



The Smaller Companies
Investment Trust PLC

Company Summary

Investment Objective

The objective of the Company's management is to secure a high level of overall long term return for its shareholders from capital growth and income through a diversified portfolio of quoted UK smaller company securities, including companies which are listed on the Irish Stock Exchange and those which have been admitted to the Alternative Investment Market.

Benchmark Index

The Company compares its performance with that of the FTSE SmallCap Index (excluding investment trusts).

Risk

Shares in smaller companies may be less marketable than those of larger companies and the movement in their share prices may be more volatile. Due to the gearing provided by the Company's Loan Stock, the market value of the Company's shares may also be volatile and particularly sensitive to changes in the value of the net assets. If the Company underperforms the FTSE SmallCap Index, the gearing effect on the Company's shares will be adverse.

Duration

The Company's Articles of Association provide that an ordinary resolution shall be proposed on or before 31 December 2003 that the Company shall continue for a specified period thereafter. If such resolution is defeated the Directors will be required to draw up proposals for the voluntary liquidation or the reorganisation of the Company to be considered at the Annual General Meeting in the year 2004.

Capital Structure

The Company has a capital structure comprising Ordinary shares and Equity-Linked Unsecured Loan Stock 2003. Further details of these are included inside the back cover.

PEP and ISA Status

The Company intends to manage its affairs so as to be a fully qualifying investment trust for inclusion in a general PEP and also so that the Company's shares will be qualifying investments for the stocks and shares component in an ISA.

Summary Management Agreement

Management fees are based on an aggregate of net asset value and the principal amount outstanding of the Equity-Linked Unsecured Loan Stock 2003 at a rate of 0.1% per month on the first £25 million, plus 0.08% per month on the next £50 million, plus 0.06% per month on the excess over £75 million (plus VAT).



Corporate Information

Directors

P W Darwin, Chairman

F C Carr

J A Carwardine

S J Cockburn

C D Fishwick

R M H Heseltine

Manager

Aberdeen Asset Managers Limited
One Bow Churchyard, Cheapside
London EC4M 9HH

Secretaries & Registered Office

Aberdeen Asset Management PLC
One Bow Churchyard, Cheapside
London EC4M 9HH

Company Registration Number: 2508274

Stockbrokers

HSBC Investment Bank plc
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Registrars

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Shareholder Helpline: 020 8639 2000

(Calls charged at National Call Rate)

Auditors

Arthur Andersen
Chartered Accountants
18 Charlotte Square
Edinburgh EH2 4DF

Bankers

Bank of Scotland
53 Castle Street
Aberdeen AB11 5AG

Solicitors

Norton Rose
Kempson House
PO Box 570
Camomile Street
London EC3A 7AN

Custodian Bankers

Lloyds TSB
Securities Services
1 Legg Street
Chelmsford
Essex CM1 1JS

Board Members

Chairman

Philip Darwin^{*}, CA, Chairman, aged 70, was the senior partner of Laurence Prust & Co. and closely associated with the Framlington unit trust group for many years, until 1983. He is a director of Stolt-Nielsen S.A. and IFG Group plc.

Directors

Francis Carr[†], aged 55, is a stockbroker and is chief executive of Carr Sheppards Crosthwaite Limited. He is a director of a number of other investment companies.

Aubrey Carwardine, aged 69, is actively involved in the management of the Company as a consultant to the Manager. He has spent his whole career in the City involved in investment management. From 1979 to 1986 he was a director of Baring Brothers & Co. Limited and from 1986 to 1989 a director of Baring Investment Management Holdings Limited. He was, until 1989, a member of the Investment Committee of the National Association of Pension Funds.

Stephen Cockburn[†], aged 60, has worked in investment management since 1962. He is chairman of Archimedes Investment Trust PLC and a director of six other investment trusts. Since September 1994 he has been managing director of The Investment Company plc.

Christopher Fishwick, aged 38, is a director of the Manager. He joined Aberdeen Asset Management PLC in 1991 and was appointed to its Board in October 1995. He is responsible for smaller companies investment and the management of specialist funds. He is a director of several investment trusts.

Richard Heseltine[†], aged 54, was until 1996 group finance director of Croda International plc, which he joined from Morgan Grenfell & Co. in 1971. He is Chairman of the Audit Committee.

[†]Member of the Audit Committee

^{*}Member of the Management Engagement Committee

All of the Directors are non-executive

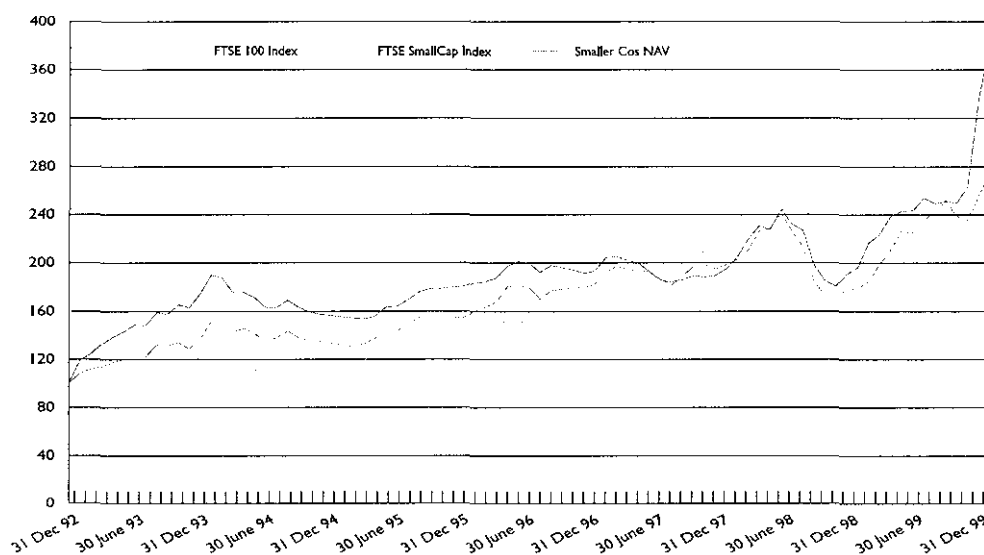
Manager

Aberdeen Asset Managers Limited is the Manager of the Company. It is a subsidiary of Aberdeen Asset Management PLC whose group companies manage a combined £18.5 billion for UK institutions, investment trusts, unit trusts, private clients and offshore funds.

Year's Summary

	1999	1998	% change
Ordinary share			
Net asset value per share at 31 December	318.8p	164.4p	93.9
Share price at 31 December (mid market)	253.0p	121.5p	108.2
Discount	20.7%	26.1%	—
Highest net asset value per share in year	320.8p	210.2p	52.6
Lowest net asset value per share in year	165.2p	143.0p	15.5
Highest price (mid market) in year	253.0p	182.0p	39.0
Lowest price (mid market) in year	125.5p	113.5p	10.6
Equity-Linked Unsecured Loan Stock 2003 ("ELULS")			
Principal amount per ELULS unit	302.4p	202.9p	49.0
ELULS price at 31 December (mid market)	276.5p	190.0p	45.5
Discount	8.6%	6.4%	—
Highest principal amount for ELULS unit in year	302.4p	203.1p	48.9
Lowest principal amount for ELULS unit in year	204.0p	188.0p	8.5
Highest price (mid market) in year	276.5p	190.0p	45.5
Lowest price (mid market) in year	188.0p	170.0p	10.6
Revenue and dividends			
Earnings per Ordinary share	1.2p	2.9p	(58.6)
Dividends per Ordinary share (net)	1.05p	1.9p	(44.7)
Assets attributable to equity shareholders	£86.3m	£49.3m	75.0
Benchmark index			
FTSE SmallCap Index (excluding investment trusts)	3,024.33	2,028.94	49.1

Net asset value compared with FTSE SmallCap Index (exIT) and FTSE 100 Index since 31 December 1992 re-based to 100*



*Commencement date of the FTSE SmallCap (ex IT) Index

Chairman's Statement

I am pleased to report an excellent year for our Company. Prior to 1999, smaller companies' shares had lagged those of major companies since 1996, and 1998 was particularly depressing with the FTSE SmallCap Index ("the Index") falling by 12.2% compared with a rise in the FTSE 100 Index of 14.5%.

In 1999 the tide turned with a vengeance. The Index rose by 49.1% during the year whereas the FTSE 100 Index managed an increase of only 17.8%. Moreover, our portfolio substantially out-performed the Index and the net asset value ("NAV") of our Ordinary shares rose by 94.0% from 164.39p per share at the start of the year to 318.83p per share at the end, a performance which neither the Board nor the Manager believe can continue indefinitely. At the last practicable date before printing this statement our NAV was up a further 35.0% whereas the Index had risen by only 12.1% – both from 1 January 2000.

There were three main reasons for these spectacular results. First, and of prime importance, was the skill of our Manager in its choice both of sectors and individual companies in which to invest. The table on pages 30 and 31 shows how our assets have been skewed away from matching the sectors of the Index. We are overweight particularly in the Information Technology and Financial sectors. Perhaps we should no longer talk of value investing although value is increasingly thought of as the possession of recurring income, an established market position and long standing clientele rather than a pile of fixed assets.

The second factor was the gearing created in October 1998 by the reorganisation of our capital, dividing our assets as to 60% in new Ordinary shares and 40% in Equity Linked Unsecured Loan Stock ("ELULS"). This of course magnified the impact on our NAV of the amount by which the portfolio outperformed the Index. The reorganisation also gave those of our shareholders who wanted to reduce their involvement the opportunity to sell 40% of their investment at a discount of only 8% when discounts in general were about double this, a "benefit" not reflected in any performance tables.

Third, was the use of the opportunity that we gave ourselves to buy in both our shares and ELULS at sizeable discounts to their underlying values. During 1999 we bought in 2,926,000 Ordinary shares and 1,521,297 ELULS units and since the year end we have bought 1,180,000 Ordinary shares and 610,057 ELULS units. The effect of these three factors – good sector and stock selection, gearing against the Index and buying in – is reflected in the table on page 4. As can be seen in the Notice of Meeting on pages 38 and 39 of the accounts, we shall be asking shareholders to give us the right to buy in more shares in the next twelve months; the buying of ELULS is not subject to shareholder approval. By buying in both shares and ELULS at a discount, one boosts the asset value of the remaining shares and by matching the proportion of the shares and ELULS bought in, one avoids increasing the gearing.

As to dividends, despite the adverse tax changes and the warnings I have given that there might be no ordinary dividend at all, I am delighted that our income account has been sufficiently robust for the Board to recommend a final dividend of 0.55p per share (1998 – 0.5p) to make a total of 1.05p for the year (1998 – 1.9p). Earnings per share of 1.23p per share compare with 2.86p last year, although these figures are not strictly comparable because of the Company's re-organisation in October 1998. Subject to shareholder approval, this dividend will be payable on 30 April 2000 to shareholders on the register on 7 April 2000. In the short term, our growth has come and will come more from capital gains than from rising dividend receipts but, in the longer term, rising income is essential. So our objective printed on page 1 remains unchanged: capital and income growth. If our growth was expected to come exclusively from capital, it would be unsustainable and unhealthy.

I crave your forgiveness for ending this statement on a personal note. In 1999, I made it to three score years and ten and I have decided to call it a day. It has been a great honour to chair the Board but I find new ideas and concepts harder to grasp and to pursue with vigour. It is time for a younger man . . . the moving finger writes. At the conclusion of the AGM I shall resign from the Board who have decided to elect Fred Carr as Chairman, a choice which delights me. It remains for me to thank you all for your support, which I do.

I urge you to attend the Annual General Meeting so that you can meet both Directors and managers and so that I can say farewell in person. I leave the Company in good hands.

22 March 2000



P.W. Darwin
Chairman

Chairman's Statement

I am pleased to report an excellent year for our Company. Prior to 1999, smaller companies' shares had lagged those of major companies since 1996, and 1998 was particularly depressing with the FTSE SmallCap Index ("the Index") falling by 12.2% compared with a rise in the FTSE 100 Index of 14.5%.

In 1999 the tide turned with a vengeance. The Index rose by 49.1% during the year whereas the FTSE 100 Index managed an increase of only 17.8%. Moreover, our portfolio substantially out-performed the Index and the net asset value ("NAV") of our Ordinary shares rose by 93.9% from 164.39p per share at the start of the year to 318.83p per share at the end, a performance which neither the Board nor the Manager believe can continue indefinitely. At the last practicable date before printing this statement our NAV was up a further 35.0% whereas the Index had risen by only 12.1% – both from 1 January 2000.

There were three main reasons for these spectacular results. First, and of prime importance, was the skill of our Manager in its choice both of sectors and individual companies in which to invest.

The second factor was the gearing created in October 1998 by the reorganisation of our capital, dividing our assets as to 60% in new Ordinary shares and 40% in Equity-Linked Unsecured Loan Stock ("ELULS"). This of course magnified the impact on our NAV of the amount by which the portfolio outperformed the Index.

Third, was the use of the opportunity that we gave ourselves to buy in both our shares and ELULS at sizeable discounts to their underlying values. During 1999 we bought in 2,926,000 Ordinary shares and 1,521,297 ELULS units and since the year end we have bought 1,180,000 Ordinary shares and 610,057 ELULS units. By buying in both shares and ELULS at a discount, one boosts the asset value of the remaining shares and by matching the proportion of the shares and ELULS bought in, one avoids increasing the gearing.

As to dividends, despite the adverse tax changes and the warnings I have given that there might be no ordinary dividend at all, I am delighted that our income account has been sufficiently robust for the Board to recommend a final dividend of 0.55p per share (1998 – 0.5p) to make a total of 1.05p for the year (1998 – 1.9p). Earnings per share of 1.23p per share compare with 2.86p last year, although these figures are not strictly comparable because of the Company's re-organisation in October 1998. Subject to shareholder approval, this dividend will be payable on 30 April 2000 to shareholders on the register on 7 April 2000. In the short term, our growth has come and will come more from capital gains than from rising dividend receipts but, in the longer term, rising income is essential.

22 March 2000

P.W. Darwin
Chairman

*Second page of Chairman's statement
per draft account wrongly omitted*

P.W. Darwin

Manager's Review

As the Chairman has reported 1999 saw a complete reversal of the previous two years performance trend, with the smaller companies sector significantly out-performing the largest companies, by market capitalisation, in the UK stock market. The strong first half of 1999 was followed by a lacklustre summer performance. In the second half of the year UK equity markets witnessed a better than expected rally particularly during the final quarter.

As in all major markets, the technology sector led the way, indicating once again the trend towards globalisation. The rally, as usual, began in the US where investor appetite for technology stocks appears to be insatiable. Most lead indicators point to a further strengthening of world-wide economic activity in the first half of 2000.

In the UK, the Bank of England's Monetary Policy Committee reinforced its tight monetary stance, once again, by raising interest rates to 5.50% at the year-end. This tightening of rates has continued into 2000. The MPC's decision was prompted by a determination to throttle back strong consumer demand and a robust housing market, thereby pushing up the rate of inflation. Nevertheless, the UK market rallied strongly towards the end of the fourth quarter as fast-growing sectors such as telecommunications and technology led the market higher.

After a difficult year in 1998, the small company sector rallied strongly in 1999 and generated a performance that offered more than double the returns of the overall market average.

In the first half of the year, a lot of attention in the small cap sector focused on the cyclicals. This was largely due to a tentative shift more towards value investing, an area which was already emphasised within the portfolio, as it became clear that the UK economy was going to avoid the widely expected recession. However, this phase ground to a halt in the summer. For much of the second half of the year, cyclicals remained flat while more growth orientated stocks came increasingly to the fore. This latter development was the consequence of the surge into technology and internet related stocks, particularly in the last quarter. Nevertheless, the broad nature of the rally meant that all small company sectors benefited.

During the year we received cash bids for our holdings in Primesight, Greycoat and Inn Business. Just before the middle of the year, following a good run in share price, we realised large profits by trimming some of our holdings in the financial sector, namely Charles Stanley, BWD Securities and Brewin Dolphin. This sector continued to perform very well in the second half of the year and a number of financial holdings remain in the top forty stocks held despite further profit taking; these are detailed on pages 7 to 9. Significant disposals during the year were represented by Sherwood International, European Motor Holdings and Taylor & Francis. In turn we acquired new holdings in the Scotia Holdings 8.5% Convertible Bond, Arcadia, TT Group, Fuller Smith & Turner, Alexandra, Country Gardens, Minerva, Primary Health Properties, International Energy, Wilson (Connolly), Singer & Friedlander, Financial Objects, Westbury, and Applied Holographics (now re-named Applied Optical Technology).

As can also be seen from the schedule on page 9, the number of companies that are in the higher end of our market capitalisation has increased considerably; this is mostly due to a re-rating of a number of our longer-standing holdings. Asset allocation between sectors has been crucial to the performance from smaller companies last year and we continue to believe this will be the case and therefore we remain overweight to the financial and information technology sectors.

22 March 2000

Aberdeen Asset Managers Limited

Top Forty Holdings

As at 31 December 1999

Company	Valuation £'000	Total assets %
Cedar Group	8,363	6.5
<i>Sector : Software & Computer Services</i>		
Focuses on supplying software and services in customer relationship management. The company raised £26.7m in October through a rights issue, allowing Cedar to enter a new phase of growth, in particular in the high growth enterprise resource planning and customer relationship management markets.		
Charles Stanley	7,864	6.1
<i>Sector : Speciality & Other Finance</i>		
One of the largest private client stockbroking firms in Britain, it provides stockbroking, corporate finance and investment services. Interim results showed a very strong first half with business well ahead in all areas. The Xest internet share dealing division is seeing rapid growth and has been selected by Egg to provide on-line dealing to its customers, launched at the start of this year.		
Jermyn Investment Properties	4,294	3.3
– 7.25% Convertible Unsecured Loan Stock		
– Ordinary	3,275	2.6
<i>Sector : Real Estate</i>		
A property investment company with a broad range of properties in both the UK and Ireland. The strategy of buying higher yielding properties that are under-rented allows scope for both capital gains and rental growth. In particular, Jermyn is benefiting from the continuing growth in the Irish property market, whilst it also continues to make acquisitions in mainland Britain. The recently announced 1.71m sq. ft. project in Central Park, Ireland, represents an excellent opportunity.		
DCS Group	6,436	5.0
<i>Sector : Software & Computer Services</i>		
Provides packaged software, supply chain management services and IT outsourcing services to the automotive dealership market. With a substantial installed base, there is scope for strong and visible growth going forward to sell further upgrades and extra functionality, in particular within Enterprise Resource Planning to small and medium sized enterprises.		
Wilmington Group	4,742	3.7
<i>Sector : Media & Photography</i>		
Provider of high quality information to specialist markets through a variety of formats from magazines to CD-ROMs and web sites. It has recently launched a specialist business ISP aimed at connecting businesses to trade products and services over the internet, exploiting their key advantage of ownership of content.		
Intelligent Environments	4,178	3.3
<i>Sector : Software & Computer Services</i>		
Software company that integrates back-office and legacy applications with new front-office applications via the Internet, thus enabling clients to deploy customer applications via the Internet. The new NetFinance product, offering front end applications to the web rather than just web to legacy products, is winning significant contracts.		
Edinburgh Fund Managers	3,983	3.1
<i>Sector : Speciality & Other Finance</i>		
International fund management group with a range of active and passive investment fund services to the retail and corporate markets. The group is benefiting from the strong global markets, and its solid balance sheet. Likely to benefit from continued consolidation in its sector.		
JJB Sports	3,675	2.9
<i>Sector : General Retailers</i>		
The sportswear and sports equipment retailer has resolved the initial stock and distribution problems following the acquisition of Sports Division and the group is now set to see massive buying and 'shrinkage' benefits, with considerable scope for further increasing its dominant position in the £3.5bn UK sports goods market.		
Teather & Greenwood	3,408	2.7
<i>Sector : Speciality & Other Finance</i>		
Independent stockbrokers and investment managers providing institutional and private client stockbroking on an agency basis with strong corporate and research areas. The group as a whole is benefiting from the increased levels of activity in smaller companies, and is developing a specialist niche in smaller company corporate finance.		

Top Forty Holdings (continued)

As at 31 December 1999

Company	Valuation £'000	Total assets %
Access Plus	3,245	2.5
<i>Sector : Media & Photography</i>		
Provides project management services in direct mail, special & security products, and business forms and print management. Access Plus has proven strong management, a strong cash position, 70% repeat business levels, increasing cross-selling opportunities and is now seeing significantly larger contracts in print management.		
Brewin Dolphin	3,176	2.5
<i>Sector : Speciality & Other Finance</i>		
A private client stockbroker and fund manager with increasingly important corporate finance exposure. The number of private clients converting to the more profitable discretionary portfolio management is increasing, whilst strong organic growth and a full year's contribution from Wise Speke, helped produce strong profits.		
Gerrard Group	3,013	2.3
<i>Sector : Speciality & Other Finance</i>		
A major broking, fund management and specialist banking group, whose principal operating businesses include Gerrard & King, GNI and Greig Middleton. On 14 January 2000, the group confirmed that it had received a cash offer of 670p per share from Old Mutual. The Directors of Gerrard have recommended the offer.		
Rolfe & Nolan	2,988	2.3
<i>Sector : Software & Computer Services</i>		
Leading global supplier of Futures & Options middle and back office software, with over 40% world-wide market share. Currently modularising its product offering and acquiring new products, whilst targeting new geographic areas and distribution channels. Set to be a beneficiary of the forecast high growth IT spend in the finance sector.		
BWD Securities	2,888	2.3
<i>Sector : Speciality & Other Finance</i>		
Through offices in Scotland and the North of England, BWD offers stockbroking, asset management and administration services to personal and corporate clients. The group is a beneficiary of the consolidation in the sector and with the recurring fee based income improving, a diversified client base and a conservative management style, BWD has strong defensive qualities.		
McCarthy & Stone	2,841	2.2
<i>Sector : Construction & Building Materials</i>		
Pioneers of retirement housing in the UK with a market share estimated at 70%, McCarthy is involved principally in designing, constructing and selling retirement flats. With an excellent forward reservation position, continuing increases in sales prices, favourable demographics and limited competition, this dominant company is set to generate continued growth in a still immature market.		
Financial Objects	2,559	2.0
<i>Sector : Software & Computer Services</i>		
A global banking software and services group with the second largest installed base in the banking package industry. Software upgrades to existing banking customers present a strong order book, whilst the enlarged sales force will use the important initial e-banking reference site to offer further internet-based banking services.		
Science Systems	2,487	1.9
<i>Sector : Software & Computer Services</i>		
Specialist provider of IT consultancy and software services to a wide range of industries. It has an acknowledged expertise in the provision of ground station software for satellites and is also one of the UK's leading providers of retail accounting systems. The group has a strong forward order book and has a significant number of well established long term relationships with blue chip clients.		
L. Gardner Group	2,351	1.8
<i>Sector : Engineering & Machinery</i>		
Manufactures specialist components for the aerospace and mass transit markets. The recent acquisition of Cirqual is an excellent fit – it gives the company entry into the high growth defence electronics and telecommunications industry and doubles the size of the group. The non-core building products division of Cirqual is set to be sold at a profit. Trading is strong, with buoyant order books across the group.		
AIT Group	2,265	1.8
<i>Sector : Software & Computer Services</i>		
Systems developer and integrator providing bespoke front-end customer engagement solutions to retail financial services organisations. It is building an increasingly strong position in the customer relationship management market, particularly the Internet.		
Top twenty investments carried forward	78,031	60.8

Top Forty Holdings (continued)

As at 31 December 1999

Company	Sector	Valuation £'000	Total assets %
Top twenty investments brought forward		78,031	60.8
Penna Holdings	Support Services	2,170	1.7
Chorion	Leisure, Entertainment & Hotels	2,100	1.6
Dragons Health Club	Leisure, Entertainment & Hotels	2,050	1.6
Minerva	Real Estate	1,962	1.5
Singer & Friedlander	Investment Companies	1,893	1.5
Dart Group	Transport	1,785	1.4
Country Gardens	General Retailers	1,511	1.2
KS Biomedix	Pharmaceuticals	1,509	1.2
Rosebys	General Retailers	1,459	1.1
SFI Group	Restaurants, Pubs & Breweries	1,377	1.1
Cosalt	Diversified Industrials	1,280	1.0
Gresham Computing	Software & Computer Services	1,230	1.0
Wyndeham Press	Media & Photography	1,205	0.9
International Energy	Gas Distribution	1,151	0.9
Burndene Investments	Leisure, Entertainment & Hotels	1,138	0.9
Ockham Holdings	Insurance	1,128	0.9
Primary Health Properties	Real Estate	1,113	0.9
Wates City of London Property	Real Estate	1,110	0.9
IFG Group	Speciality & Other Finance	1,086	0.8
Sterling Industries	Engineering & Machinery	1,023	0.8
Top forty investments		107,311	83.7
Other investments (41)		20,385	15.9
Total fixed asset investments		127,696	99.6
Net current assets		568	0.4
Total assets less current liabilities		128,264	100.0

All investments are in ordinary share capital except as indicated above.

Holding Breakdown by Market Capitalisation

As at 31 December 1999

Market capitalisation range	Number of investee companies	% of gross assets
Less than £50m	31	18.9
£50m – £100m	13	21.6
£100m – £150m	9	13.5
£150m – £200m	6	10.8
£200m – £250m	4	9.0
£250m – £300m	4	8.5
£300m +	7	17.2
Cash	–	0.5

Directors' Report

The Directors present their report on the affairs of the Company, together with the financial statements and auditors' report for the year ended 31 December 1999.

Principal Activities and Status

The principal activity of the Company is carrying on the business of an investment trust. The Company has conducted, and intends to continue to conduct, its affairs so as to be able to seek approval as an authorised investment trust under Section 842 ICTA 1988, which approval is granted retrospectively in respect of each accounting period. The Inland Revenue has approved the Company as an investment trust for the year ended 31 December 1998.

The Company's investment objective is to achieve a high level of overall long term return for its shareholders from capital growth and income. The affairs of the Company were conducted in such a way as to comply with the qualifying equity rule as defined in the Personal Equity Plan Regulations. From 6 April 1999 the Company has, and the Directors intend that it will continue to conduct its affairs to satisfy the requirements as a qualifying trust for Individual Savings Accounts.

Review of the Business

A review of the Company's activities is given in the Chairman's Statement on page 5.

On 22 June 1999 the Company bought in for cancellation 838,639 units of Equity-Linked Unsecured Loan Stock 2003 ("ELULS") at 234p per unit, compared with an asset value of 261.96p per unit. A further purchase of ELULS for cancellation was made on 23 June 1999, 652,658 units at 234p per unit, compared with an asset value of 262.10p per unit. On 23 December 1999 the Company made a further purchase of 30,000 ELULS units for cancellation at 273p per unit, compared with an asset value of 299.31p per unit. Two purchases of Ordinary shares for cancellation have also been undertaken by the Company during the year. On 23 June 1999 1,990,000 Ordinary shares were acquired at 165.5p per share, compared with an asset value of 211.21p per share, and on 24 June 1999 936,000 Ordinary shares were acquired at the same price, with an asset value of 212.77p per share.

After the year-end the Company has made four further purchases of ELULS units for cancellation. On 20 January 2000 65,057 units were purchased at 294.5p per unit compared to an asset value of 321.63p per unit. 375,000 units were purchased on 24 January 2000 at 294p per unit compared to an asset value of 319.52p per unit. A further 150,000 units of Loan Stock were purchased on 2 February 2000 at 292p per share, the asset value was 310.83p per unit at this date. On 3 March 2000, 20,000 units were acquired at 306p per unit, compared with an asset value of 338.88p per unit. Two further purchases of Ordinary shares for cancellation were also made after the year-end. 750,000 shares were purchased on 1 February 2000 at 255p per share compared to an asset value of 347.09p per share and a further purchase of 430,000 shares was made on 2 February 2000 at the same price, the asset value per share was 348.61p.

Results and Dividends

Revenue on ordinary activities after taxation for the year amounted to £349,000 (1998 – £851,000). An interim dividend of 0.5p net per Ordinary share (1998 – 1.4p), costing £135,000 (1998 – £700,000), was paid on 30 September 1999 and the Directors recommend payment of a final dividend of 0.55p net per Ordinary share (1998 – 0.5p), at a cost of £149,000 (1998 – £150,000) which, if approved, will be payable on 30 April 2000 to shareholders on the register on the record date, 7 April 2000, leaving £65,000 to be transferred to distributable revenue reserve (1998 – £1,000).

Directors' Report

Directors

The current Directors of the Company are shown on page 2 and brief biographical details on page 3.

F C Carr and J A Carwardine will retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. P W Darwin having attained the age of 70 will retire from the Board of Directors following the Annual General Meeting. No Director has a service contract with the Company.

The Directors who held office on 31 December 1999 had beneficial interests in the Company's securities, as shown below:

Name of Director	31 December 1999		1 January 1999	
	Ordinary 0.05p shares	ELULS units	Ordinary 0.05p shares	ELULS units
P W Darwin	27,345	–	27,345	–
F C Carr	5,100	–	–	–
J A Carwardine	63,895	–	48,882	–
S J Cockburn	3,461	1,954	3,461	1,954
C D Fishwick	18,974	–	18,920	–
R M H Heseltine	35,000	10,780	35,000	10,780

R M H Heseltine also holds 25,000 Ordinary shares and 3,080 units of Loan Stock non-beneficially.

C D Fishwick is a director of Aberdeen Asset Managers Limited which acts as Investment Manager of the Company and he is also a director of Aberdeen Asset Management PLC, the Secretary of the Company and the holding company of Aberdeen Asset Managers Limited. He has a service contract subject to two years' written notice of termination to be given by Aberdeen. Aberdeen Asset Managers Limited is entitled to receive fees under the Management Agreement described in note 3. J A Carwardine has a consultancy agreement with the Manager described in note 4. No other Directors were interested in contracts with the Company.

A Directors' and Officers' liability insurance policy has been maintained during the year.

Substantial Shareholdings

At the date of this report, the following were registered or had notified the Company as being interested in 3% or more of the Company's Ordinary share capital:

Name of Shareholder	Number of shares	Percentage held*
Funds managed by Legal & General Investment Management	3,624,664	14.00
Funds managed by Aberdeen Asset Managers Limited:		
– Aberdeen High Income Trust PLC	2,960,000	11.43
– Other Interests	111,572	0.43
	3,071,572	11.86
United Assurance	2,971,900	11.30
Royal Sun Alliance	1,620,945	6.26
East Riding of Yorkshire Council	1,550,000	5.99
Funds managed by Scottish Widows	1,245,000	5.00
Universities Superannuation Funds	1,215,373	4.69
Derbyshire County Council	1,120,000	4.33
Britannia Life	1,000,000	3.86
Jupiter Fund of Investment Trusts	1,000,000	3.86
Daily Mail and General Trust Pensions Fund	990,382	3.83

* Based on 25,888,183 Ordinary shares in issue at the date of this Report.

Directors' Report

Final Review of the Year 2000 Project

In 1997 Aberdeen Asset Management PLC ("Aberdeen") performed a comprehensive risk analysis to determine the impact of the year 2000 issue using guidelines accepted by the British Standards Institute, and developed an action plan to address key areas of risk. The project is now complete and Aberdeen is confident that their internal systems have successfully made the transition into the year 2000.

The risk analysis also considered the impact of year 2000 related failures by Aberdeen's major suppliers and third party administrators. In appropriate cases Aberdeen initiated formal communication with these parties and have reviewed their plans. All major suppliers have confirmed to Aberdeen that they have encountered no year 2000 problems and will promptly inform Aberdeen should any year 2000 issues arise.

Given the potential nature of the problem, Aberdeen will continue to monitor its systems over the forthcoming months. The Board is confident that Aberdeen has achieved business as usual and will provide resources to deal promptly with any issues that might arise.

Corporate Governance

The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust.

The Board considers that the Company has complied with the provisions contained in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") prepared by the Committee on Corporate Governance published in June 1998, throughout this accounting period, except where noted below. The following statement describes how the relevant principles of governance are applied to the Company.

The Board

The Board currently consists of six non-executive Directors, a majority of whom are independent of the Company's Investment Manager and free from any business or other relationships which could materially interfere with the exercise of its independent judgement. The Chairman is an independent Director and the Board does not therefore consider that it is necessary to appoint a senior independent Director. From their biographies on page 3 it will be seen that the Board has a breadth of experience relevant to the Company. The Articles of Association provide that the number of Directors nearest to, but not greater than, one third of the Board retire by rotation every year. Accordingly, F C Carr and J A Carwardine will retire by rotation and offer themselves for re-election at the forthcoming Annual General Meeting. The Combined Code requires all Directors to retire and submit themselves for re-election not less than once every three years. Consideration has been given to altering the Articles to make them comply with the Combined Code on this subject. The Company will do so at such time as it undertakes a general redrafting of its Articles. P W Darwin will retire as a Director following the Annual General Meeting and F C Carr will be appointed Chairman in his stead. The Board meets regularly and between these formal meetings there is regular contact with the Investment Manager. The Directors also have access to the Company Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The Board has delegated the following areas of responsibility:

Board Committees

Separate Audit and Management Engagement Committees have been established. The Board as a whole fulfils the function of a Nomination Committee, with P W Darwin as Chairman, which meets when necessary to select and propose suitable candidates for appointment.

Directors' Report

The Audit and Management Engagement Committees each consist of Directors independent of the Investment Manager. The Audit Committee, with R M H Heseltine as Chairman, examines the effectiveness of the Company's internal control system and receives information from the Investment Manager's internal audit and compliance departments. The Management Engagement Committee, with P W Darwin as Chairman, keeps under review the terms of the Management Agreement.

Internal Controls

The Combined Code has introduced a new requirement that the Directors review the effectiveness of the Company's system of internal control. This extends the existing requirement in respect of internal financial controls to cover all controls including:

- financial;
- operational;
- compliance; and
- risk management.

In September 1999 guidance for directors was published in *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull guidance). However, the Directors have taken advantage of the London Stock Exchange's transitional rules and have continued to review and report upon internal controls in accordance with *Internal control and financial reporting* issued by the Working Group of Internal Control in December 1994.

Nevertheless, the Board confirms that it has established procedures necessary to implement the Turnbull guidance such that it can fully comply with it for the accounting period ending on 31 December 2000.

The internal financial control systems are designed to meet the Company's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable and not absolute assurance against misstatement or loss.

The key components designed to provide effective internal financial control within the Company are outlined below.

The Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.

The Board and the Investment 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 Investment Manager's evaluation procedure and financial analysis of the companies concerned includes detailed appraisal and due diligence.

As a matter of course the compliance department of Aberdeen continually reviews the Investment Manager's operations.

Financial Statements

The Directors' responsibilities regarding the financial statements and safeguarding of assets are set out on page 15. The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

Going Concern

After making enquiries and given the nature of the Company, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing accounts.

Directors' Report

Relations with Shareholders

The Investment Manager maintains a regular dialogue with institutional shareholders, the feedback from which is reported to the Board. In addition, Board members and representatives of the Investment Manager are available to answer shareholders' questions at the Annual General Meetings of the Company.

The Secretaries are available to answer general shareholder queries at any time.

Special Business at Forthcoming Annual General Meeting

Three resolutions are being put to the Annual General Meeting as Special Business.

Resolution 6 will, if passed, renew the Directors' existing general power to allot securities up to an aggregate nominal amount of £4,270, representing approximately 33% of the issued share capital of the Company at the date of this document. Resolution 7 will, if passed, renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing Shareholders. This would provide the Directors with flexibility to act in the best interests of Shareholders when the opportunity arises so that (i) the Company can follow normal practice in an event of a rights issue (if appropriate) and (ii) may, in addition, issue a limited number of Ordinary shares up to a nominal value of £647, representing approximately 5% of the current issued Ordinary share capital of the Company, for cash on a non pre-emption basis. The Directors do not have any immediate plans to issue further shares in the Company. Resolution 8 will, if passed, renew the Company's ability to make purchases of the Company's own shares up to a maximum of 14.99% of the current issued share capital and subject to maximum and minimum prices based on 5% above the recent average market price per share at the time of the transaction and 0.05p respectively.

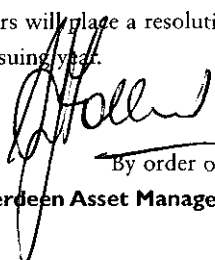
Creditor Payment Policy

The Company policy is to pay Stock Exchange trade creditors on dates of settlement and all other creditors are paid within 30 days of receipt of invoice. As the Company has no trade creditors at the year end, creditor days are not presented.

Auditors

Arthur Andersen have indicated their willingness to remain in office. The Directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

One Bow Churchyard, Cheapside
London EC4M 9HH
22 March 2000


By order of the Board
Aberdeen Asset Management PLC
Secretaries

Auditors' Report to the Members of The Smaller Companies Investment Trust PLC

We have audited the financial statements on pages 16 to 29 which have been prepared under the historic cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on pages 20 and 21.

Respective responsibilities of Directors and Auditors

The Directors are responsible for the Annual Report including, as described on page 13, preparing the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of The London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance statement on pages 12 to 13 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls and procedures.

We read the other information contained in the Annual Report, including the Corporate Governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 1999 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

18 Charlotte Square

Edinburgh EH2 4DF

22 March 2000

Revenue Account

For the year ended 31 December 1999

	Notes	1999		1998 (restated)	
		£'000	£'000	£'000	£'000
Income from fixed asset investments	2				
Franked investment income (net of tax credits)		2,309		1,930	
Unfranked investment income		303		151	
Overseas dividends		18		79	
Foreign income dividends		<u>—</u>		<u>29</u>	
			2,630		2,189
Other income	2				
Interest received		214		133	
Underwriting commission		<u>11</u>		<u>29</u>	
			225		162
Total income			2,855		2,351
Expenses and interest payable					
Investment management fee	3	(1,123)		(1,022)	
Administration expenses	4	(191)		(156)	
Finance charges	5	<u>(1,198)</u>		<u>(304)</u>	
			(2,512)		(1,482)
Net revenue on ordinary activities before taxation			343		869
Tax on ordinary activities	6		<u>6</u>		<u>(18)</u>
Net revenue on ordinary activities after taxation			349		851
Dividends	7				
– Interim		(135)		(700)	
– Final		<u>(149)</u>		<u>(150)</u>	
			(284)		(850)
Transfer to reserves			<u>65</u>		<u>1</u>
Return per Ordinary share (pence):	8		<u>1.23</u>		<u>2.86</u>

All revenue is derived from continuing operations.

The accompanying accounts are an integral part of this statement.

Statement of Total Return

(incorporating the Revenue Account of the Company*)

For the year ended 31 December 1999

	Notes	1999			1998 (restated)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	—	56,102	56,102	—	309	309
Income	2	2,855	—	2,855	2,351	—	2,351
Investment management fee	3	(1,123)	—	(1,123)	(1,022)	—	(1,022)
Administration expenses	4	(191)	—	(191)	(156)	—	(156)
Net return before finance costs and taxation		1,541	56,102	57,643	1,173	309	1,482
Finance charges	5	(1,198)	(14,302)	(15,500)	(304)	(3,241)	(3,545)
Return on ordinary activities before tax		343	41,800	42,143	869	(2,932)	(2,063)
Tax on ordinary activities	6	6	—	6	(18)	—	(18)
Return on ordinary activities after taxation		349	41,800	42,149	851	(2,932)	(2,081)
Repurchase of Warrants		—	—	—	—	129	129
Dividends in respect of equity shares	7	(284)	—	(284)	(850)	—	(850)
Transfer to/(from) reserves		65	41,800	41,865	1	(2,803)	(2,802)
Return per Ordinary share (pence) :	8	1.23	146.82	148.05	2.86	(5.91)	(3.05)

**The revenue column of this statement is the revenue account of the Company.*

All revenue is derived from continuing operations.

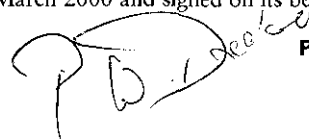
The accompanying notes are an integral part of this statement.

Balance Sheet

As at 31 December 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Investments	9	127,696	73,887
Current assets			
Debtors	11	547	757
Cash at bank and in hand		1,308	6,718
		1,855	7,475
Creditors: amounts falling due within one year	12	(1,287)	(804)
Net current assets		568	6,671
Total assets less current liabilities		128,264	80,558
Creditors: amounts falling due after one year			
Equity-Linked Unsecured Loan Stock 2003	13	(41,963)	(31,239)
Provision for liabilities and charges	14	—	(11)
Net assets		86,301	49,308
Capital and reserves			
Called-up share capital	15	14	15
Other reserves:			
Capital reserve – realised	16	26,595	14,628
Capital reserve – unrealised	16	35,647	5,814
Special reserve	16	23,326	28,198
Capital redemption reserve	16	1	—
Revenue reserve	16	718	653
Total shareholders' funds		86,301	49,308
Net asset value per Ordinary share (pence):	17	318.83	164.39

The financial statements were approved by the Board of Directors on 22 March 2000 and signed on its behalf by:

 **P.W. Darwin**
Chairman

The accompanying notes are an integral part of this statement.

Cash Flow Statement

For the year ended 31 December 1999

	Notes	1999		1998	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21		1,861		1,062
Servicing of finance					
ELULS interest paid		(1,217)		—	
Bank interest paid		<u>—</u>		<u>(30)</u>	
Net cash outflow from servicing of finance			(1,217)		(30)
Taxation					
UK tax recovered (including ACT)		135		—	
Withholding and income tax recovered		<u>30</u>		<u>7</u>	
			165		7
Financial investment					
Purchase of investments		(21,362)		(24,618)	
Sale of investments		<u>23,891</u>		<u>31,866</u>	
Net cash inflow from financial investment			2,529		7,248
Equity dividends paid			<u>(285)</u>		<u>(1,634)</u>
Net cash inflow before financing			3,053		6,653
Financing					
Repurchase of shares		(4,852)		—	
Repurchase of ELULS		(3,579)		—	
Repurchase of Warrants		—		(34)	
Proceeds from exercise of Warrants		—		1,018	
Expenses in respect of share buybacks		(32)		—	
Expenses in respect of reconstruction		<u>—</u>		<u>(856)</u>	
Net cash (outflow)/ inflow from financing			<u>(8,463)</u>		<u>128</u>
Net cash (outflow)/ inflow			<u><u>(5,410)</u></u>		<u><u>6,781</u></u>
Reconciliation of net cashflow to movements in net (debt)/funds					
(Decrease)/increase in cash as above			(5,410)		6,781
Net debt arising from capital reconstruction			<u>—</u>		<u>(27,998)</u>
			(5,410)		(21,217)
Increase in net debt arising from finance costs			<u>(10,724)</u>		<u>(3,241)</u>
			(16,134)		(24,458)
Net debt at 1 January			<u>(24,521)</u>		<u>(63)</u>
Net debt at 31 December	20		<u><u>(40,655)</u></u>		<u><u>(24,521)</u></u>

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

Notes to the Financial Statements

For the year ended 31 December 1999

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, with the exception as disclosed in note (c), is set out below. The Company's accounting policies comply with the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies'.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of investments, and in accordance with applicable Accounting Standards. As a result of the capital re-organisation effected on 15 October 1998 the Company ceased to be an investment company within the meaning of section 266 of the Companies Act 1985. However, it continued to conduct its affairs as an investment trust for taxation purposes under section 842 of the Income and Corporation Taxes Act 1988 and the Articles of the Company prevent capital profits being distributed by dividend. As such, the Directors consider it appropriate to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in the statement of total return, in which the revenue column is the profit and loss account of the Company. The revenue column, and the revenue account on page 16, excludes certain capital items which, since the trust is no longer an investment company, the Companies Act and FRS3 would ordinarily be required to be included in the profit and loss account: gains on disposal of investments of £12,779,000, finance costs of £13,490,000 and gains on repurchases of loan stock units and ordinary shares of £5,664,000 charged to capital. In the opinion of the Directors, the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company and would not clearly show revenue profits distributable by way of a dividend. The Directors, therefore, consider that these departures from the specific provisions of schedule 4 of the Companies Act, relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards, are necessary to give a true and fair view. They have no effect on the balance sheet or total return.

(b) Valuation of investments

Quoted investments are valued at middle market prices. Where trading in the securities of an investee company is suspended the investment is valued at the Board's estimate of its net realisable value. Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve-realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve-unrealised as explained in note 1(f) below.

(c) Income

Dividends receivable on equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time apportioned basis so as to reflect the effective yield on shares. Other returns on non-equity shares are recognised when the right to the return is established. The fixed return on a debt security is recognised on a time apportioned basis so as to reflect the effective yield on the debt security. Where the company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

Notes to the Financial Statements

Franked investment income is presented excluding attributable tax credits. Previously, franked investment income was presented including attributable tax credits, which were then also included within the charge for taxation. This change in presentation, which has no effect on the revenue return on ordinary activities after tax, has been made to comply with the recently issued FRS 16 "Current Tax". Comparative figures relating to franked investment income and tax credits attributable for the year ended 31 December 1998 have been restated accordingly.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- expenses are charged to capital reserve-realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated;
- expenses which represent hedges of capital gains and losses are accounted for in capital reserves, along with the gain or loss on the related position being hedged.

(e) Taxation

The charge for taxation is based on the net revenue for the year. Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

(f) Capital reserves

Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature;
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end;
- unrealised exchange differences of a capital nature;
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

(g) Finance costs

Finance costs of debt are accounted for on an accruals basis and in accordance with the provision of Financial Reporting Standard 4 "Capital Instruments".

	1999	1998
	£'000	£'000
2. Income		
Income from investments		
Franked investment income (net of tax credits)	2,309	1,930
UK unfranked investment income (gross)	303	151
Overseas dividends (gross)	18	79
Foreign income dividends	—	29
	<u>2,630</u>	<u>2,189</u>

Notes to the Financial Statements

Other income

Deposit interest	205	133
Interest on tax rebates	9	—
Underwriting commission	<u>11</u>	<u>29</u>
	225	162
Total income	<u><u>2,855</u></u>	<u><u>2,351</u></u>

	1999	1998
		Restated
Total income comprises:	£'000	£'000
Dividends	2,327	2,038
Interest	517	284
Other income	<u>11</u>	<u>29</u>
	<u><u>2,855</u></u>	<u><u>2,351</u></u>

All of the overseas dividends, amounting to £18,000 (1998 – £79,000), arose from investments listed in Ireland. All income from listed investments arose on investments listed in the UK. The dividends figure for 1998 has been restated in line with FRS 16 'Current Tax' requirements, as discussed in note 1 (c).

	1999	1998
	Revenue	Revenue
3. Investment management fee	£'000	£'000
Investment management fee	<u>1,123</u>	<u>1,022</u>

The Company has an agreement with Aberdeen Asset Managers Limited ("AAM") for the provision of *management services*. *Management fees were, until 2 October 1998, paid on a calculation based on the net asset value at month end at the rate of 0.1% per month on the first £25m, plus 0.08% per month on the next £50m, plus 0.06% per month on the excess over £75m (plus VAT).* Following the capital re-organisation, the management fees have been calculated on the aggregate of net asset value and the principal amount outstanding on the Equity-Linked Unsecured Loan Stock 2003 at month end using the same rates. The agreement is terminable on two years' notice, save that if the Company is liquidated in the years 2004 or 2005, in accordance with the terms relating to duration set down in the Articles of Association, *no compensation shall be payable to the Manager. The balance due to AAM at the year end was £310,057 (1998 – £80,408).*

	1999	1998
	Revenue	Revenue
4. Administration expenses	£'000	£'000
Directors' fees	45	33
Auditors' remuneration		
– audit	14	11
– other services	3	—
Other	<u>129</u>	<u>112</u>
	<u><u>191</u></u>	<u><u>156</u></u>

Notes to the Financial Statements

The Company has an agreement with Aberdeen Asset Managers Limited ("AAM") for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust Share Plan and ISA. The total fees paid and payable under the agreement were £74,000 (1998 – £50,000). The amount of the prepayment to AAM at the year end was £16,670 (1998 – balance due of £1,957).

The Directors' fees of £45,000 (1998 – £33,000) comprised £15,000 (1998 – £10,000) paid to the Chairman and £10,000 (1998 – £7,500) each to Mr Carr, Mr Cockburn and Mr Heseltine.

Mr Carwardine has a consultancy agreement with the Manager whereby he receives a percentage of the management services fee paid by the Company to the Manager, which percentage amounted to £38,121 (1998 – £32,038) and neither he nor Mr Fishwick, who is a director of the Manager, receives any Directors' fees from the Company. The Company does not have any employees.

	1999			1998		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
5. Finance charges						
Bank overdrafts	–	–	–	28	–	28
Equity-Linked Unsecured Loan						
Stock 2003	1,198	14,302	15,500	276	3,241	3,517
	<u>1,198</u>	<u>14,302</u>	<u>15,500</u>	<u>304</u>	<u>3,241</u>	<u>3,545</u>

The amount charged to capital for the Equity-Linked Unsecured Loan Stock 2003 ("ELULS") represents the increase in value of the ELULS, reflecting the movement in the FTSE SmallCap Index (excluding investment trusts) from 31 December 1998 to the year end for the units outstanding at the year end and the increase in value from 31 December 1998 to the repurchase price for ELULS repurchased during the year. This is shown as a charge against unrealised capital reserve in note 16.

	1999	1998
	Revenue £'000	Revenue £'000
6. Tax on ordinary activities		
Overseas taxation	5	3
Deferred taxation	(11)	–
	(6)	3
Under provision in respect of prior years	–	15
	<u>(6)</u>	<u>18</u>

	1999	1998
	Revenue £'000	Revenue £'000
7. Dividends		
Dividends on Ordinary shares:		
– interim paid of 0.5p net per share (1998 – 1.4p)	135	700
– final proposed of 0.55p net per share (1998 – 0.5p)	149	150
	<u>284</u>	<u>850</u>

Notes to the Financial Statements

	1999			1998		
	Revenue	Capital	Total	Revenue	Capital	Total
8. Return per Ordinary share	p	p	p	p	p	p
Return per Ordinary share	1.23	146.82	148.05	2.86	(5.91)	(3.05)

The revenue return per Ordinary share is based on the net revenue on ordinary activities after taxation and on 28,471,060 Ordinary shares, being the weighted average number of Ordinary shares in issue during the year. The capital return per Ordinary share is based on net capital gains for the financial year and on 28,471,060 Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The revenue and capital returns for 1998 were calculated on 49,604,909 Ordinary shares, being the weighted average number of Ordinary shares in issue during the year. This was then adjusted by 49,990,302 (being the number of Ordinary shares in issue prior to the capital re-organisation) divided by 29,994,183 (being the then current number of Ordinary shares).

	1999 £'000	1998 £'000
9. Investments		
Investments listed on a recognised investment exchange	127,696	73,887

	Listed in UK £'000	Listed overseas £'000	Total £'000
Opening book cost	64,315	517	64,832
Opening unrealised appreciation	8,181	874	9,055
Opening valuation	72,496	1,391	73,887
Movements in the year:			
Purchases at cost	21,598	—	21,598
Sales – proceeds	(23,891)	—	(23,891)
– realised gains on sales	12,779	—	12,779
Increase/(decrease) in unrealised appreciation	43,628	(305)	43,323
Gains/(losses) on investments	56,407	(305)	56,102
Closing valuation	126,610	1,086	127,696
Closing book cost	74,806	518	75,324
Closing unrealised appreciation	51,804	568	52,372
	126,610	1,086	127,696

10. Repurchase of Equity-Linked Unsecured Loan Stock 2003 (“ELULS”)

The Company purchased for cancellation 838,639 units of ELULS on 22 June 1999 and 652,658 units on 23 June 1999, both at a price of 234p per unit, and 30,000 units on 23 December 1999 at a price of 273p per unit. The amount transferred from unrealised capital reserve to realised capital reserve for the repurchase of the ELULS represents the movement in value between the initial principal amount of 181.843p per unit and the repurchase price. As a result of the cancellation of ELULS units there were 13,875,761 units in issue at the year end.

After the year-end the Company has made four further purchases of ELULS units for cancellation.

Notes to the Financial Statements

On 20 January 2000 65,057 units were purchased at 294.5p per unit. 375,000 units were purchased on 24 January 2000 at 294p per share and on 2 February 2000 150,000 units of Loan Stock were purchased at 292p per share. A further 20,000 units were purchased on 3 March 2000 at 306p per unit.

There are currently 13,265,704 ELULS units in issue at the date of this report.

	1999	1998
	£'000	£'000
11. Debtors: amounts falling due within one year		
Prepayments and accrued income	306	408
Other debtors	241	349
	<u>547</u>	<u>757</u>
	1999	1998
	£'000	£'000
12. Creditors: amounts falling due within one year		
Interest on Equity-Linked Unsecured Loan Stock 2003	202	276
Amounts due to brokers	486	250
Proposed dividends	149	150
Other creditors	450	128
	<u>1,287</u>	<u>804</u>

Interest on the Equity-Linked Unsecured Loan Stock 2003 is payable quarterly, on the last dealing day of January, April, July and October in each year. Interest is calculable by reference to the gross dividend yield on the FTSE SmallCap Index (excluding investment trusts) for the last working day in December, March, June and September in each year. The yield is then multiplied by the FTSE SmallCap Index to arrive at an annual gross rate per unit, which is then pro-rated to cover the payment period.

13. Creditors: amounts falling due after one year

On 15 October 1998 the Company issued as part of a capital re-organisation a total of 15,397,058 units of Equity-Linked Unsecured Loan Stock 2003 ("ELULS") with an initial principal amount of 181.843p per unit. The unit value was calculated by reference to the FTSE SmallCap Index (excluding investment trusts) ("the Index") value at the close of business on 12 October 1998 which stood at 1818.43. The return on the ELULS is directly linked to the capital and income value of the Index.

	1999	1998
	£'000	£'000
14. Provision for liabilities and charges		
These are in respect of deferred taxation, and comprise:		
Timing differences related to revenue	<u>-</u>	<u>11</u>
The movement on deferred taxation comprises:		
Beginning of year	11	11
Credited in respect of revenue	(11)	-
End of year	<u>-</u>	<u>11</u>

There is no material amount of unprovided deferred tax.

Notes to the Financial Statements

	1999		1998	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£'000	£'000	£'000	£'000
15. Called-up share capital				
Ordinary shares of 0.05p each	20,160	14	20,160	15

The Company purchased for cancellation 1,990,000 Ordinary shares on 23 June 1999 and 936,000 Ordinary shares on 24 June 1999, at a price of 165.5p per share.

As a result of the above cancellation of shares there were 27,068,183 Ordinary shares in issue at the year end.

Two further purchases of Ordinary shares for cancellation were made after the year-end. 750,000 Ordinary shares were purchased on 1 February 2000 at 255p per share. A further purchase of 430,000 Ordinary shares was made on 2 February 2000 at the same price.

There are currently 25,888,183 Ordinary shares in issue at the date of this report.

	Capital reserve – realised	Capital reserve – unrealised	Special reserve	Capital Redemption reserve	Revenue reserve
	£'000	£'000	£'000	£'000	£'000
16. Reserves					
Beginning of year	14,628	5,814	28,198	–	653
Purchase of own shares for cancellation	–	–	(4,852)	1	–
Purchase of ELULS Units for cancellation	(812)	812	–	–	–
Increase in value of ELULS Units	–	(14,302)	–	–	–
Net gain on realisation of investments	12,779	–	–	–	–
Increase in unrealised appreciation	–	43,323	–	–	–
Costs associated with purchases of own shares	–	–	(20)	–	–
Retained net revenue for the year	–	–	–	–	65
End of year	26,595	35,647	23,326	1	718

17. Net asset value per share

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

	Net asset value per share attributable		Net asset values attributable	
	1999	1998	1999	1998
	p	p	£'000	£'000
Ordinary shares	318.83	164.39	86,301	49,308

Net asset value per Ordinary share is based on net assets, and on 27,068,183 Ordinary shares (1998 – 29,994,183 Ordinary shares), being the number of Ordinary shares in issue at the year end.

Notes to the Financial Statements

	1999	1998
	£'000	£'000
18. Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	49,308	80,123
Total recognised gains/(losses)	42,677	(2,802)
Release from Warrant reserve on Warrant re-purchases	—	(163)
Capital re-organisation	—	(27,998)
Issue costs	(20)	(870)
Issue of shares	—	1,018
Buy-back of shares	(4,852)	—
Buy-back of ELULS units	(812)	—
Closing shareholders' funds	<u>86,301</u>	<u>49,308</u>

19. Financial instruments

The Company's financial instruments comprise:

- Equities that are held in accordance with the Company's investment objectives, which are set out on page 1 of this Report and Accounts;
- Equity-Linked Unsecured Loan Stock 2003, the main purpose of which is to gear the Company's operations; and
- Cash and liquid resources that arise directly from the Company's operations.

The main risks arising from the Company's financial instruments are market price risk, interest rate risk and liquidity risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the reorganisation of the Company in 1998.

The Company has taken advantage of the exemption allowed under FRS 13, 'Derivatives and other Financial Instruments', and excluded short-term debtors and creditors from disclosures under financial instruments.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. An appropriate spread of investments are held in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a country or sector. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

A list of the main investments held by the Company is shown in the 'Top Forty Holdings' table on pages 7 to 9. All investments are stated at mid-market value.

Interest rate risk

Financial assets

Bond and preference shares yields, and as a consequence their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Notes to the Financial Statements

Returns from bonds and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

The interest rate profile of the Company at 31 December 1999 is as follows:

Type	Total (as per Balance Sheet) £'000	Floating Rate £'000	Fixed Rate £'000	Financial assets/ (liabilities) on which no interest is paid £'000	Weighted average interest rate †	Weighted average period for which rate is fixed (No. of years)*
<i>Assets:</i>						
Corporate bonds and convertible unsecured loan stock	4,776	—	4,776	—	6.73	8.02
Equities	122,920	—	—	122,920	—	—
Cash at bank	1,308	1,308	—	—	5.10	—
<i>Liabilities:</i>						
Equity Linked Unsecured Loan Stock 2003	(41,963)	(41,963)	—	—	8.42	—
	87,041	(40,655)	4,776	122,920	—	8.02

† The 'Weighted average interest rate' is based on the current yield of each asset, weighted by their market value. This excludes all equities and stocks where payments have been suspended.

* The 'Weighted average period for which rate is fixed' includes UK corporate bonds and convertible loan stocks only.

Financial liabilities

Interest on the Equity-Linked Unsecured Loan Stock 2003 ('ELULS') is payable quarterly, on the last dealing day of January, April, July and October in each year. Interest is calculated by reference to the gross dividend yield on the FTSE SmallCap Index (excluding investment trusts) for the last working day in December, March, June and September in each year. The yield is then multiplied by the FTSE SmallCap Index ('the index') to arrive at an annual gross rate per unit, which is then pro-rated to cover the payment period.

The capital value on redemption or liquidation of the ELULS will be derived from the value of the index at that date.

The Company did not enter into any hedging agreements in the year.

The Company had no drawn or undrawn borrowing facilities throughout the financial year.

Liquidity Risk

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 use of overdraft facilities.

Notes to the Financial Statements

Gearing Risk

Due to the gearing provided by the Company's Loan Stock, the market value of the Company's shares may be volatile and particularly sensitive to changes in the value of the net assets. If the Company underperforms the FTSE SmallCap Index, the gearing effect on the Company shares will be adverse.

	31 December		Other	31 December
	1998	Cashflow	non-cash	1999
	£'000	£'000	movements	£'000
20. Analysis of changes in net debt				
Cash at bank and overdrafts	6,718	(5,410)	–	1,308
Debt:				
Debts falling due after more than one year	(31,239)	–	(10,724)	(41,963)
Net debt	<u>(24,521)</u>	<u>(5,410)</u>	<u>(10,724)</u>	<u>(40,655)</u>
21. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities			1999	1998
			£'000	£'000
Net return before finance costs and tax			1,541	1,173
Decrease/(increase) in accrued income			118	(94)
Increase in other debtors			(22)	(2)
Increase in other creditors			212	18
Capitalised expenses taken to non-distributable reserves			12	(12)
Overseas tax			–	(21)
			<u>1,861</u>	<u>1,062</u>
22. Contingencies, guarantees and financial commitments			1999	1998
			£'000	£'000
Contingencies, guarantees and financial commitments of the Company at the year end, which have not been accrued, are as follows:				
Underwriting commitments			<u>431</u>	<u>–</u>
23. Related party disclosures				
Mr C D Fishwick is a director of Aberdeen Asset Management PLC and its subsidiary Aberdeen Asset Managers Limited ('AAM'). AAM has an agreement to provide both management and marketing services to the Company, the terms of which are outlined in notes 3 and 4 of the financial statements.				

Classification of Investments

As at 31 December 1999

	1999			1998		
		Company	FTSE SmallCap (exIT)		Company	FTSE SmallCap (exIT)
FTSE Actuaries Sector	£'000	%	%	£'000	%	%
Mining	—	—	—	450	0.6	0.3
Oil & Gas	—	—	1.6	—	—	1.4
Resources	—	—	1.6	450	0.6	1.7
Chemicals	631	0.5	1.4	353	0.5	1.6
Construction & Building Materials	6,010	4.7	8.3	3,398	4.6	7.4
Forestry & Paper	—	—	—	—	—	0.2
Steel & Other Metals	—	—	—	—	—	—
Basic Industries	6,641	5.2	9.7	3,751	5.1	9.2
Aerospace & Defence	753	0.6	1.2	350	0.5	1.2
Diversified Industrials	1,280	1.0	0.3	1,225	1.7	0.4
Electronic & Electrical Equipment	984	0.8	3.7	851	1.2	3.7
Engineering & Machinery	4,799	3.8	5.0	3,283	4.4	4.8
General Industries	7,816	6.2	10.2	5,709	7.8	10.1
Automobiles	—	—	1.1	—	—	1.1
Household Goods & Textiles	1,606	1.3	1.2	1,279	1.7	1.5
Cyclical Consumer Goods	1,606	1.3	2.3	1,279	1.7	2.6
Beverages	—	—	0.6	—	—	0.6
Food Producers & Processors	1,438	1.1	3.7	1,072	1.5	1.6
Health	—	—	1.9	—	—	1.6
Packaging	247	0.2	1.8	160	0.2	1.8
Personal Care & Household Products	539	0.4	0.8	459	0.6	0.8
Pharmaceuticals	1,992	1.6	3.0	618	0.8	1.8
Tobacco	—	—	—	—	—	—
Non Cyclical Consumer Goods	4,216	3.3	11.8	2,309	3.1	8.2
Distributors	868	0.7	3.5	2,167	2.9	3.1
General Retailers	7,089	5.6	6.8	1,940	2.6	5.1
Leisure, Entertainment & Hotels	5,709	4.5	6.0	3,977	5.4	3.7
Media & Photography	9,192	7.2	7.9	7,613	10.3	6.8
Restaurants Pubs & Breweries	3,213	2.5	1.9	2,169	2.9	3.3
Support Services	3,219	2.5	6.4	1,942	2.6	4.5
Transport	2,388	1.9	3.2	3,156	4.3	2.8
Cyclical Services	31,678	24.9	35.7	22,964	31.0	29.3
Food & Drug Retailers	210	0.2	1.1	246	0.3	1.4
Telecommunication Services	—	—	1.1	—	—	0.2
Non Cyclical Services	210	0.2	2.2	246	0.3	1.6
Electricity	—	—	—	—	—	—
Gas Distribution	1,151	0.9	—	—	—	—
Water	697	0.5	0.3	1,190	1.6	0.9
Utilities	1,848	1.4	0.3	1,190	1.6	0.9

Classification of Investments (continued)

As at 31 December 1999

	1999			1998		
		FTSE			FTSE	
		Company	SmallCap (exIT)		Company	SmallCap (exIT)
FTSE Actuaries Sector	£'000	%	%	£'000	%	%
Information Technology Hardware	–	–	0.2	–	–	0.1
Software & Computer Services	32,601	25.5	10.2	12,621	17.1	5.7
Information Technology	32,601	25.5	10.4	12,621	17.1	5.8
Banks	–	–	–	–	–	–
Insurance	1,831	1.4	1.7	1,435	1.9	2.7
Life Assurance	–	–	–	–	–	–
Investment Companies	1,893	1.5	–	–	–	15.4
Real Estate	11,939	9.3	8.7	9,650	13.1	7.6
Speciality & Other Finance	25,417	19.8	5.4	12,283	16.7	4.9
Financials	41,080	32.0	15.8	23,368	31.7	30.6
Totals	127,696	100.0	100.0	73,887	100.0	100.0

All securities are equities other than 3.7% of investments by value (1998 – 5.4%) held in convertible preference shares. A total of 0.9% of the investments by value are in Irish listed companies (1998 – 1.9%). All of the remaining investments are in UK companies listed on the London Stock Exchange or the Alternative Investment Market.

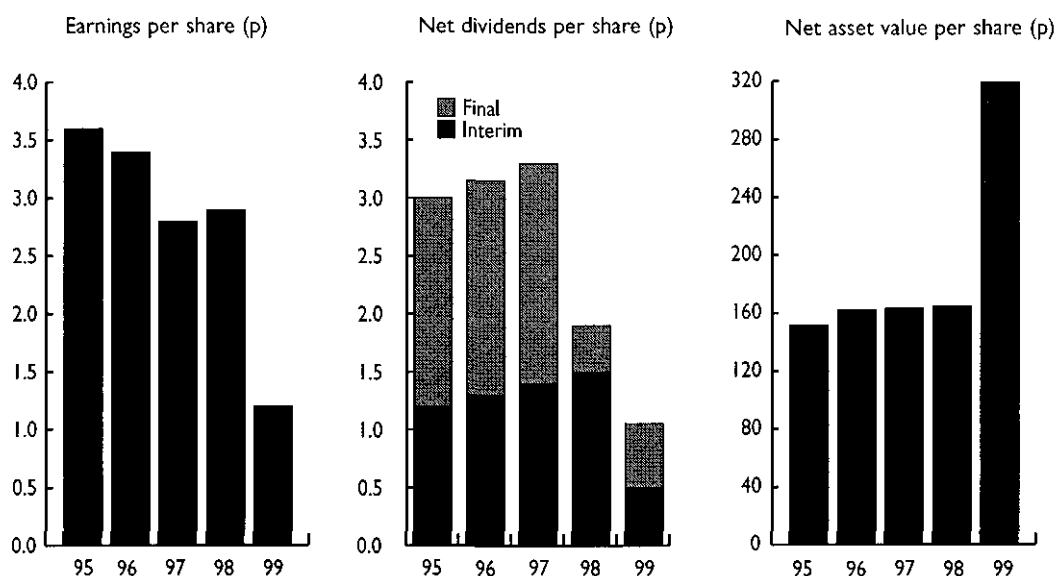
Five Year Financial Record

Year to 31 December

	1995	1996	1997	1998*	1999
Total revenue £'000	3,138	3,182	2,871	2,351**	2,855**
Per Ordinary share:					
Net earnings	3.6p	3.4p	2.8p	2.9p	1.2p
Net dividends paid	3.00p	3.15p	3.30p	1.90p	1.05p
Net asset value per Ordinary share:					
Undiluted net asset value	151.6p	162.3p	163.1p	164.4p	318.8p
Diluted net asset value	145.1 p	154.0p	162.0p	—	—
Equity shareholders funds £'000	74,449	79,687	80,123	49,308	86,301
Equity-Linked Unsecured Loan Stock 2003 ("ELULS")					
Principal Amount per ELULS unit	—	—	—	202.9	302.4

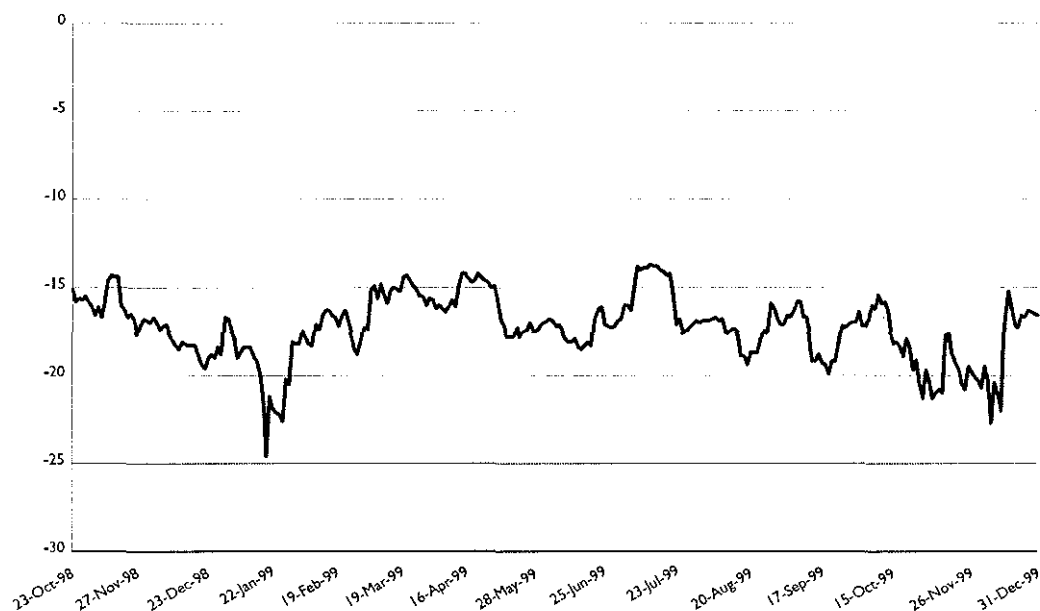
* adjusted for re-organisation of Company in October 1998.

** net of tax credits on franked income (see note 2)

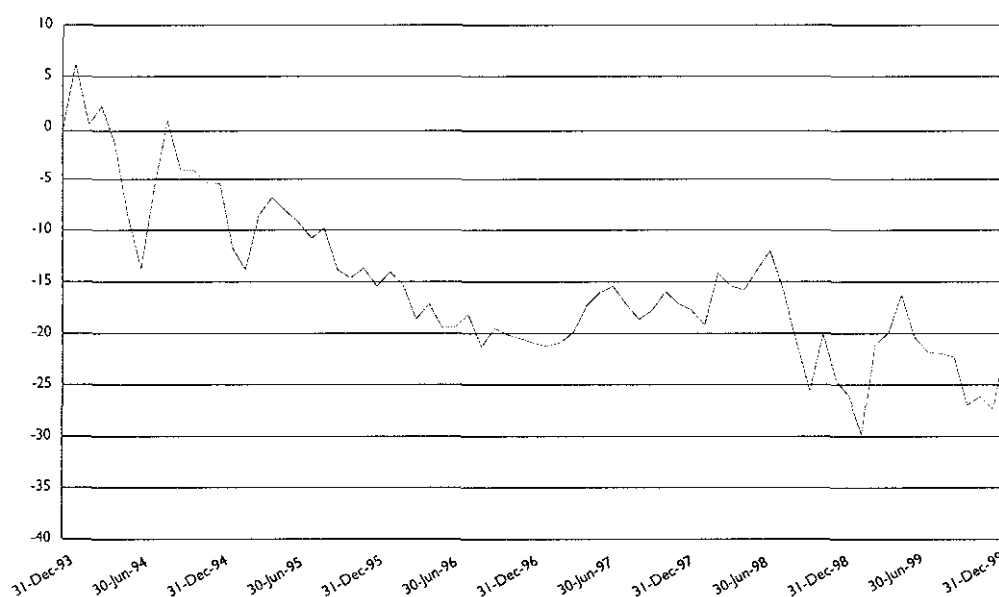


Shareholder Information

Aggregate discount of Equity-Linked Unsecured Loan Stock 2003 ("ELULS") units and Ordinary shares to asset entitlements since effective date of re-organisation (since 16 October 1998) assuming 600 new Ordinary shares and 308 units of ELULS for every 1,000 old Ordinary shares previously held.



Discount to undiluted net asset value per Ordinary share (since 31 December 1993)



Net Asset Value

The net asset value of the Company's Ordinary shares and the principal amount of the ELULS can be obtained daily by contacting Aberdeen Asset Managers Limited on 0500 00 00 40.

Share Prices

The prices of the Company's Ordinary shares are published daily in the *Financial Times*, *The Evening Standard*, *The Times*, the *Daily Telegraph*, *The Independent* and *The Scotsman*. The prices of the Company's ELULS are published daily in the *Financial Times*.

Information about the Manager

Aberdeen Asset Managers Limited

The Company's manager is Aberdeen Asset Managers Limited (AAM), a wholly-owned subsidiary of Aberdeen Asset Management PLC whose Group companies manage a combined £18.5 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds.

Aberdeen Asset Management PLC has been listed on the London Stock Exchange since 1991, although its origins go back to an investment company founded in 1876 to assist Scottish farmers to set up in the Canadian prairies. It has its headquarters in Aberdeen with offices in London, Edinburgh, Inverness, Glasgow, Singapore, Dublin, Fort Lauderdale, Luxembourg, Hong Kong, Jersey and Chicago.

Over the past dozen years the Group has grown rapidly through a combination of acquisition and organic growth. The Group now has 22 investment trusts and other closed-end funds under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

Aberdeen Managed Investment Trusts

The Group manages investment trusts and closed-end funds which have combined total assets of around £1.4 billion. The funds cover a wide range of markets and sectors, including the UK, Europe, the Far East, emerging markets and the technology sector. As well as portfolio management, company secretarial, administrative and marketing services to the individual funds are also provided.

Aberdeen Investment Trust Share Plan

Aberdeen Asset Managers Limited runs a Share Plan which covers the investment trusts and closed-end funds under its management including The Smaller Companies Investment Trust PLC. All investments are free of dealing charges on the initial purchase of shares. Lump sum investment starts at £250 per trust, while regular savers may invest from just £50 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 all other rights of share ownership.

Aberdeen Investment Trust Individual Savings Account

The Aberdeen Investment Trust ISA (the ISA) is now available. It aims to generate income and/or capital growth within a tax efficient environment. The ISA allows investors to hold a wider range of investments than is possible with a PEP. We have therefore made available Aberdeen's full range of investment trusts and closed-end funds in the ISA. You can also hold up to three components within an ISA: stocks and shares (including investment trusts and closed-end funds), cash and life insurance. AAM offers both a Mini and Maxi stocks and shares ISA.

Maxi ISA

The Maxi ISA offers the full range of AAM managed investment trusts and closed-end funds including emerging markets and specialist trusts. The ISA does not have a cash or life insurance component. An investment of up to £7,000 can be made in the tax year 1999/2000. Following the budget announcement, the maximum ISA subscription for the 2000/2001 tax year has been increased to £7000.

Information about the Manager

Mini ISA

AAM offers a Mini ISA which will enable you to invest up to £3,000 in Aberdeen investment trusts and closed-end funds. In addition, you will be able to invest up to £1,000 in the cash and life insurance elements with another provider (increased to £3,000 for cash in the tax year 1999/2000 and 2000/2001).

There are no brokerage or initial charges for the Aberdeen Investment Trust ISA. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA management charge is 0.5%, calculated monthly and deducted from income quarterly. Under current legislation, trusts can grow free of income or capital gains tax. In the case of dividends paid by investment trusts held within an ISA, a 10% tax credit will be reclaimed until April 2004, when the tax credit will be abolished.

Shareholder Information

Shareholder Distribution

As at 31 December 1999 there were 27,068,183 Ordinary shares in issue. The distribution of these was as follows:

Range	Number of Shareholders	Shares held %	Holding	% of Capital
1 – 1,000	46	13.73	26,688	0.10
1,001 – 5,000	138	41.19	390,418	1.44
5,001 – 10,000	53	15.82	400,751	1.48
10,001 – 100,000	66	19.70	2,148,627	7.94
100,001 and over	32	9.56	24,101,699	89.04
	<u>335</u>	<u>100.00</u>	<u>27,068,183</u>	<u>100.00</u>

In addition to the above shareholdings, there were 311 members of the Aberdeen Share Plan, PEP and ISA at the date of this report.

Stock Exchange Codes

The SEDOL number of the Company's Ordinary shares is 0418506. The ISIN number is GB0004185061.

The Equity-Linked Unsecured Loan Stock has SEDOL number 0418421. The ISIN number is GB0004184213.

AITC

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

Information about the Manager

Trust Information

If you would like details of any of the following trusts managed by AAM, or copies of Share Plan, or ISA brochures please telephone our Brochureline on 0500 00 40 00 or write to Aberdeen Asset Managers Limited, One Albyn Place, Aberdeen AB10 1YG, or e-mail on inv.trusts@aberdeen-asset.com. Details are also available by accessing the internet on pages <http://www.aberdeen-asset.com>

Aberdeen Asian Smaller Companies Investment Trust PLC†

Invests in Asian companies with a market capitalisation less than US\$250m at launch.

Aberdeen Convertible Income Trust PLC

High income from convertibles.

Aberdeen Development Capital PLC

Development capital.

Aberdeen Emerging Economies Investment Trust PLC†

Long term capital growth from global emerging markets.

Aberdeen High Income Trust PLC

High income from UK split-capital investment trusts.

Aberdeen Latin American Investment Trust PLC†

Long term capital growth from Latin America.

Aberdeen New Dawn Investment Trust PLC†

Above-average capital growth from Asia's emerging markets.

Aberdeen New Thai Investment Trust PLC†

Single-country trust.

Aberdeen Preferred Income Trust PLC

High income with exposure to the UK equity market.

Aberdeen Preferred Securities PLC

Capital growth from Zero dividend preference shares.

Danae Investment Trust PLC

Capital and income growth split-capital trust from portfolio of high yielding securities.

Jersey Phoenix Trust Limited

Capital and income growth split-capital trust from a portfolio of mainly equity investments.

Jove Investment Trust PLC

Capital and income growth split-capital trust from portfolio of high yielding securities.

Leveraged Income Fund Limited

Income and capital growth split-capital trust.

Prolific Income PLC

Income and growth from ordinary shares in UK equities.

Radiotrust PLC

Long-term capital growth from quoted and unquoted sound broadcasting companies.

Second St Davids Investment Trust PLC

Income and capital growth from a portfolio of large and medium sized UK companies.

The Enhanced Zero Trust PLC

Capital growth primarily from zero dividend preference shares.

The European Technology and Income Company Limited†

Income and Capital growth from a portfolio of high yielding and European technology stocks.

The Smaller Companies Investment Trust PLC

Capital and income growth from a portfolio of UK-quoted smaller companies.

The Taverners Trust PLC

Capital growth from the brewing and licensed retailing industry.

The Technology and Income Trust Limited†

Income and capital growth from a portfolio of high yielding and technology securities.

All trusts are in the Share Plan, and are fully PEP qualifying except where indicated †.

All trusts are fully ISA qualifying.

The information on pages 34 to 36 is issued and has been approved for the purposes of the Financial Services Act 1986 by Aberdeen Asset Managers Limited, One Bow Churchyard, Cheapside, London EC4M 9HH which is regulated by IMRO.

Marketing Strategy

The Smaller Companies Investment Trust PLC has recently agreed to contribute to the Marketing Programme run by the Manager, Aberdeen Asset Managers Limited, on behalf of a number of investment trusts under its management. This agreement will see the Company's contribution matched by Aberdeen over its three-year length and is now worth £75,000 a year, reviewed on an annual basis.

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. Our recent experience has also shown that well-targeted marketing of the Company's investment merits through packaged products, whether singly, or in conjunction with income trusts run by Aberdeen, can be a cost-effective way of gaining new investors.

These aims can be met in several ways:

Investor relations programme Aberdeen 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 your Company that includes detailed performance analysis.

Group schemes The Manager runs both 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 The Manager has advertised the packaged product availability of the Trust over the past few years in selected surveys in national broadsheets as well as 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 Aberdeen investment trusts as well as known buyers of investment trusts.

Newsletter The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by Aberdeen, is distributed free of charge twice a year, and shortly, quarterly.

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

Shareholder services Aberdeen runs an investment help desk for retail enquirers and investors with a staff of more than 30. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of Aberdeen's Investment Trust Marketing Director, who has fifteen years experience in the marketing and communications of investment products. He is supported by a team of three marketing professionals.

Internet The Aberdeen Investment Trusts web site contains a link to Trustnet, which allows web users to access real time information on the Company's share price performance, yield, as well as historical data. The site is continuously being evaluated for improvement. The site is <http://www.aberdeen-asset.com>

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 a close monitoring of the Marketing Programme. The Marketing Director reports to the Board twice a year, and provides a written summary annually.

If you have any questions about your company, the Manager or performance, please telephone our Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs). Alternatively, internet users may e-mail us on inv.trusts@aberdeen-asset.com or write to us at One Albyn Place, Aberdeen AB10 1YG.

Notice of Meeting

Notice is hereby given that the tenth Annual General Meeting of The Smaller Companies Investment Trust PLC will be held at One Bow Churchyard, Cheapside, London EC4M 9HH on Friday 28 April 2000 at 12 noon for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which Resolutions 1 to 6 inclusive will be proposed as Ordinary Resolutions and Resolutions 7 and 8 will be proposed as Special Resolutions:

As Ordinary Business

1. To receive the report of the Directors and the accounts for the year ended 31 December 1999.
2. To declare a final dividend of 0.55p net per Ordinary share.
3. To re-elect Mr F C Carr as a Director of the Company.
4. To re-elect Mr J A Carwardine as a Director of the Company.
5. To re-appoint Arthur Andersen as auditors of the Company and to authorise the Directors to determine their remuneration.

As Special Business

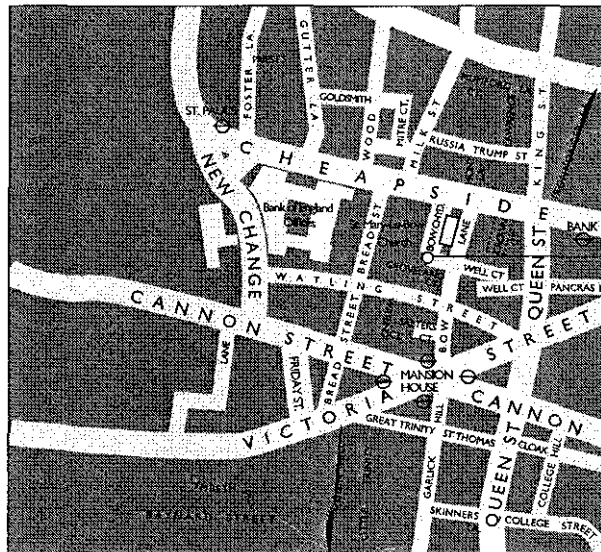
6. That in substitution for any existing power under Section 80 of the Companies Act 1985 (as amended and in force from time to time) (the "Act") but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal value of £4,270 representing approximately 33% of the issued share capital of the Company at the date of this document, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2001 but so that such authority shall allow the Company to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred herein had not expired.
7. That, conditionally upon the passing of Resolution 6 above, in substitution for any existing power under Section 95 of the Companies Act 1985 (as amended and in force from time to time) (the "Act"), but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and are hereby empowered until the conclusion of the Annual General Meeting of the Company to be held in 2001, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority given in accordance with Section 80 of the Act by Resolution 6 above as if Section 89(1) did not apply to any such allotment provided that this power shall be limited to:
 - (i) the allotment of equity securities in connection with a rights issue or open offer in favour of shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective number of Ordinary shares held by them, subject to such exclusions or other arrangements that the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under any law or requirement of any regulatory authority or any stock exchange; and
 - (ii) the allotment for cash (otherwise than pursuant to subparagraph (i) above), of equity securities up to an aggregate nominal amount of £647 representing approximately 5% of the Company's issued share capital at the date of this document but so this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Notice of Meeting

8. That the Company be and is hereby authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the Act) of shares provided that:
- (i) the maximum number of Ordinary shares of 0.05p each ("Shares") hereby authorised to be purchased is 3,880,638;
 - (ii) the minimum price which shall be paid for a share shall be 0.05p;
 - (iii) the maximum price (exclusive of expenses) which may be paid for a share shall be not more than 5 per cent. above the average of the market value of the shares on the Official List of the London Stock Exchange for the five business days prior to the date on which any such purchase is made; and
 - (iv) unless renewed, the authority hereby conferred is to expire on the conclusion of the Annual General Meeting of the Company to be held in 2001, save that the Company may, prior to such expiry enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

One Bow Churchyard, Cheapside
London EC4M 9HH
22 March 2000

By order of the Board
Aberdeen Asset Management PLC
Secretaries



Aberdeen Asset Managers Limited
One Bow Churchyard, Cheapside, London

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or notarially certified copy of that power of authority should be sent to The Registrars, The Smaller Companies Investment Trust PLC, IRG plc, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4BR so as to arrive not less than forty eight hours before the time fixed for the meeting.
3. No Director has a service contract with the Company.
4. The Register of Directors' interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.