointing out that, with the growth in gross assets, the absolute level of gearing has fallen to 16% (Debt/Gross Assets). This is a comfortable level of debt to hold throughout an economic cycle as we are mindful that the share prices of smaller companies can be volatile.

Whilst we are currently comfortable with our position we have retained flexibility. We will keep this on our agenda especially in an environment of rising interest rates which may offer up some interesting future opportunities.

Dividends

As stated in my opening remarks this has been a tough year for income investors. This may look at odds with the 19% growth in revenue that the Trust delivered but the majority of this was derived from special dividends: Hiscox, Savills, Aveva, and Elementis. It's worth saying that buying companies with strong balance sheets is part of the Manager's process and special dividends are one option for such companies to return excess liquidity to shareholders. Whilst we therefore don't expect these to recur every year, it's not altogether surprising when this happens and this has allowed us to add to our already strong revenue reserves. We have used these reserves before during tough periods to supplement the income and as a Board we would be comfortable to do this again to support the dividend through tough times. The dividend increase of 3.3% continues the Board's plan to deliver steady dividend growth. The yield on the Trust as a whole has reduced due to the strong share price performance but at 2.8% it remains at a 30% premium to the index yield of 2.2%.

The Manager's expectations for earnings growth in 2014 for smaller companies are for mid-single digit earnings per share growth though it is still too early in the year for company management to be giving guidance but the Manager believes this to be a solid base to work from. A sustained recovery in the economic backdrop could see these figures trend higher.

Alternative Investment Fund Managers Directive ("AIFMD")

Shareholders will be aware of the AIFMD, which creates a European-wide framework for regulating managers of alternative investment funds ("AIF"s). Listed investment companies such as ASCHIT fall within the definition of an AIF. The AIFMD is intended to reduce systemic risk created by the financial sector and aims to improve regulation, enhance transparency and investor protection, develop a single EU market for AIFs and implement effective mechanisms for micro- and macro-prudential oversight. The AIFMD came into force in July 2013 but a transitional period means that investment companies have until July 2014 to comply with the relevant regulations. Your Board has agreed in principle to appoint a subsidiary of Aberdeen Asset Management PLC to act as the Company's AIFM and is currently in the process of finalising the appointment of a Depositary as well as revising the investment management agreement, both consequences of implementing the AIFMD.

Suitable for Retail Investors

The Company currently conducts its affairs so that the Ordinary shares issued by ASCHIT can be recommended by Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The Ordinary shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Outlook

As a Board we are comfortable with the Manager's current positioning. We have retained flexibility in the bond portfolio to allocate more capital but we are happy to be patient in the pursuit of more attractive yields. Equity markets are still expensive but with their revenue exposed to a UK and Eurozone recovery we can see this being another good year for smaller companies from a capital and income perspective.

Carolan Dobson
Chairman
4 March 2014

Strategic Report - Manager's Review

Background

In 2013 smaller companies globally took centre stage with the 44% total return in UK smaller companies joined by strong returns across the Eurozone. A rebound in peripheral Europe saw Portugal rise 70%, Italy 51%, Ireland 49% and Spain 48% but we also saw stronger regions like Sweden and Switzerland rising 40% and 35% respectively.

Turning to performance, 2013 was a year for stock pickers with a number of companies and sectors, in particular mining, delivering large losses. As the Chairman pointed out a pleasing part of performance was the returns delivered across the asset classes which we will put more colour on throughout this report. It is also important to outline that, whilst capital returns have been stellar, finding yield remains tough. The Trust's NAV and share price rose 275% and 460% over the last five years respectively but the other side of this is that we have seen significant yield contraction. There are always pockets of value and attractive yields but it is becoming tougher to find. Fixed Income markets have not been much better with an increased level of issuance coupled with strong demand driving yields to unsustainable levels.

Performance

The equity portfolio had another strong year. We said last year, and it is worth repeating, that from year to year we do not chase themes or trends and with turnover low the core portfolio remains broadly as it was in 2012. The performance is an outcome therefore of the research, knowledge and understanding of the companies that we have built up over many years.

That said we did make some changes in the first quarter to improve the yield. Putting a little more colour to this the process of deciding what changes to make were based on company fundamentals and valuations with yield at the heart of the discussion. We looked at all the holdings that were yielding less than the market and questioned the opportunity cost from a yield perspective in total return terms. As you would expect some decisions were easier than others. The sale of Weir Group and Melrose, both FTSE 100 companies with sub market yields, was fairly easy in the overall context. We also chose to reduce Oxford Instruments, Victrex, Savills and housebuilder Bellway. All of these had performed very well over the medium term and with valuations up with events we trimmed our positions. In terms of reinvestment in the main we added to companies already held in the fund including XP Power, Elementis and Berendsen. We raised our weight in Acal a Pan-European distributor of electrical and electronic components. We also introduced two new financials to the portfolio; Hiscox and Close Brothers. Whilst these were new names to the portfolio they were not new names to us as a team having first met with Close back in 2003 and Hiscox in 2010. We had held these in other portfolios and therefore understood the business models and the diversification these would bring to the portfolio.

Hiscox is a Lloyds of London insurance business and the better known of the two names. Hiscox can be split into two divisions with half the business speciality/niche/retail/small-ticket insurance where they aim to lead on pricing. The other half is traditional underwriting of large syndicated deals including property, marine, or catastrophe risk. The management team have a disciplined approach to capital allocation and during 2013 they returned excess liquidity to shareholders. The second new entrant is Close Brothers which is a very different proposition with the majority of the profits delivered by their banking division. They lend to niche areas of the market with revenue equally split between retail, commercial and property markets. They are a conservative lender but due to the retreat of the high street banks they have grown the loan book double digit in the last four years. They have managed to do this whilst keeping the loss ratio low and with a much higher net interest margin than their peers. They also have a market making business Winterfloods and an Asset Management business that have the ability to add value over the medium term.

It was pleasing that our larger holdings were generally our better performers including Wilmington, RPC, Berendsen and XP Power. We also had very few bad performers over the year with only three companies delivering negative returns: Greggs, McBride and Devro. Our decisions to avoid mining and a number of profit warnings were well rewarded especially for a consolidated portfolio of 43 names where we have conviction positions to maximise returns.

Bonds and Preference Shares

Bond markets have had a mixed year. The first half saw events outside of the UK weigh heavily on bond sentiment. Disappointing economic data from Europe and the US, coupled with monetary stimulus from the Bank of Japan initially led to a fall in bond yields. However, comments from the Federal Reserve surrounding the possibility of tapering asset purchases at a faster pace and an improvement in UK economic data overwhelmed markets and led to short, medium and long dated gilt yields rising aggressively from late May. Speculation over Federal Reserve tapering dominated during the second half of the year but when it eventually occurred markets took in their stride. The UK market in the latter half of the year has also been buoyed by a raft of positive economic news. The 7% unemployment threshold is also in sight and whilst this does not necessarily mean the Bank of England will raise rates expectations for rate rises have crept up.

Turning to the portfolio itself we have been very active throughout the year. Firstly with very strong markets and yields contracting we reviewed our holdings alongside the equity portfolio. With a number of yields below that achievable in equities with little hope for capital appreciation we exited a number of positions. We sold out of Telecom Italia and Telefonica and we tendered our position in Society of Lloyds. With expectations of interest rate rises capital preservation was at the forefront of our decision to exit these holdings. Performance has again been very strong with the portfolio returning 12.8% driven predominately by the NatWest subordinated financial which recovered with the wider financial market.

The preference share portfolio also delivered a near 10% return. These can behave more like equity and following a rebound in the underlying Aviva share price the General Accident and Aviva preference shares were the top performers. More recently they have surged to post financial crisis highs and while they are important from a revenue perspective at less than 7% of the gross assets their impact on the portfolio as a whole is diminishing.

Dividends

As we said in the opening remarks yield is a scarce commodity at the moment. We understand, as do the Board, how important it is to keep growing the dividend. This is why we conducted the review and the changes we made allowed us to cover the dividend comfortably for 2013.

Looking out to 2014 companies remain cautious in growing their dividends and with the outlook for moderate earnings growth we would expect to see dividends grow at a similar level. Expectations for dividend growth are in the range of 5-8% excluding the potential for any special returns although this could accelerate if earnings turn out to be more positive.

Outlook

It is very early in the year to be giving any predictions for 2014 but with the UK and European backdrop improving we could see another decent year for smaller companies. We are not expecting anything like the returns of 2013 but with around 70% of the Trust's earnings exposed to UK and Europe a pick-up in growth could feed through to improved earnings. We are also keeping a close eye on valuations and with this in mind will continue to take advantage of opportunities in the market to reallocate capital where we feel more attractive valuations exist. In summation we feel well positioned heading into 2014 with the backdrop improving.

Aberdeen Asset Managers Limited
4 March 2014

Strategic Report - Results

Financial Highlights

	31 December 2013	31 December 2012	% change
Total investments	£60,820,000	£45,694,000	+33.1
Shareholders' funds	£52,618,000	£37,466,000	+40.4
Market capitalisation	£49,305,000	£33,496,000	+47.2
Net asset value per share	237.99p	169.45p	+40.4
Share price (mid market)	223.00p	151.50p	+47.2
Discount to adjusted NAV[A]	5.7%	9.8%	
Net gearing[B]	15.8%	22.4%	
Ongoing charges ratio[C]	1.62%	1.90%	
Dividends and earnings			
Revenue return per share[D]	6.77p	5.69p	+19.0
Dividends per share[E]	6.25p	6.05p	+3.3
Dividend cover	1.08	0.94	
Revenue reserves[F]	£2,052,000	£1,927,000	

[A] Based on IFRS NAV above reduced by dividend adjustment of 1.60p (2012 – 1.55p).
[B] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition on page 52).
[C] The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees (excluding performance fees) and administrative expenses divided by the average cum income net asset value throughout the year.
[D] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).
[E] The figures for dividends per share reflect the years in which they were earned (see note 7).
[F] The revenue reserve figure does not take account of the fourth interim dividend amounting to £354,000 (2012 – £343,000).

Performance (total return)

	1 year % return	3 year % return	5 year % return
Net asset value	+45.0	+70.3	+258.2
Share price (based on mid price)	+52.1	+88.9	+458.2
FTSE SmallCap Index (excluding Investment Companies)	+43.9	+66.3	+206.6
FTSE All-Share Index	+20.8	+31.0	+95.2

All figures are for total return and assume re-investment of net dividends excluding transaction costs.

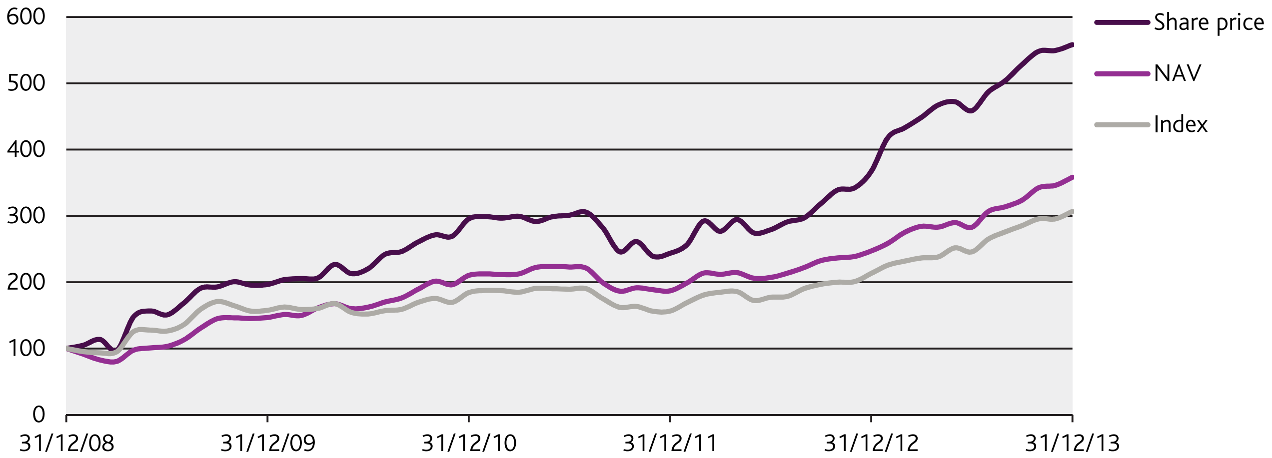
Dividends

	Rate per share	xd date	Record date	Payment date
First interim dividend	1.55p	10 April 2013	12 April 2013	30 April 2013
Second interim dividend	1.55p	10 July 2013	12 July 2013	31 July 2013
Third interim dividend	1.55p	16 October 2013	18 October 2013	31 October 2013
Fourth interim dividend	1.60p	8 January 2014	10 January 2014	31 January 2014
2013	**6.25p**			
First interim dividend	1.50p	4 April 2012	10 April 2012	27 April 2012
Second interim dividend	1.50p	4 July 2012	6 July 2012	27 July 2012
Third interim dividend	1.50p	3 October 2012	5 October 2012	26 October 2012
Fourth interim dividend	1.55p	9 January 2013	11 January 2013	31 January 2013
2012	**6.05p**			

Strategic Report - Performance

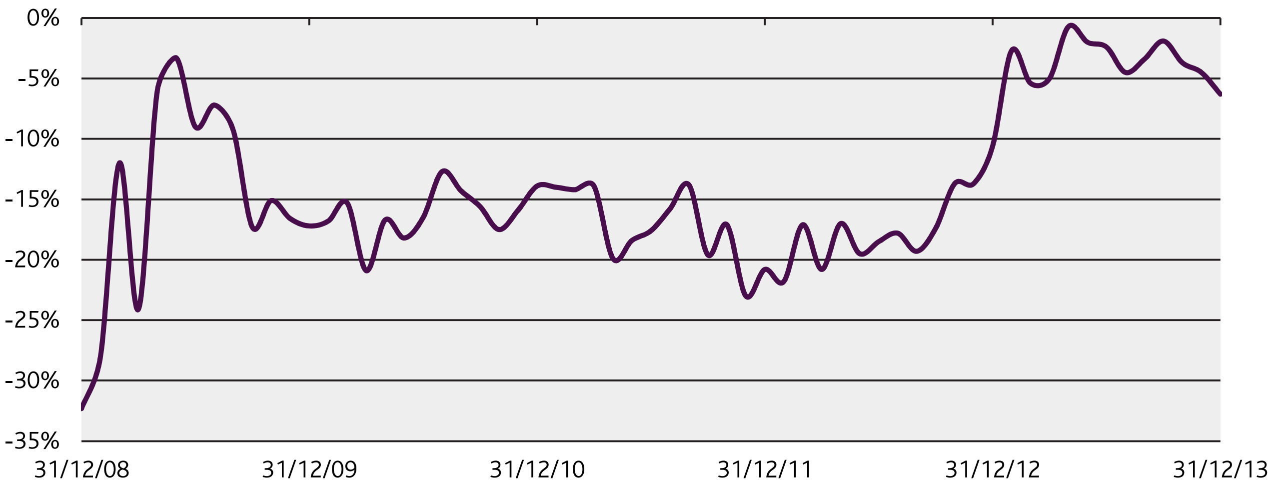
Total Return of NAV and Share Price vs FTSE SmallCap (ex Inv Co's) Index

Figures are total return and have been rebased to 100 at 31 December 2008



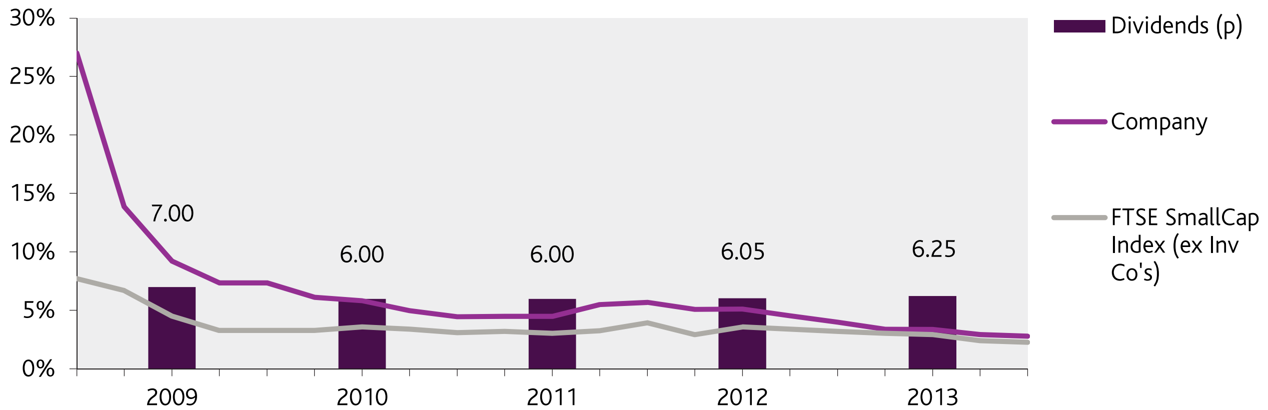
Share Price Premium/(Discount) to Net Asset Value

Five years to 31 December 2013



Dividend (p) and Company and Benchmark Yield (%)

Five years to 31 December 2013



Ten Year Financial Record

Year to 31 December	2004[A]	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue available for Ordinary dividends (£'000)	3,555	3,272	3,294	3,484	3,444	1,608	1,336	1,329	1,257	1,496
Per share (p)										
Net revenue return	13.64	14.81	14.90	15.75	15.58	7.27	6.04	6.01	5.69	6.77
Net dividends paid/proposed	13.75	13.75	14.50	14.95	15.10	7.00	6.00	6.00	6.05	6.25
Total return	54.63	49.80	48.71	(44.33)	(127.18)	37.07	47.94	(16.70)	41.92	74.73
Net asset value per share	218.6	254.8	289.0	229.9	87.6	114.6	156.2	133.5	169.5	238.0
Shareholders' funds (£m)	47.9	56.3	63.9	50.8	19.4	25.3	34.5	29.5	37.5	52.6

[A] 2004 figures restated following the introduction of International Reporting Standards ('IFRS').

Cumulative Performance

As at 31 December	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
NAV	100.0	121.8	142.0	161.0	128.1	48.8	63.8	87.0	74.4	94.4	132.6
NAV total return[A]	100.0	130.6	161.5	193.6	162.2	67.9	99.7	142.8	126.9	167.8	243.3
Share price performance	100.0	122.6	137.2	145.8	100.8	30.4	51.6	73.1	57.5	82.3	121.2
Share price total return[A]	100.0	131.9	156.6	176.1	128.5	43.2	84.9	127.7	105.2	158.5	241.2
Benchmark performance	100.0	110.4	128.4	154.2	123.5	61.2	93.5	105.7	87.0	115.0	161.3
Benchmark total return[A]	100.0	113.1	134.5	165.3	135.6	70.1	110.5	129.2	109.6	149.4	215.0

[A] Total return figures are based on reinvestment of net income.
The figures for 2004 figures were restated following the introduction if International Reporting Standards ('IFRS').

Investment Portfolio – Ordinary Shares

As at 31 December 2013

Company	Valuation 2013 £'000	Total portfolio %	Valuation 2012 £'000
RPC Group	2,626	4.3	1,407
Fenner	2,401	4.0	1,514
Wilmington	2,306	3.8	1,581
Euromoney Institutional Investor	2,025	3.3	1,288
XP Power	2,015	3.3	1,201
Dechra Pharmaceuticals	1,651	2.7	1,251
Close Brothers	1,619	2.7	–
Elementis	1,588	2.6	939
Chesnara	1,587	2.6	952
Interserve	1,576	2.6	1,122
Ten largest investments	**19,394**	**31.9**	
TT Electronics	1,546	2.5	1,130
Berendsen	1,545	2.5	1,312
Helical Bar	1,519	2.5	1,071
Bellway	1,429	2.4	1,148
Morgan Sindall	1,412	2.3	967
Bloomsbury Publishing	1,382	2.3	619
Rathbone Brothers	1,367	2.2	1,100
BBA Aviation	1,268	2.1	1,026
Hiscox	1,206	2.0	–
Numis Corporation	1,196	2.0	674
Twenty largest investments	**33,264**	**54.7**	
Devro	1,172	1.9	494
Fisher James	1,162	1.9	753
Huntsworth	1,145	1.9	531
Dignity	1,123	1.9	804
Robert Walters	1,081	1.8	643
Fuller Smith & Turner 'A'	1,080	1.8	894
Restaurant Group	1,054	1.7	1,128
Savills	995	1.6	926
Victrex	990	1.6	1,098
Acal	932	1.5	–
Thirty largest investments	**43,998**	**72.3**	
Oxford Instruments	929	1.5	1,309
Anite	873	1.4	–
A G Barr	857	1.4	750
Intermediate Capital Group	832	1.4	626
Mothercare	814	1.4	850
Hansteen	811	1.3	–
Aveva Group	774	1.3	832
Greggs	749	1.2	645
Keller Group	747	1.2	673
McBride	702	1.2	761
Forty largest investments	**52,086**	**85.6**	
Domino Printing	688	1.1	525
Menzies (John)	515	0.9	466
Majestic Wine	390	0.7	340
Total Ordinary shares	**53,679**	**88.3**	

Investment Portfolio – Other Investments

As at 31 December 2013

Company	Valuation 2013 £'000	Total portfolio %	Valuation 2012 £'000
Convertibles			
Balfour Beatty Cum Conv 10.75%	1,034	1.7	1,098
Total Convertibles	**1,034**	**1.7**	
Corporate Bonds			
National Westminster 5.98%	893	1.5	618
Stagecoach Group 5.75% 2016	657	1.1	666
Wales & West Utilities Finance 6.75% 2036	572	0.9	584
Electricite de France 6% [A]	518	0.9	–
Anglian Water 4.5% 2026	480	0.8	–
Total Corporate Bonds	**3,120**	**5.2**	
Preference shares			
Aviva 8.75%	1,174	1.9	1,141
General Accident 8.875%	1,123	1.8	1,100
Ecclesiastical Insurance 8.625%	690	1.1	705
Total Preference shares	**2,987**	**4.8**	
Total Other Investments	**7,141**	**11.7**	
Total investments	**60,820**	**100.0**	

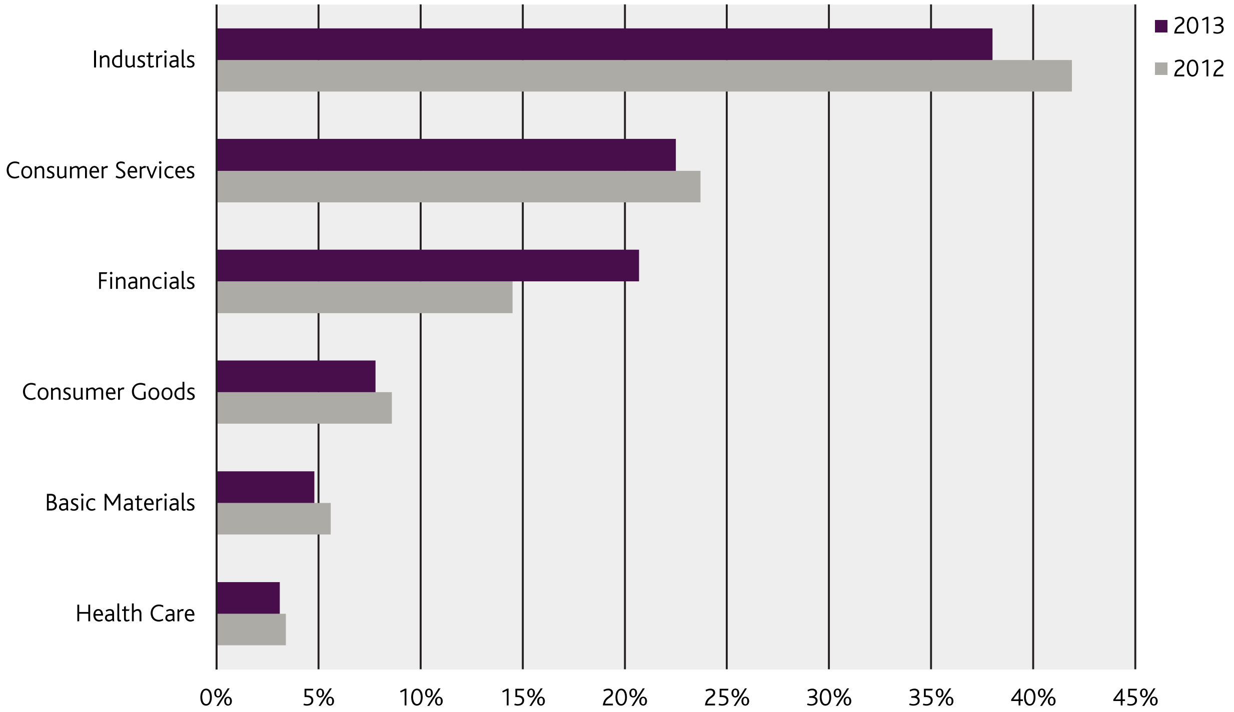
[A] All investments are listed on the London Stock Exchange (sterling based), except those marked, which are listed on overseas exchanges based in sterling.

Distribution of Assets and Liabilities

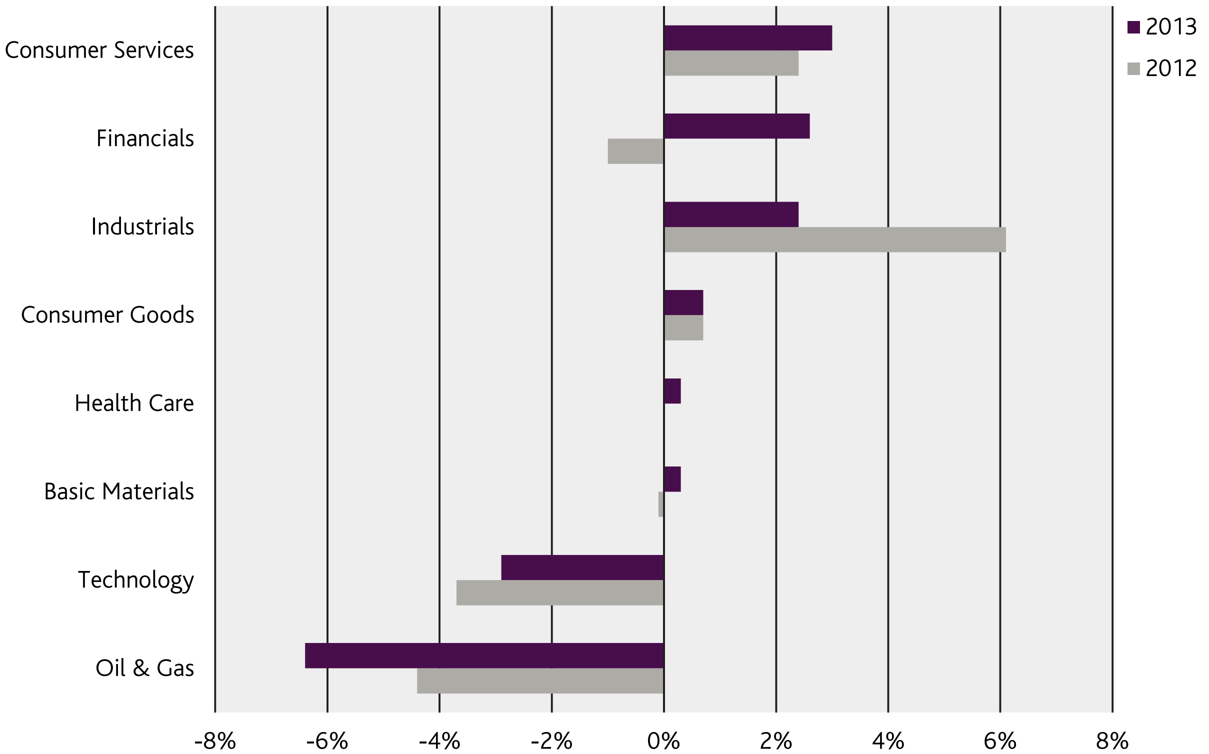
	Valuation at 31 December 2012		Movement during the year				Valuation at 31 December 2013	
			Purchases	Sales	Other[A]	Gains/ (losses)		
	£'000	%	£'000	£'000	£'000	£'000	£'000	%
Listed investments								
Ordinary shares	36,698	98.0	8,742	(6,817)	–	15,056	53,679	102.0
Convertibles	1,098	2.9	–	–	–	(64)	1,034	2.0
Corporate bonds	4,952	13.2	992	(3,139)	(32)	347	3,120	5.9
Other fixed interest	2,946	7.9	–	–	–	41	2,987	5.7
	45,694	122.0	9,734	(9,956)	(32)	15,380	60,820	115.6
Current assets	1,965	5.2	–				2,021	3.8
Other current liabilities	(193)	(0.5)	–				(223)	(0.4)
Short-term loan	(10,000)	(26.7)	–				–	–
Long-term loan	–	–	–				(10,000)	(19.0)
Net assets	**37,466**	**100.0**					**52,618**	**100.0**
Net asset value per Ordinary share	**169.5p**						**238.0p**	

[A] Amortisation adjustment of £32,000 (see note 2).

Analysis of Listed Equity Portfolio



Aberdeen Smaller Companies High Income Trust PLC relative to the FTSE SmallCap (ex Inv Co's) Index



Your Board of Directors

The Directors, all of whom are non-executive and independent of the Manager, supervise the management of Aberdeen Smaller Companies High Income Trust PLC and represent the interests of shareholders.

Carolan Dobson

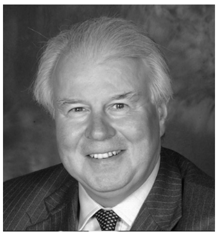
Status: Chairman, Independent Non-Executive Director
Length of service: 9 years, appointed in September 2004.
Experience: Reporting panel member and chair of the Cost of Capital Group of the Competition Commission, chairman of JPMorgan European Smaller Companies Trust plc, trustee of Vaillant and Bestpak Pension Funds and trustee or adviser to a number of other pension funds. Formerly head of UK Equities at Abbey Asset Managers Limited, head of Investment Trusts at Murray Johnstone, non-executive director of The Securities and Investment Institute, AIC and British Waterways.
Last re-elected to the Board: 17 April 2013
Committee membership: Nominations Committee (Chairman), Management Engagement Committee (Chairman)
Remuneration: £30,000 per annum
All other public company directorships: Brunner Investment Trust PLC and JPMorgan European Smaller Companies Trust plc
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 2,713 Ordinary shares

Robert Lister

Status: Independent Non-Executive Director
Length of service: 2 years, appointed in March 2012.
Experience: Non-executive director of Investec Wealth and Investment Limited. Over 20 years' experience of investment management and formerly global head of equities at Dresdner Kleinwort and head of European equities at Barclays de Zoete Wedd.
Last re-elected to the Board: 17 April 2013
Committee membership: Audit Committee, Nominations Committee, Management Engagement Committee
Remuneration: £20,000 per annum
All other public company directorships: None
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 5,200 Ordinary shares

Barry Rose

Status: Independent Non-Executive Director
Length of service: 3 years, appointed in March 2011
Experience: Chairman of Baillie Gifford Shin Nippon PLC, chairman of Dimensional Imaging Ltd and the Scottish charity, Circle. Extensive investment experience and formerly director of Scottish Provident Institution and chief executive of Scottish Provident UK.
Last re-elected to the Board: 17 April 2013
Committee membership: Audit Committee, Nominations Committee, Management Engagement Committee
Remuneration: £20,000 per annum
All other public company directorships: Baillie Gifford Shin Nippon PLC
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: Nil



James West

Status: Senior Independent Non-Executive Director and Audit Committee Chairman
Length of service: 11 years, appointed in April 2002.
Experience: Chairman and director of a number of investment companies and chairman of Associated British Foods Pension Fund. A chartered accountant and formerly managing director of Lazard Brother & Co. Ltd and chief executive of Lazard Asset Management Ltd.
Last re-elected to the Board: 17 April 2013
Committee membership: Audit Committee (Chairman), Nominations Committee, Management Engagement Committee
Remuneration: £23,000 per annum
All other public company directorships: Chairman of New City High Yield Fund Limited, non-executive director of British Assets Trust plc, Threadneedle UK Select Trust Limited and JPMorgan Income & Capital Trust plc.
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 36,640 Ordinary shares

Directors' Report

Status

The Company, which was incorporated in 1992, is registered as a public limited company and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company's registration number is SC137448.

The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 January 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 December 2013 so as to enable it to comply with the ongoing requirements for investment trust status.

The Company has conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

Capital Structure

At 31 December 2013, the Company had 22,109,765 fully paid Ordinary shares of 50p each (2012 – 22,109,765 Ordinary shares) in issue. There have been no changes in the Company's issued share capital subsequent to the year end and up to the date of this report.

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares carry a right to receive dividends. On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may be applied from time to time by law (for example, insider trading law).

Results and Dividends

The financial statements for the year ended 31 December 2013 appear on pages 30 to 33. Dividends declared for the year amounted to 6.25p per share (2012 – 6.05p).

A fourth interim dividend of 1.60p per share was declared by the Board on 18 December 2013 with an ex-date of 8 January 2014, record date of 10 January 2014 and payment date of 31 January 2014. Under accounting standards this dividend will be accounted for in the financial year ended 31 December 2013.

Directors

Biographies of the Directors are found on pages 16 and 17. All Directors held office throughout the year and will stand for re-election at the forthcoming Annual General Meeting. The Board supports the candidature of the Directors for the reasons described in the Corporate Governance section.

Directors' Liability Insurance

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association. The Company maintains insurance in respect of Directors' and officers' liabilities in relation to their acts on behalf of the Company.

Substantial Interests

As at 4 March 2014 the Company had received notification of the following interests in its Ordinary shares:

Name of shareholder	Number of Ordinary shares held	% of Ordinary shares held
Shires Income plc	3,310,476	15.0
Aberdeen Investment Trust Share Plans (non-beneficial)	3,307,487	14.9
Philip J Milton & Company	1,061,969	6.0
M&G Investment Management	837,720	3.8

Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Company has a two year credit facility in place which is available until July 2015. The Board considers that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Manager and Company Secretary

Investment management services are provided to the Company by Aberdeen Asset Managers Limited. Company secretarial, accounting and administrative services are provided by Aberdeen Asset Management PLC. The fee is at a rate of 0.75% of shareholders' funds plus short and medium-term funding. The contract may be terminated by either the Company or the Manager on the expiry of six months' written notice.

The key terms of the Investment Management Agreement including the calculation of the fee are set out in note 3 to the financial statements. The Board believes the fee charged to be competitive with reference to other investment trusts with a similar mandate.

Corporate Governance

The Statement of Corporate Governance is set out on pages 21 to 24 and forms part of this report.

Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Following their intention to gradually wind down the activity in their registered firm, KPMG Audit Plc, KPMG have proposed that an alternative entity, KPMG LLP, become the Company's auditor. The change is purely administrative and there will be no adverse impact on investors' interests as a result.

Accordingly, KPMG have notified the Company that KPMG Audit Plc is not seeking reappointment and have provided a statutory statement of circumstances upon ceasing to hold office pursuant to section 519 of the Companies Act 2006. In accordance with section 520 of the 2006 Act, a copy of this statement is enclosed with the report and accounts. The Board has decided to put KPMG LLP forward to be appointed as auditor and a resolution concerning its appointment will be put to the forthcoming AGM of the Company. There is no impact on the terms in which the auditor will be retained.

The Directors have reviewed the level of non-audit services provided by the auditor during the year, together with the auditor's procedures in connection with the provision of such services, and remain satisfied that KPMG Audit Plc's objectivity and independence is being safeguarded.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 17 April 2014, the following resolutions will be proposed:

(i) Section 551 authority to allot shares

Resolution 9 which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to an aggregate nominal value of £3,684,960, representing approximately one third of the total Ordinary share capital of the Company in issue (excluding treasury shares) as at the date of this document, such authority to expire on 30 June 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(ii) Disapplication of Pre-emption Provisions

Resolution 10 is to enable the Directors to issue new shares and to resell shares held in treasury up to an aggregate nominal amount of £1,105,488 (representing approximately 10 per cent of the total Ordinary share capital in issue). Resolution 10, which is a special resolution, will, if approved, give the Directors power to allot Ordinary shares (including Ordinary shares held in treasury) for cash, otherwise than pro rata to existing shareholders, up to a maximum aggregate nominal amount of £1,105,488. Ordinary shares would only be issued for cash at a price not less than the net asset value per share. This authority will expire on 30 June 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting). As noted, this disapplication of pre-emption rights also applies in respect of treasury shares which the Company may sell. The Company has no shares held in treasury as at the date of this report.

(iii) Purchase of the Company's own Ordinary Shares

Resolution 11, which is a special resolution, will be proposed to renew the Company's authorisation to make market purchases of its own shares. The maximum number of Ordinary shares which may be purchased pursuant to the authority shall be 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 3.3 million Ordinary shares). The minimum price which may be paid for an Ordinary share (exclusive of expenses) shall be 50p. The maximum price for an Ordinary share (again exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. Shares so repurchased will be held in treasury. No dividends will be paid on treasury shares and no voting rights attach to them. Any purchase of shares will be made within guidelines established from time to time by the Board. This authority will expire on 30 June 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling 44,553 Ordinary shares, representing 0.2% of the issued Ordinary share capital of the Company.

By Order of the Board
Carolan Dobson
Chairman
4 March 2014

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 18 to 20.

Compliance

The Company is committed to high standards of corporate governance and has in place arrangements which it believes are appropriate for an investment trust company. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles set out in the 2010 and 2012 UK Corporate Governance Codes (the "UK Codes") which is available on the Financial Reporting Council's website: www.frc.org.uk. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the UK Codes.

Additionally, the Company is a member of the Association of Investment Companies ("AIC") and complies with the recommendations of the AIC's Code of Corporate Governance (the "AIC Code") which seeks to codify best practice of particular relevance to investment trusts. The AIC Code is available on the AIC's website: www.theaic.co.uk.

The Board

The Board consists currently of four non-executive Directors. There is no chief executive officer within the Company as day to day management of the Company's affairs has been delegated to the Manager, Aberdeen Asset Managers Limited ("Aberdeen"). Biographies of the Directors appear on pages 16 and 17 which demonstrate the wide range of skills and experience each brings to the Board. Each Director has a signed letter of appointment to formalise the terms of their engagement as a non-executive Director.

The Board has a formal schedule of matters specifically reserved to it for decision including strategy, dividend policy, gearing policy, review of the Manager and corporate governance matters. The Board has appointed Aberdeen to manage the Company's investment portfolio within guidelines set by the Board as detailed on page 2. Aberdeen also provides accounting, administrative and secretarial services. Aberdeen supplies the Board with monthly reports on the Company's activities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice of Aberdeen as Secretaries of the Company.

The following table sets out the number of formal Board and Committee meetings attended by each Director during the year ended 31 December 2013 (with their eligibility to attend the relevant meeting in brackets).

Director	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Management Engagement Committee Meetings
C. Dobson	4 (4)	2 (2)	1 (1)	1 (1)
R. Lister	4 (4)	2 (2)	1 (1)	1 (1)
B. Rose	4 (4)	2 (2)	1 (1)	1 (1)
J. West	4 (4)	2 (2)	1 (1)	1 (1)

Between meetings the Board maintains regular contact with the Manager.

The Board regularly monitors the interests of each Director and a register of Directors' interests, including potential conflicts of interest, is maintained by the Company. Directors who have potential conflicts of interest will not take part in any discussions which relate to that particular conflict. The Board continually monitors potential conflicts of interests on a regular basis.

The Board adopts a zero tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery.

Performance Evaluation

The Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self appraisal. This process encompasses quantitative and qualitative measures of performance implemented by way of an evaluation survey questionnaire and Board discussion. The appraisal of the Chairman is led by the Senior Independent Director in conjunction with the other Directors.

The review process carried out in respect of the year ended 31 December 2013, concluded that the Board is functioning well and operates in an efficient and effective manner with each Director making a significant contribution to the performance of the Company. There are no issues of concern.

The Board regularly reviews the independence of its members and, having due regard to the definitions and current AIC guidelines on independence, considers all Directors to be independent of the Company's Manager. The Board takes the view that independence is not compromised by length of service.

The Board has implemented the provisions of the UK Code whereby all Directors of the Company will stand for re-election on an annual basis. The Board believes that each

Director continues to be effective, bringing a wealth of knowledge and experience to the Board and recommends the re-election of each Director.

New Directors are given appropriate induction from the Manager covering legal responsibilities, the Manager's operations and investment trust industry matters. All Directors are entitled to receive appropriate and relevant training.

The Board has appointed three Committees with specific operations as set out below. The terms of reference of each Committee are available on the Company's website and will also be available at the Annual General Meeting.

Nominations Committee

The Nominations Committee, which comprises all Directors, reviews Director appraisals, succession planning, new appointments and training. Appointments of new Directors are undertaken following a thorough and open process involving professional recruitment consultants and interviews with the candidates identified. New appointments are identified against the requirements of the Company's business and the need to have a balanced Board with the best range of skills and experience to complement existing Directors. Appointments are made on merit, taking into account the benefits of diversity, including gender. However the Board's overriding priority is to appoint the most appropriate candidates, regardless of gender or other forms of diversity. The Board, therefore, has not set any measurable targets in relation to the diversity of the Board.

Management Engagement Committee

The Management Engagement Committee, which comprises all Directors, reviews on an annual basis the terms of the agreements with the Manager including, but not limited to, the management fee and to review the performance of the Manager in relation to the achievement of the Company's objectives. The Board considers the continuing appointment of the Manager to be in the interests of shareholders at this time.

Audit Committee

The Audit Committee is chaired by Mr West, who is a chartered accountant, and comprises all Directors of the Company with the exception of Ms Dobson, who attends but is a non-voting member. The Committee meets at least twice per year to coincide with the annual and interim reporting cycle. The main responsibilities of the Audit Committee include:

- to review the annual and interim financial statements, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements.
- to assess whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.
- to review the internal control and risk management systems on which the Company is reliant and to consider annually the need for the Company to have its own internal audit function.
- to review the arrangements in place within the Manager whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- to consider the appointment, re-appointment, remuneration and terms of engagement of the external auditor.
- to review annually the external auditor's independence, objectivity, effectiveness, resources and qualification.

Significant Accounting Issues

The significant accounting issue considered by the Committee during the year in relation to the Company's financial statements was the valuation, existence and ownership of investments. The valuation of investments is undertaken in accordance with the accounting policies, disclosed in notes 1(a) and 1(c) to the accounts on pages 34 and 35. The audit includes independent confirmation of the existence of all investments from the Company's custodian. All investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 within the FRS 29 fair value hierarchy.

Other Accounting Issues

Other accounting issues considered by the Committee included:

- Recognition of Investment Income. The recognition of investment income is undertaken in accordance with accounting policy note 1(b) to the accounts on page 34. The audit includes an analytical review of the Company by comparing income received to its stated benchmark.
- Compliance with Sections 1158 and 1159. Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1 January 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

Review of Auditor

The Audit Committee has reviewed the independence and the effectiveness of the auditor, KPMG Audit Plc ("KPMG"), as follows:

- The auditor reports on an annual basis the steps it takes to ensure its independence and objectivity and confirms that it has complied with the relevant UK independence

guidelines. The level of non-audit services provided by the auditors is assessed and for the year ended 31 December 2013 there were no non-audit services provided.
- The Committee considers the experience, continuity and tenure of the audit team, including the audit director. The audit team consists of suitably experienced staff with knowledge of the investment trust sector and there is a process in place for the rotation of the director.
- The Committee assesses the level of audit service annually. The audit plan is reviewed well in advance and subsequent audit findings are reported comprehensively in a timely manner and are resolved satisfactorily. The auditor has a constructive working relationship with both the Board and the Manager.

The Committee is satisfied that KPMG remains independent and effective and, as such, has not considered it necessary to conduct a tender process for the appointment of its auditor. Although KPMG has held office as auditor for 21 years, the audit director is rotated at least every five years, in accordance with professional guidelines. The current audit director has served for two years.

KPMG has instigated an orderly wind down of its business and has proposed that KPMG LLP be proposed as auditor at the AGM. On the recommendation of the Audit Committee, the Board is satisfied to propose the resolution to appoint KPMG LLP at the AGM. Shareholders have the opportunity at each AGM to vote on the appointment of the auditor for the forthcoming year.

The Board is aware that new measures regarding the provision of audit services are currently under review by both the UK Competition and EU Commissions and will consider the impact of these on the Company once finalised.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and for reviewing the effectiveness of the Company's system of internal controls including financial, operational, compliance and risk management. This process has been in place for the year under review and up to the date of approval of this annual report and accounts. It is regularly reviewed by the Board and accords with the FRC's Guidance.

The Board has delegated certain functions, including the investment management of the Company's assets to the Manager. The other main service providers are HSBC Bank plc, the custodian and Equiniti, the registrars.

The Board has reviewed the effectiveness of the Manager's system of internal control and risk management. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are financial, operational and compliance. The key components designed to provide effective internal control are outlined below:

- the Manager prepares monthly forecasts and management accounts, covering investment activities and financial matters, which allow the Board to assess the Company's activities and review its performance;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers. 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;
- the Manager's internal audit and compliance departments continually reviews the Manager's operations and reports to the Audit Committee on a six monthly basis. In view of the Manager's internal controls that are in place, the Directors do not consider that there is a need for an internal audit function;
- an independent custodian, HSBC Bank plc, is appointed to safeguard the Company's investments, which are registered in the name of the custodian's nominee company.

In addition, the Board has adopted its own risk matrix which identifies the key risks for the Company and covers strategy, investment management, operations, regulatory and financial obligations and third party service providers. A monitoring system is undertaken whereby the controls to mitigate these risks, and the impact of the residual risks, are assessed on a regular basis.

The system of internal control and risk management is designed to meet the Company's particular needs and the risks to which it is exposed. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company and the Company reports formally to shareholders twice a year by way of the annual and half yearly reports. All shareholders have the opportunity to attend and vote at Annual General Meetings of the Company at which the Board and the Manager are available to discuss key issues affecting the Company. The Manager has also conducted meetings with major shareholders throughout the year to discuss issues relating to the Company which are also attended by the Chairman if appropriate. Shareholders and investors may obtain up-to-date information on the Company through the Company's website and the Manager's information services.

As recommended by the AIC Code, the Company makes available the proxy votes cast at general meetings. In addition the Company aims to give at least twenty working days' notice to shareholders of the Annual General Meeting.

Responsibilities as an Institutional Shareholder

The Board has delegated responsibility for monitoring the corporate governance of investee companies to the Manager. The Board has reviewed and accepts the Manager's Corporate Governance Principles which may be found on the Manager's website at http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship. This document sets out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to companies in which the Manager has invested or is considering investing. The Board has also reviewed the Manager's Statement of Compliance with the UK Stewardship Code which appears on the Manager's website at the web address given above.

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights. The Manager's policy is to vote on all shares held by the Company and the Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

Socially Responsible Investment Policy

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective is to deliver superior long-term returns for our shareholders which we believe will be produced on a sustainable basis by investments in companies which adhere to best practice in the area of Corporate Governance. Accordingly, the Manager will seek to favour companies which pursue best practice in the above area.

Directors' Remuneration Report

The Board has prepared this report in accordance with the new regulations governing the disclosure and approval of Directors' remuneration. This Remuneration Report comprises two parts:

(i) Remuneration Policy, which will be subject to a binding shareholder vote to be put to the members at the forthcoming AGM in the first instance and then every three years thereafter. Should the Remuneration Policy be varied during this interval, then Shareholder approval for the new Remuneration Policy will be sought; and
(ii) An annual report on the implementation of remuneration, which provides information on how the policy has been applied during the year and which will be subject to an advisory vote on the level of remuneration paid during the year as set out in the Implementation Report.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 28 and 29.

The fact that the Remuneration Policy will now be subject to a binding vote does not imply any change on the part of the Company. The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for the foreseeable future, except for the Directors' fees, as set out in the Implementation Report below.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. 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. Directors' remuneration is determined by the Board as a whole.

The Directors are non-executive and their fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum. The level of cap may be increased by shareholder resolution from time to time. Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.

Fee rates are established by taking advice from external sources as to current market levels.

	31 December 2013 £	31 December 2012 £
Chairman	30,000	30,000
Chairman of Audit Committee	23,000	23,000
Director	20,000	20,000

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £20,000).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- 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.

Performance, Service Contracts, Compensation and Loss of Office

- The 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.
- Compensation will not be due upon leaving office.
- 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.

It is intended that, if approved, the Remuneration Policy will take effect at the conclusion of the AGM on 17 April 2014.

Directors' Remuneration Report continued

Implementation Report

Aggregate Fees Increase

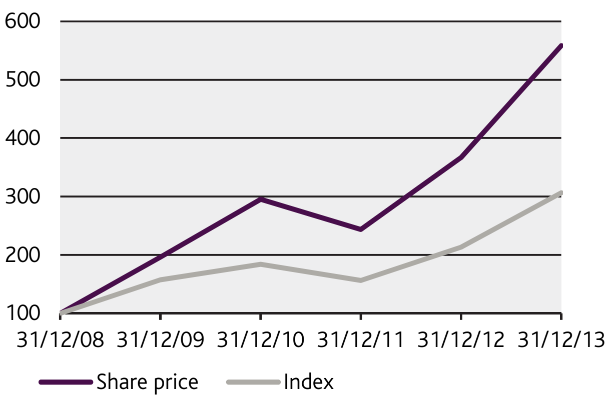
Article 79 of the Company's Articles of Association currently limits the aggregate fees payable to the Board of Directors to a total of £150,000 per annum subject to any changes to the Retail Prices Index in any year (or such other amount as may from time to time be determined by ordinary resolution of the Company).

Directors' Fees Increase

The Board carried out a review of the level of Directors' fees and concluded that the amounts should remain unchanged. The last fee increase was in 2010. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

Company Performance

Also during the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total return from the FTSE SmallCap Index (excluding Investment Companies) for the five year period to 31 December 2013 (rebased to 100 at 31 December 2008). This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.



Statement of Voting at General Meeting

At the Company's last AGM, held on 17 April 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2012. 98.7% of votes were in favour of the resolution, 1.3% were against, and 0.3% abstained.

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

Fees Payable

The Directors who served in the year received the following fees which exclude employers' NI and any VAT payable:

Director	2013 £	2012 £	Taxable Benefits 2013	Taxable Benefits 2012
Carolan Dobson	30,000	30,000	-	-
Robert Lister	20,000	16,667	-	-
Barry Rose	20,000	20,000	-	-
James West	23,000	23,000	-	-
Total	**93,000**	**89,667**	**-**	**-**

Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties from the fees referred to in the table above.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company.

The Directors (including connected persons) at 31 December 2013 and 31 December 2012 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

	31 Dec 2013 Ord 5p	31 Dec 2012 Ord 5p
Carolan Dobson	2,713	2,713
Robert Lister	5,200	0
Barry Rose	0	0
James West	36,640	36,640

The Directors' Remuneration Report was approved by the Board of Directors on 4 March 2014 and signed on its behalf by:

Carolan Dobson
Chairman
4 March 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report & Accounts 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 have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

We confirm that to the best of our knowledge:

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

For and on behalf of Aberdeen Smaller Companies High Income Trust PLC

James West
Chairman of the Audit Committee
4 March 2014

Independent Auditor's Report to the Members of Aberdeen Smaller Companies High Income Trust PLC

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of Aberdeen Smaller Companies High Income Trust PLC for the year ended 31 December 2013 set out on pages 30 to 47. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its return for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Carrying amount of quoted equity investments:
Refer to page 22 (Audit Committee section of the Directors' Report), page 34 (accounting policy) and page 39 (financial disclosures).

The risk: The Company's investment portfolio makes up 96.8% of total assets (by value) and is considered to be the key driver of the Company's capital and revenue performance. We do not consider these investments to be at 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.

Our response: Our procedures over the existence and valuation of the Company's quoted equity investment portfolio included, but were not limited to:
- documenting the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of portfolio investments to externally quoted prices; and
- agreeing portfolio investment holdings to independently received third party confirmations.

Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £0.6m. This was determined using a benchmark of Total Assets (of which it represents 1%). Total Assets, which is primarily composed of the Company's quoted equity investment portfolio, is considered the key driver of the Company's capital and revenue performance and, as such, we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.

In addition, we applied a materiality of £0.1m to income from investments for which we believe misstatements of lesser amounts than materiality as a whole could be reasonably expected to influence the economic decisions of the members of the company taken on the basis of the financial statements.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £31,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the office of the administrator, BNP Paribas, in Dundee.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and 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 performance, business model and strategy; or
- the "Significant Issues for the Audit Committee" section of the Statement of Corporate Governance on page 22 does not appropriately address matters communicated by us to the audit committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 18, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 21 to 24 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Edinburgh

4 March 2014

Statement of Comprehensive Income

	Notes	Year ended 31 December 2013 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2012 Revenue £'000	Capital £'000	Total £'000
Gains on investments							
Gains on investments at fair value	9	–	15,380	15,380	–	8,356	8,356
Revenue	2						
Dividend income		1,829	–	1,829	1,486	–	1,486
Interest income from investments		300	(32)	268	392	(40)	352
Other income		–	–	–	2	–	2
		2,129	15,348	17,477	1,880	8,316	10,196
Expenses							
Investment management fee	3	(207)	(207)	(414)	(164)	(164)	(328)
Other administrative expenses	4	(312)	–	(312)	(318)	–	(318)
Finance costs of borrowings	5	(114)	(114)	(228)	(141)	(141)	(282)
Profit before tax		1,496	15,027	16,523	1,257	8,011	9,268
Tax expense	6	–	–	–	–	–	–
Profit attributable to equity holders	8	**1,496**	**15,027**	**16,523**	**1,257**	**8,011**	**9,268**
Earnings per Ordinary share (pence)	8	**6.77**	**67.96**	**74.73**	**5.69**	**36.23**	**41.92**

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).

All of the profit and comprehensive income are attributable to the equity holders of the Company.

All items in the above statement derive from continuing operations.

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

Balance Sheet

	Notes	As at 31 December 2013 £'000	As at 31 December 2012 £'000
Non-current assets			
Ordinary shares		53,679	36,698
Convertibles		1,034	1,098
Corporate bonds		3,120	4,952
Other fixed interest		2,987	2,946
Securities at fair value	9	60,820	45,694
Current assets			
Cash and cash equivalents		1,683	1,602
Other receivables	10	338	363
		2,021	1,965
Current liabilities			
Short-term loan	11	–	(10,000)
Trade and other payables	11	(223)	(193)
		(223)	(10,193)
Net current assets/(liabilities)		1,798	(8,228)
Total assets less current liabilities		62,618	37,466
Non-current liabilities			
Long-term loan	11	(10,000)	–
Net assets		**52,618**	**37,466**
Issued capital and reserves attributable to equity holders			
Called-up share capital	12	11,055	11,055
Share premium account		11,892	11,892
Capital redemption reserve		2,032	2,032
Retained earnings:			
Capital reserve	13	25,587	10,560
Revenue reserve	13	2,052	1,927
		52,618	**37,466**
Net asset value per Ordinary share (pence)	8	**237.99**	**169.45**

The financial statements were approved by the Board of Directors and authorised for issue on 4 March 2014 and were signed on its behalf by:

C. Dobson
Chairman

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

Statement of Changes in Equity

Year ended 31 December 2013

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2012		11,055	11,892	2,032	10,560	1,927	37,466
Revenue profit for the year		–	–	–	–	1,496	1,496
Capital profits for the year		–	–	–	15,027	–	15,027
Equity dividends	7	–	–	–	–	(1,371)	(1,371)
As at 31 December 2013		**11,055**	**11,892**	**2,032**	**25,587**	**2,052**	**52,618**

Year ended 31 December 2012

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2011		11,055	11,892	2,032	2,549	1,997	29,525
Revenue profit for the year		–	–	–	–	1,257	1,257
Capital profits for the year		–	–	–	8,011	–	8,011
Equity dividends	7	–	–	–	–	(1,327)	(1,327)
As at 31 December 2012		**11,055**	**11,892**	**2,032**	**10,560**	**1,927**	**37,466**

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

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

Cash Flow Statement

	Year ended 31 December 2013		Year ended 31 December 2012	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Investment income received		2,111		1,932
Investment management fee paid		(387)		(316)
Other cash expenses		(313)		(298)
Cash generated from operations		1,411		1,318
Interest paid		(228)		(269)
Net cash inflows from operating activities		1,183		1,049
Cash flows from investing activities				
Purchases of investments	(9,734)		(5,669)	
Sales of investments	10,003		6,500	
Net cash inflow from investing activities		269		831
Cash flows from financing activities				
Loan repaid		(10,000)		–
Loan drawdown		10,000		–
Equity dividends paid		(1,371)		(1,327)
Net cash outflow from financing activities		(1,371)		(1,327)
Net increase in cash and cash equivalents		81		553
Cash and cash equivalents at start of year		1,602		1,049
Cash and cash equivalents at end of year		**1,683**		**1,602**

1. Accounting policies

(a) Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and International Financial Reporting Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of securities held at fair value and on the assumption that approval as an investment trust will continue to be granted. The principal accounting policies adopted are set out below. These policies have been applied consistently throughout the year. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP except as referred to in paragraph (c) and (g) below. The effects on capital and revenue of the items involving departures from the SORP are set out in note 15.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Additionally, the net revenue of the Company is the measure the Directors believe appropriate in assessing its compliance with certain requirements set out in Sections 1158 – 1159 of the Corporation Tax Act 2010.

The Company's assets consist substantially of equity shares in companies listed on the London Stock Exchange and in most circumstances are realisable within a short timescale. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. Borrowings of £10 million are committed to the Company until 23 July 2015. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and, for the above reasons, they continue to adopt the going concern basis in preparing the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 9 – Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015).
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Definition of Investment Entity (early adoption permitted) (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company. The Company concludes however that certain additional disclosures may be necessary on their application.

(b) Investments

Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured 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's electronic trading service for UK securities including all the FTSE All-Share Index constituents.

Gains and losses arising from the changes in fair value are included in net profit or loss for the period as a capital item. Transaction costs are treated as a capital cost.

(c) Income

Dividend income from equity investments including preference shares which have a discretionary dividend is recognised when the shareholders' rights to receive payment have been established, normally the ex-dividend date.

Interest from debt securities which include preference shares which do not have a discretionary dividend are accounted for on an effective yield basis. Any write off of the premium or discount on acquisition as a result of using this basis is allocated against capital reserve. The SORP recommends that such a write off should be allocated against revenue. The Directors believe this treatment is not appropriate for a high yielding investment trust which frequently trades in debt securities and believe any premium or discount paid for such an investment is a capital item.

Interest receivable on AAA rated money market funds and short term deposits are accounted for on an accruals basis.

Underwriting commission is taken to revenue, unless any shares underwritten are required to be taken up, in which case the proportionate commission received is deducted from the cost of the investment.

(d) Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except those where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Accordingly the investment management fee and finance costs have been allocated 50% to revenue and 50% to capital, in order to reflect the Directors expected long-term view of the nature of the investment returns of the Company.

(e) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received. 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 effective interest rate method.

(f) Finance costs and long-term borrowings

Long-term borrowings are stated at the amount of the proceeds of issue net of expenses. The finance costs, being the difference between the net proceeds of borrowing and the total amount of payments that require to be made in respect of that borrowing, accrue evenly over the life of the borrowing and are allocated between capital and revenue.

Finance costs have been allocated 50% to revenue and 50% to capital in the Statement of Comprehensive Income, in order to reflect the Directors expected long-term view of the nature of the investment returns of the Company.

(g) Taxation

Tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible (see note 6 for a more detailed explanation). The Company has no liability for current tax.

Deferred tax is provided in full on timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The SORP requires that a transfer should be made from income to capital equivalent to the tax value of any management expenses that arise in capital but are utilised against revenue. The Directors consider that this requirement is not appropriate for an investment trust with an objective to provide a high and growing dividend that does not generate a corporation tax liability. Given there is only one class of shareholder and hence overall the net effect of such a transfer to the net asset value of the shares is nil no such transfer has been made.

(h) **Foreign currencies**

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or the revenue account as appropriate.

2. **Income**	**2013 £'000**	**2012 £'000**
Income from investments		
Dividend income from UK equity securities	1,613	1,399
Dividend income from overseas equity securities	177	58
Stock dividends	33	29
Property income distribution	6	–
Interest income from investments	300	392
	2,129	1,878
Other income		
Underwriting commission	–	2
Total revenue income	**2,129**	**1,880**

As per note 1 (d), the Company amortises the premium or discount on acquisition on debt securities against unrealised capital reserve. For 2013 this represented £32,000 (2012 – £40,000) which has been reflected in the capital column of the Statement of Comprehensive Income.

	2013			**2012**		
3. **Investment management fee**	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Investment management fee	**207**	**207**	**414**	**164**	**164**	**328**

For the year ended 31 December 2013 management and secretarial services were provided by Aberdeen Asset Managers Limited. The fee is at an annual rate of 0.75%, calculated monthly and paid quarterly. The fee is allocated 50% to capital and 50% to revenue.

4. Other administrative expenses	2013 £'000	2012 £'000
Directors' remuneration – fees as Directors	93	96
Fees payable to auditor and associates (net of VAT):		
• fees payable to the Company's auditor for the audit of the annual accounts	19	18
Marketing fees	41	35
Legal and professional fees	23	16
Registrars fees	21	13
Printing and postage	14	14
Broker fees	36	41
Directors & Officers' liability insurance	7	7
Trade subscriptions	21	25
Other management expenses	37	53
	312	**318**

Marketing expenses of £41,000 (2012 – £35,000) were paid to the Manager in respect of marketing and promotion of the Company.

The Company had no employees during the year (2012 – nil). No pension contributions were paid for Directors (2012 – £nil). Further details on Directors' Remuneration can be found in the Directors Remuneration Report on pages 25 and 26.

All of the expenses above, with the exception of auditor's remuneration, include irrecoverable VAT where applicable. For auditor's remuneration VAT on total fees amounted to £4,000 (2012 – £3,000) and is included within other expenses above. The prior year expenses have been restated to take account of irrecoverable VAT, though the overall total value remains unchanged.

5. Finance costs and borrowings	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Bank loans	**114**	**114**	**228**	**141**	**141**	**282**

6. Taxation

Management expenses arising on revenue items this year were sufficient to offset against taxable revenue. In accordance with accounting policy 1(g) described on page 35 no amount (2012 – £nil) has been credited to capital and charged to revenue as a notional corporation tax item.

At 31 December 2013, the Company had net surplus management expenses and loan relationship deficits of £10,318,000 (2012 – £9,589,000) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses and deficits of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses and loan relationship deficits.

The UK corporation tax rate was 24% until 31 March 2013 and 23% from 1 April 2013 giving an effective rate of 23.25% (2012 – effective rate of 24.5%). The tax assessed for the year is lower than the rate of corporation tax. The differences are explained below:

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Profit before tax	1,496	15,027	16,523	1,257	8,011	9,268
Taxation of return on ordinary activities at the standard rate of corporation tax	348	3,494	3,842	308	1,963	2,271
Effects of:						
UK dividend income not liable to further tax	(395)	–	(395)	(364)	–	(364)
Capital gains disallowed for the purposes of corporation tax	–	(3,569)	(3,569)	–	(2,038)	(2,038)
Income not subject to tax	(49)	–	(49)	(21)	–	(21)
Excess management expenses not utilised	96	75	171	77	75	152
Taxation charge for the year	–	–	–	–	–	–

7. **Dividends**	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Fourth interim dividend for the year ended 31 December 2012 of 1.55p (2011 – 1.50p) per share	343	332
Three interim dividends for the year ended 31 December 2013 totalling 4.65p (2012 – 4.50p) per share	1,028	995
	1,371	**1,327**

The fourth interim dividend of 1.60p per share, declared on 18 December 2013 and paid on 31 January 2014, has not been included as a liability in these financial statements.

We also set out below the total dividends payable in respect of the financial year, which is the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered:

	2013 £'000	2012 £'000
Three interim dividends for the year ended 31 December 2013 totalling 4.65p (2012 – 4.50p) per share	1,028	995
Fourth interim dividend for the year ended 31 December 2013 of 1.60p (2012 – 1.55p) per share	354	343
	1,382	**1,338**

8. **Return and net asset value per share**	2013 £'000	2012 £'000
The returns per share are based on the following figures:		
Revenue return	1,496	1,257
Capital return	15,027	8,011
Net return	**16,523**	**9,268**
Weighted average number of shares in issue	**22,109,765**	**22,109,765**

The net asset value per share is based on net assets attributable to shareholders of £52,618,000 (2012 – £37,466,000) and on the 22,109,765 (2012 – 22,109,765) shares in issue at 31 December 2013.

9. Non–current assets – securities at fair value	2013 £'000	2012 £'000
Listed on recognised stock exchanges:		
United Kingdom	60,302	45,008
Overseas	518	686
	60,820	**45,694**

	2013 £'000	2012 £'000
Cost at 31 December 2012	36,337	36,363
Investment holdings gains at 31 December 2012	9,357	1,897
Fair value at 31 December 2012	45,694	38,260
Purchases	9,734	5,669
Amortised cost adjustments to fixed interest securities	(32)	(40)
Sales – proceeds	(9,956)	(6,551)
Sales – net gains	3,726	896
Movement in investment holdings gains during the year	11,654	7,460
Fair value at 31 December 2013	**60,820**	**45,694**

	2013 £'000	2012 £'000
Cost at 31 December 2013	39,809	36,337
Investment holdings gains at 31 December 2013	21,011	9,357
Fair value at 31 December 2013	**60,820**	**45,694**

For an analysis of investments between equity and fixed interest securities and for detailed interest rates, see pages 12 and 13.

Gains on investments	2013 £'000	2012 £'000
Net realised gains on sales	3,726	896
Movement in fair value	11,654	7,460
Gains on investments	**15,380**	**8,356**

The total transaction costs on the purchases and sales in the year were £47,000 (2012 – £30,000) and £7,000 (2012 – £7,000) respectively.

All investments are categorised as held at fair value through profit and loss.

10. Other receivables	2013 £'000	2012 £'000
Due from brokers	4	51
Accrued income & prepayments	321	302
Other debtors	13	10
	338	**363**

None of the above amounts are overdue.

11. Current liabilities

(a) Loan at fair value	2013 £'000	2012 £'000
Bank loan included at amortised cost	**10,000**	**10,000**

Bank loan

The bank loan of £10 million with National Australia Bank was repaid in full on 23 July 2013. On 23 July 2013, a new two year facility of £10 million with State Street Bank was drawn down in full. The loan consists of two tranches, each of £5 million. Tranche A was drawn down in full and is repayable on 23 July 2015. The interest on Tranche A is fixed at 1.94% per annum, payable quarterly in arrears. Tranche B was drawn down in full and rolled over monthly. On 20 December 2013 Tranche B was rolled over for one month at a rate of 1.43938% per annum. Tranche B has subsequently been rolled over on a monthly basis with a rate of 1.4325% applying at the date this was approved.

The Directors are of the opinion that the fair value of the bank loan at 31 December 2013 is not materially different from the book value.

(b) Trade and other payables	2013 £'000	2012 £'000
Investment management fee	115	87
Interest payable	21	21
Sundry creditors	87	85
	223	**193**

12. Called-up share capital	Ordinary shares of 50 pence each Number	£'000
Allotted and fully paid		
At 31 December 2013 and 31 December 2012	**22,109,765**	**11,055**

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.

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

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:
- the planned level of gearing, which takes account of the Investment Manager's views on the market;
- the level of equity shares in issue; and
- 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.

13. Retained earnings	2013 £'000	2012 £'000
Capital reserve		
At 1 January 2013	10,560	2,549
Net gains on sales of investments during the year	3,726	896
Movement in investment holdings gains during the year	11,654	7,460
Amortised cost adjustment relating to capital	(32)	(40)
Finance costs of borrowings (note 5)	(114)	(141)
Investment management fee	(207)	(164)
At 31 December 2013	**25,587**	**10,560**

The capital reserve includes investment holding gains amounting to £21,011,000 (2012 – £9,357,000), as disclosed in note 9.

Revenue reserve	2013 £'000	2012 £'000
At 1 January 2013	1,927	1,997
Revenue return	1,496	1,257
Dividends paid	(1,371)	(1,327)
At 31 December 2013	**2,052**	**1,927**

14. Risk management, financial assets and liabilities

Risk management

The Company's objective of providing a high and growing dividend with capital growth is addressed by investing in smaller UK market capitalisation equities to provide growth in capital and income and in fixed income securities to provide a high level of income.

The impact of security price volatility is reduced by diversification. Diversification is by type of security – ordinary shares, preference shares, convertibles and corporate fixed interest – and by investment in the stocks and shares of companies in a range of industrial, commercial and financial sectors. The management of the portfolio is conducted according to investment guidelines, established by the Board after discussion with the Managers, which specify the limits within which the Manager is authorised to act.

The Manager has a dedicated investment management process, as disclosed on page 2, which ensures that the investment objective explained on page 1 is achieved. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a Senior Investment Manager and also by the Manager's Investment Committee.

The Company's Manager has an independent Investment Risk department for reviewing the investment risk parameters of all core equity, balanced, fixed income and alternative asset classes on a regular basis. The department reports to the Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

Additionally, the Manager's Compliance department continually monitor the Company's investment and borrowing powers and report to the Manager's Risk Management Committee.

The Manager has a Business Risk department to consolidate risk management functions. The department is responsible for supporting management in the efficient identification of risk and resolution of control issues. The department incorporates Operational Risk, Breaches and Errors Risk Control Management, Counterparty Risk, and the Procedures and Business Control teams. The Head of Front Office risk reports directly to the Manager's Group Head of Risk.

Financial assets and liabilities

The Company's financial assets include investments, cash at bank and short-term debtors. Financial liabilities consist of bank loans and overdrafts, and other short-term creditors which includes a creditor arising from a fixed rate term loan.

The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk and other price risk), (ii) liquidity risk and (iii) credit risk. The Company has no exposure to foreign currency risk as it does not hold any foreign currency assets or have exposure to any foreign currency liabilities.

The Company is subject to interest rate risk because bond yields are linked to underlying bank rates or equivalents, and its short-term borrowings and cash resources carry interest at floating rates. The interest rate profile is managed as part of the overall investment strategy of the Company.

(i) Market risk

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

Interest rate risk

Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- 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.

The Board reviews on a regular basis the values of the fixed interest rate securities.

Interest rate profile

The interest rate risk profile of the portfolio of financial assets and liabilities (excluding ordinary shares and convertibles) at the Balance Sheet date was as follows:

As at 31 December 2013	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
UK corporate bonds	9.01	5.69	3,120	–	–
UK preference shares	–	7.16	2,987	–	–
Cash	–	–	–	1,683	–
Total assets	–	–	6,107	1,683	–
Liabilities					
Long-term bank loan	0.83	1.69	(10,000)	–	–
Total liabilities	–	–	(10,000)	–	–
Total	–	–	**(3,893)**	**1,683**	–

As at 31 December 2012	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
UK corporate bonds	8.71	6.13	4,952	–	–
UK preference shares	–	7.26	2,946	–	–
Cash	–	–	–	1,602	–
Total assets	–	–	**7,898**	**1,602**	–
Liabilities					
Short-term bank loan	0.08	2.52	(10,000)	–	–
Total liabilities	–	–	(10,000)	–	–
Total	–	–	**(2,102)**	**1,602**	–

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loan is based on the interest rate payable, weighted by the total value of the loan. The maturity date of the Company's loan is shown in note 11 to the financial statements.

The cash assets consist of cash deposits on call earning interest at prevailing market rates.

Short-term debtors and creditors, with the exception of bank loans, have been excluded from the above tables.

All financial liabilities are measured at amortised cost.

Maturity profile

The maturity profile of the Company's financial assets and liabilities at the Balance Sheet date was as follows:

At 31 December 2013	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
Fixed rate						
UK corporate bonds	–	–	1,551	–	–	1,569
Bank loan	–	(10,000)	–	–	–	–
	–	(10,000)	1,551	–	–	1,569
Floating rate						
Cash	1,683	–	–	–	–	–
Total	**1,683**	**(10,000)**	**1,551**	–	–	**1,569**

At 31 December 2012	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
Fixed rate						
UK corporate bonds	618	–	686	666	–	2,982
Bank loan	(10,000)	–	–	–	–	–
	(9,382)	–	686	666	–	2,982
Floating rate						
Cash	1,602	–	–	–	–	–
Total	**(7,780)**	–	**686**	**666**	–	**2,982**

The maturity table above excludes the value of holdings in UK irredeemable preference shares held at the year end, which equated to £2,987,000 (2012 – £2,946,000).

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the Balance Sheet date and 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 and all other variables were held constant, the Company's:

– profit before tax for the year ended 31 December 2013 would decrease by £83,000 (2012 – £84,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and long term loan. These figures have been calculated based on cash positions and long term loan at each year end; and

– profit before tax for the year ended 31 December 2013 would decrease by £119,000 (2012 – £193,000). This is also mainly attributable to the Company's exposure to interest rates on its fixed interest securities. This is based on a Value at Risk ('VaR') calculated at a 99% confidence level.

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

– profit before tax for the year ended 31 December 2013 would increase by £83,000 (2012 – £84,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and long term loan. These figures have been calculated based on cash positions and long term loan at each year end; and

– profit before tax for the year ended 31 December 2013 would increase by £119,000 (2012 – £193,000). This is also mainly attributable to the Company's exposure to interest rates on its fixed interest securities. This is based on a Value at Risk ('VaR') calculated at a 99% confidence level.

In the opinion of the Directors, the above sensitivity analyses would not necessarily reflect the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives. The risk parameters used will also fluctuate depending on the current market perception.

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 to specific sectors and the stock selection process, as detailed on page 2, 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. All of the investments held by the Company are listed on the London Stock Exchange, with the exception of its holding in Electricite de France, which is traded on Euronext Paris.

Other price sensitivity

If market prices at the Balance Sheet date had been 10% higher while all other variables remained constant, the profit before tax attributable to ordinary shareholders for the year ended 31 December 2013 would have increased by £5,471,000 (2012 – £3,780,000). If market prices at the Balance Sheet date had been 10% lower while all other variables remained constant, the profit before tax attributable to ordinary shareholders for the year ended 31 December 2013 would have decreased by £5,471,000 (2012 – £3,780,000).This is based on the Company's equity portfolio and convertibles held at each year end.

(ii) Liquidity risk

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

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities (note 11).

(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 Company considers credit risk not to be significant as it is actively managed as follows:

- where the Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;
- investments in quoted bonds are made across a variety of industry sectors so as to avoid concentrations of credit risk;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the 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 daily basis. In addition, both stock and cash reconciliations to the custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's Risk Management Committee.
- transactions involving derivatives, structured notes and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest are subject to rigorous assessment by the Manager of the credit worthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board. The Company does not currently use derivatives. The Manager requires the Board's approval to implement the use of derivatives;
- 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.

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 December was as follows:

	2013		2012	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	60,820	60,820	45,694	45,694
Current assets				
Trade and other receivables	17	17	61	61
Accrued income	321	321	302	302
Cash and cash equivalents	1,683	1,683	1,602	1,602
	62,841	**62,841**	**47,659**	**47,659**

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

Fair value of financial assets and liabilities

The fair value of the short term loan is shown on page 40. The book value of cash at bank and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at fair value. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For details of bond maturities and interest rates, see pages 42 and 43. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

Gearing

The Company has in place a £10 million unsecured loan. The Company augments this from time to time with short-term borrowings so that greater returns to shareholders may be generated from the capital stock thus enlarged. Although this gearing increases the opportunity for gain, it also increases the risk of loss in falling markets. The risk of increased gearing is managed by retaining the flexibility to reduce short term borrowings as appropriate.

There is a second short term borrowing facility with another major bank for £1 million. In respect of this lender, the Company's net asset value must not fall below £10 million. As at 31 December 2013 the net asset value stood at £52.6 million (2012 – £37.5 million).

15. Income enhancement

The SORP recommends that debt securities are accounted for on an effective yield basis with the associated adjustment being allocated to revenue. The Company has decided to allocate this adjustment to capital as explained in note 1(c). The effect of this treatment on revenue and capital is set out below.

As explained in note 1(g) revenue may utilise surplus management expenses that have arisen in capital but does not compensate capital for this tax effect as recommended by the SORP.

The effect of these income enhancement strategies on capital and income is summarised in the table below. There is a risk with these strategies that capital will be eroded unless the charges to capital are covered by gains elsewhere in the portfolio, and this is managed by investing in a portfolio of shares which in the long run is expected to provide adequate capital growth to absorb the effective yield adjustment while paying growing dividends which contribute to the pursuit of the Company's objectives.

In following this strategy, the Directors recognise that there is only one class of shareholder.

	2013		2012	
	Income £'000	Capital £'000	Income £'000	Capital £'000
Finance costs arising on bank loan finance	(57)	(57)	(71)	(71)
Return on corresponding investments	106	174	152	185
Amortised cost adjustment charged to capital on debt securities	32	(32)	40	(40)
	81	**85**	**121**	**74**

16. Fair value hierarchy

Under IFRS 7 'Financial Instruments: Disclosures' an entity is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy at 31 December 2013 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	56,666	–	–	56,666
Quoted bonds	b)	4,154	–	–	4,154
Total		**60,820**	–	–	**60,820**

As at 31 December 2012

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	39,644	–	–	39,644
Quoted bonds	b)	6,050	–	–	6,050
Total		**45,694**	–	–	**45,694**

a) Quoted equities

The fair value of the Group's investments in quoted equities have 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 bonds

The fair value of the Group's investments in Corporate quoted bonds has been determined by reference to their quoted bid prices at the reporting date.

17. Subsequent events

Subsequent to the year end, the Directors reviewed the allocation of management fees and finance costs on a 50%/50% basis between capital and revenue. It was agreed that with effect from 1 January 2014 these expenses be charged 70% to capital and 30% to revenue, which is in line with the Company's expected long-term returns.

Information about the Manager

Aberdeen Smaller Companies High Income Trust PLC

The Company's Manager is Aberdeen Asset Managers Limited ("AAM"), a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 31 December 2013 managed a combined £193.6 billion of funds for UK institutions, investment trusts, closed end funds, unit trusts, private clients and offshore funds. It has its headquarters in Aberdeen with principal investment offices in Edinburgh, Hong Kong, London, Philadelphia, Singapore and Sydney.

The Group manages over 34 investment trusts and other listed closed-end funds representing £10.1 billion under management.

The Senior Investment Manager

Phil Webster

Phil is a senior investment manager on the Pan European equities team, who joined Aberdeen in 2004.
Previously, Phil worked in Aberdeen's Private Client division before joining the UK and European team in 2006.

Phil graduated with an MA in Economics from the University of Aberdeen and is a CFA Charterholder.

The Investment Process

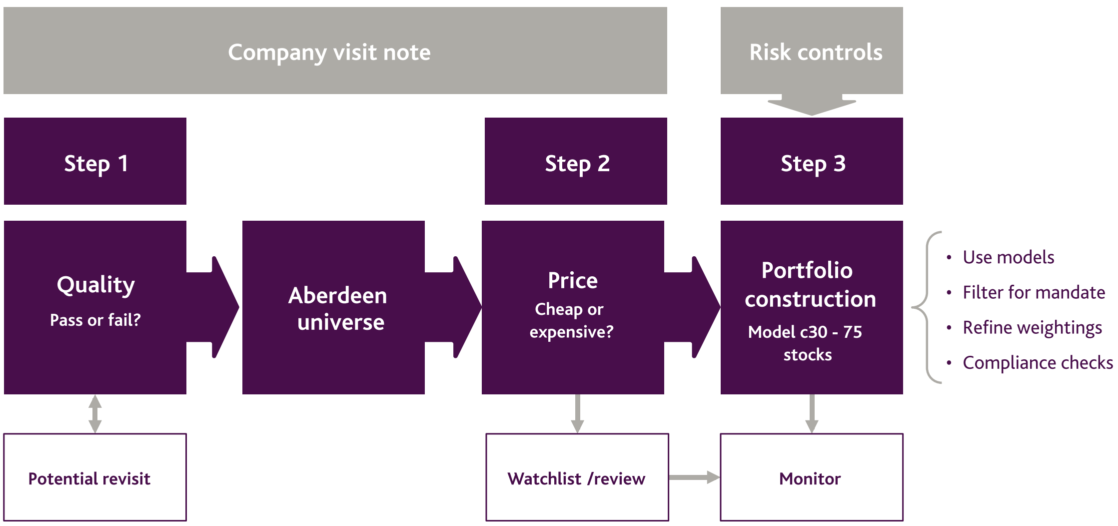
Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We (AAM) believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

Risk Controls

We seek to minimise risk by our in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

AAM's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool



Marketing Strategy

Aberdeen Smaller Companies High Income Trust PLC ("the Company") contributes to the marketing programme run by the Aberdeen Group ("AAM") on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by AAM. This contribution is reviewed annually.

The purpose of the programme is to communicate effectively with existing shareholders and gain more new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares. AAM's experience has also shown that well-targeted marketing of the Company's investment merits through packaged products, whether singly, or in conjunction with other trusts run by AAM, can be a cost-effective way of gaining new investors. These aims can be met in several ways:

Investor Relations Programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on the Company that includes detailed performance analysis.

Group Schemes

AAM runs a group Share Plan and ISA. These schemes allow investment free of dealing costs and, with only nominal exit charges, have proved popular with private investors.

Direct Response Advertising

AAM advertise the packaged product availability of the Company in the specialist financial press.

Direct Mail

Periodic mail shots of information packs inviting named addressees to respond is a low-cost method of building awareness and investor databases. Target groups include existing holders of other AAM investment trusts as well as known buyers of investment trusts.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by AAM, is distributed free of charge.

Public Relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The Marketing Programme is under the direction of AAM's Group Head of Brand who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The AAM Investment Trust website contains details of closed end funds and investment companies managed or advised by the Aberdeen Group.

The Company has its own dedicated website at: www.aberdeensmallercompanies.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports.

It is intended that ongoing programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to the close monitoring of the Programme. The Group Head of Brand reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone AAM Investor Services Department (direct private investors) on 0500 00 00 40. Alternatively, internet users may e-mail AAM at inv.trusts@aberdeen-asset.com or write to AAM at Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

How to Invest in Aberdeen Smaller Companies High Income Trust PLC

Direct

Investors can buy and sell shares in Aberdeen Smaller Companies High Income Trust PLC directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan and Investment Trust ISA.

Suitable for Retail

The Company's shares are intended for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who are wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust 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 shares issued by Aberdeen Smaller Companies High Income Trust PLC can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Aberdeen Smaller Companies High Income Trust PLC. Anyone can invest in the Children's Plan, 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 AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Aberdeen Smaller Companies High Income Trust PLC 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 AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £11,520 can be made in the tax year 2013/14 and £11,880 in the tax year 2014/15.

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 Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in Aberdeen Smaller Companies High Income Trust PLC while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

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.

Terms and Conditions

Terms and Conditions for Aberdeen managed savings products can be found under the Literature section of our website at invtrusts.co.uk

Trust Information

If investors would like details of Aberdeen Smaller Companies High Income Trust PLC or information on the Children's Plan, Share Plan, ISA or ISA transfers please telephone 0500 00 00 40, e-mail to inv.trusts@aberdeen-asset.com or write to:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB

Details are also available on www.invtrusts.co.uk

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times.

For internet users, detailed data on Aberdeen Smaller Companies High Income Trust PLC including share price, performance information and a monthly fact sheet is available from the Company's website (www.aberdeensmallercompanies.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively please call 0500 00 00 40 for trust information.

For further information concerning any direct shareholding, please contact the Company's registrars:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder helpline numbers:
Tel. 0871 384 2030
Fax 0871 384 2100
Shareview enquiry line: 0871 384 2020
Textel/hard of hearing line: 0871 384 2255

(Calls to the above Equiniti numbers will be charged at 8 pence per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday excluding bank holidays).

Overseas helpline number: +44 121 415 7047

Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:

Telephone: 0500 00 40 00
Email: aam@lit-request.com

For information on the Investment Plan for Children, Share Plan, ISA or ISA transfer please contact:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB

Investor Warning

Aberdeen is aware that some investors have received telephone calls from people purporting to work for Aberdeen, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided.

The above information on pages 50 to 51 have 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.

Glossary of Terms and Definitions

Benchmark	A market index which averages the performance of the share prices of companies in any given sector, thus providing an indication of movements in the stock market. The benchmark used in this Annual Report is the total return of the FTSE SmallCap Index (excluding Investment Companies). The FTSE SmallCap Index consists of companies outside of the FTSE 350 Index and represents approximately 2% of the UK market capitalisation.
Convertibles	Fixed income securities, which can be converted into shares.
Corporate Bond	A fixed income bond issued by a company. Corporate bonds are given grades which show how likely a company is to repay the interest and capital owed at the end of the term. Investment grade bonds are considered to have a low risk of default which means interest on the loan and the loan itself is almost certainly going to be paid back. Non-investment grade bonds carry a higher risk for investors as there is deemed to be a greater chance the company issuing the bond may default.
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 Yield	The annual dividend expressed as a percentage of the share price.
Equity Gearing	Equity gearing is calculated by dividing total equity investments by shareholders' funds expressed as a percentage.
Net Asset Value ("NAV")	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 share.
Net Gearing/(Cash)	Net gearing/(cash) is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.
Ongoing Charges (Total Expense Ratio)	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard method.
Preference Shares	These entitle the holder to a fixed rate of dividend out of the profits of the company, to be paid in priority to dividends on other classes of shares.
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.
Prior Charges	The name given to all borrowings including debentures, loans and short term 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 and the income shares of split capital trusts, irrespective of the time until repayment.
RDR	RDR is the FCA 'Retail Distribution Review'. This re-positioned the UK retail market from 31.12.2012 to (i) introduce Adviser Charging of investors in place of initial/trail commission in respect of product purchases paid by product providers to intermediaries and (ii) introduce more stringent professional qualifications for retail intermediaries.
Total Assets	Total assets less current liabilities (before deducting prior charges as defined above).
Total Return	Total return involves reinvesting the net dividend in the month that the share price goes xd. The NAV total return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the twenty-second Annual General Meeting of the shareholders of Aberdeen Smaller Companies High Income Trust PLC (the "Company") will be held at the offices of Aberdeen Asset Management PLC, Bow Bells House, 1 Bread Street, London, EC4M 9HH on Thursday 17 April 2014 at 12 noon to transact the following business:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 9 inclusive will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

1. To receive the reports of the Directors and auditors and the audited financial statements for the year to 31 December 2013.
2. To receive and adopt the Directors' Remuneration Report for the year to 31 December 2013 (other than the Directors' Remuneration Policy).
3. To receive and adopt the Directors' Remuneration Policy.
4. To re-elect Carolan Dobson as a Director of the Company.
5. To re-elect Robert Lister as a Director of the Company.
6. To re-elect Barry Rose as a Director of the Company.
7. To re-elect James West as a Director of the Company.
8. To appoint KPMG LLP as auditors of the Company and to authorise the Directors to determine their remuneration.
9. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("relevant securities") up to an aggregate nominal amount of £3,684,960, being equal to approximately one third of the Ordinary shares in issue, such authority to expire on 30 June 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
10. That, subject to the passing of resolution 9 in the notice convening the meeting at which this resolution is to be proposed (the "notice of meeting") and in substitution for all existing powers, the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 (1) of the Act) for cash pursuant to the authority under Section 551 of the Act conferred by resolution 9 in the notice of meeting as if Section 561 of the Act did not apply to any such allotment, provided that this power:
    (i) expires on 30 June 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if that power had not expired; and
    (ii) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,105,488 being equal to approximately 10% of the Ordinary shares in issue.

    This power applies in relation to the sale of shares which is an allotment of equity securities that immediately before the allotment are held by the Company as treasury shares as if in the opening paragraph of this resolution the words "subject to the passing of resolution 9 in the notice convening the meeting at which this resolution is to be proposed ("the notice of meeting")" and "pursuant to the authority under Section 551 of the Act conferred by resolution 9 in the notice of meeting" were omitted.
11. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and 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 fully paid Ordinary shares of 50p each in the capital of the Company ("shares") provided that:
    (i) the maximum aggregate nominal value of the Ordinary shares hereby authorised to be purchased shall be limited to £1,657,126 being equal to approximately 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
    (ii) the minimum price which may be paid for a share shall be 50p (exclusive of expenses);
    (iii) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than 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 for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and

(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 June 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would 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 or contracts as if the authority conferred hereby had not expired.

By order of the Board
Aberdeen Asset Management PLC
Secretary
17 March 2014

Registered office:
40 Princes Street
Edinburgh EH2 2BY

Notes:

(i) A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. If a member wishes to appoint more than one proxy, they should contact the Company's Registrars on 0871 384 2030 (Calls to this number are charged at 8p per minute plus network extras. Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday). The Equiniti overseas helpline number is +44 121 415 7047.

(ii) A form of proxy for use by members is enclosed with these accounts. Completion and return of the form of proxy will not prevent any member from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, at the address stated thereon, so as to be received not less than 48 hours (excluding non-working days) before the time of the meeting.

(iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members at 6.00pm on 15 April 2014 (or, in the event that the Meeting is adjourned, at 6.00pm on the day which is two business days before the time of the adjourned meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

(iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com. 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.

(v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrars (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. 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 Application Host) from which the Company's Registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vii) 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.

(viii) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes i) and ii) above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.

(ix) No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and Scottish public holidays excepted) from the date of this notice and for at least 15 minutes prior to the Meeting and during the Meeting.

(x) As at close of business on 10 March 2014 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 22,109,765 Ordinary shares of 50p each. The total number of voting rights in the Company as at 10 March 2014 is 22,109,765.

(xi) Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

(xii) Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

(xiii) The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Auditors' Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) 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 your full name and address, and be sent to: the Company Secretary, Aberdeen Smaller Companies High Income Trust PLC, 40 Princes Street, Edinburgh EH2 2BY.

(xiv) Information regarding the Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website, www.aberdeensmallercompanies.co.uk.

(xv) 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) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) 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.

(xvii) There are special arrangements for holders of shares through the Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Corporate Information

Directors
Carolan Dobson (Chairman)
Robert Lister
Barry Rose
James West

Manager
Aberdeen Asset Managers Limited
40 Princes Street
Edinburgh
EH2 2BY

Secretaries and Registered Office
Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY
Telephone 0131 528 4000

Customer Services
Freephone: 0500 00 00 40
(open Monday - Friday 9 a.m. – 5 p.m.)

Auditor
KPMG Audit Plc*

Solicitors
Maclay Murray & Spens LLP

*KPMG LLP effective from 17 April 2014 (subject to shareholder approval)

Brokers
Winterflood Securities

Bankers/Custodian
State Street
HSBC Bank Plc

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Website: www.equiniti.com
Telephone 0871 384 2030

(Calls to the above Equiniti number will be charged at 8p per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday excluding bank holidays).

Overseas helpline number: +44 121 415 7047

Company Registration Number
SC137448 (Scotland)

Website
www.aberdeensmallercompanies.co.uk

AIC
The Company is a member of the Association of Investment Companies.

Financial Calendar

31 January 2014	Fourth interim dividend 2013 paid
5 March 2014	Annual results announcement
17 April 2014	Annual General Meeting (12 noon)
30 April 2014	First interim dividend 2014 payable
July 2014	Second interim dividend 2014 payable
August 2014	Half-yearly results announcement
September 2014	Half-yearly report published
October 2014	Third interim dividend 2014 payable

Aberdeen