

SC 14692

DUNEDIN SMALLER COMPANIES INVESTMENT TRUST PLC

INTERIM ACCOUNTS FOR PERIOD 1 NOVEMBER 2007 TO 30 APRIL 2008

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COMPANIES HOUSE

Income Statement

	Six months ended 30 April 2008 (unaudited)		
	Revenue	Capital	Total
	£'000	£'000	£'000
(Losses)/gains on investments		(13,795)	(13,795)
Income from investments	1,121		1,121
Interest on AAA rated Money Market funds	34		34
Interest on deposits	95		95
Interest on Treasury Bills	137		137
Underwriting commission	1		1
Investment management fee	(37)	(280)	(317)
Administrative expenses	(181)		(181)
Net return before finance costs and taxation	1,170	(14,075)	(12,905)
Finance costs	(79)	(234)	(313)
Return on ordinary activities before and after taxation	1,091	(14,309)	(13,218)
Return per Ordinary share (pence)	2 25	(29.55)	(27 30)

The total column of this statement represents the profit and loss account of the Company
A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses have been reflected in the Income Statement
All revenue and capital items in the above statement derive from continuing operations

Income Statement

	Six months ended 30 April 2007		
	(unaudited)		
	Revenue	Capital	Total
	£'000	£'000	£'000
(Losses)/gains on investments		15,436	15,436
Income from investments	1,121		1,121
Interest on AAA rated Money Market funds	132		132
Interest on deposits	34		34
Interest on Treasury Bills	149		149
Underwriting commission			
Investment management fee	(60)	(361)	(421)
Administrative expenses	(174)		(174)
Net return before finance costs and taxation	1,202	15,075	16,277
Finance costs	(113)	(6,801)	(6,914)
Return on ordinary activities before and after taxation	1,089	8,274	9,363
Return per Ordinary share (pence)	1 86	14.11	15.97

Income Statement

	Year ended 31 October 2007		
	(audited)		
	Revenue	Capital	Total
	£'000	£'000	£'000
(Losses)/gains on investments		7,558	7,558
Income from investments	2,569		2,569
Interest on AAA rated Money Market funds	223		223
Interest on deposits	58		58
Interest on Treasury Bills	260		260
Underwriting commission	4		4
Investment management fee	(111)	(566)	(677)
Administrative expenses	(376)		(376)
Net return before finance costs and taxation	2,627	6,992	9,619
Finance costs	(195)	(7,045)	(7,240)
Return on ordinary activities before and after taxation	2,432	(53)	2,379
Return per Ordinary share (pence)	4.47	(0.10)	4.37

Balance Sheet

	As at 30 April 2008 (unaudited) £'000	As at 30 April 2007 (unaudited) £'000	As at 31 October 2007 (audited) £'000
Non current assets			
Investments at fair value through profit or loss	65,843	97,134	82,931
Current assets			
Loans and receivables	615	629	307
UK Treasury Bills		2,769	4,963
AAA Money Market funds		2,150	4,350
Cash and short term deposits	10,481	272	386
	11,096	5,820	10,006
Creditors: amounts falling due within one year			
Bank loan	(10,000)	(10,000)	(10,000)
Other creditors	(326)	(281)	(573)
	(10,326)	(10,281)	(10,573)
Net current assets/ (liabilities)	770	(4,461)	(567)
Net assets	66,613	92,673	82,364
Capital and reserves			
Called up share capital	2,409	2,549	2,466
Share premium account	24	19	19
Capital redemption reserve	2,217	2,077	2,160
Capital reserve realised	59,340	41,675	43,435
Capital reserve unrealised	(1,671)	42,399	29,872
Revenue reserve	4,294	3,954	4,412
Equity Shareholders' funds	66,613	92,673	82,364
Adjusted net asset value per Ordinary share (pence)	138 28	181 77	166 97

The financial statements on pages 1 to 9 were approved by the Board on 30 June 2008 and were signed on its behalf by.



The Earl of Dalhousie
Chairman

Reconciliation of Movements in Shareholders' Funds

Six months ended 30 April 2008 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2007	2,466	19	2,160	43,435	29,872	4,412	82,364
Reclassification of reserves *				23,541	(23,541)		
Issue of subscription shares		5					5
Purchase of own shares	(57)		57	(1,329)			(1,329)
Return on ordinary activities after taxation				(6,307)	(8,002)	1,091	(13,218)
Dividends paid ¹						(1,209)	(1,209)
Balance at 30 April 2008	2,409	24	2,217	59,340	(1,671)	4,294	66,613

Six months ended 30 April 2007 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital Reserve Unrealised £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2006	4,068		557	76,606	45,555	4,611	131,397
Issue of subscription shares	1	19					20
Corporate restructuring costs				(595)			(595)
Purchase of own shares	(1,520)		1,520	(45,766)			(45,766)
Return on ordinary activities after taxation				11,430	(3,156)	1,089	9,363
Dividends paid ¹						(1,746)	(1,746)
Balance at 30 April 2007	2,549	19	2,077	41,675	42,399	3,954	92,673

Year ended 31 October 2007 (audited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital Reserve Unrealised £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2006	4,068		557	76,606	45,555	4,611	131,397
Issue of subscription shares	1	19					20
Corporate restructuring costs				(595)			(595)
Purchase of own shares	(1,603)		1,603	(48,206)			(48,206)
Return on ordinary activities after taxation				15,630	(15,683)	2,432	2,379
Dividends paid ¹						(2,631)	(2,631)
Balance at 31 October 2007	2,466	19	2,160	43,435	29,872	4,412	82,364

* With effect from 1 November 2007, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms, are recognised within capital reserve realised rather than capital reserve unrealised. This change has been enacted through a transfer between the reserves as at 1 November 2007.

¹ See note 2

Cash Flow Statement

	Six months ended 30 April 2008 (unaudited) £'000	Six months ended 30 April 2007 (unaudited) £'000	Year ended 31 October 2007 (audited) £'000
Net cash inflow from operating activities	609	349	1,813
Net cash outflow from servicing of finance	(314)	(934)	(1,250)
Net cash inflow from financial investment	3,020	34,974	41,515
Equity dividends paid	(1,209)	(1,746)	(2,631)
Net cash inflow before use of liquid resources and financing	2,106	32,643	39,447
Net cash inflow from management of liquid resources	9,313	25,060	20,666
Net cash outflow from financing	(1,324)	(57,798)	(60,094)
Increase/(decrease) in cash	10,095	(95)	19
Reconciliation of net cash flow to movements in net funds			
Increase/(decrease) in cash as above	10,095	(95)	19
Net change in liquid resources	(9,313)	(25,060)	(20,666)
Change in net funds resulting from cash flows	782	(25,155)	(20,647)
Repayment of Debenture Stock		15,000	15,000
Drawdown of loan		(10,000)	(10,000)
Amortised Debenture Stock expenses		(144)	(144)
Movement in net funds in the period	782	(20,299)	(15,791)
Opening net funds	(301)	15,490	15,490
Closing net funds/(debt)	481	(4,809)	(301)
Represented by:			
Cash and cash equivalents	10,481	5,191	9,699
Debt due within one year	(10,000)	(10,000)	(10,000)
	481	(4,809)	(301)

Notes to the Financial Statements

1 Accounting policies

(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 the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (issued in 2003 and revised in December 2005). They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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

The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

(b) Investments

Investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised at trade date where a purchase or sale is under contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are recognised at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks, sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE All Share and the most liquid AIM constituents. Gains or losses arising from changes in the fair value are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the unrealised capital reserve.

(c) Dividends payable

Interim and final dividends are recognised in the period in which they are paid.

	Six months ended 30 April 2008 £000	Six months ended 30 April 2007 £000	Year ended 31 October 2007 £000
2 Dividends			
Amounts recognised as distributions to equity holders in the period			
Second interim dividend for 2006 1.07p		871	871
Interim dividend for 2007 1.75p			885
Final dividend for 2007 2.50p (2006 1.55p)	1,209	875	875
Dividends paid in the period	1,209	1,746	2,631

An interim dividend of 1.85p for the year to 31 October 2008 will be paid on 25 July 2008 to Shareholders on the register on 11 July 2008. The ex dividend date is 9 July 2008.

The table below sets out the interim dividend payable in respect of the six months ended 30 April 2008. The revenue available for distribution by way of dividend for the period is £1,091,000 (2007 £1,089,000)

	Six months ended 30 April 2008 £'000	Six months ended 30 April 2007 £'000
Interim dividend payable for 2008 1 85p (2007 1 75p)	891	885

	Six months ended 30 April 2008 p	Six months ended 30 April 2007 p	Year ended 31 October 2007 p
3 Return per share			
Revenue return	2 25	1 86	4 47
Capital return	(29 55)	14 11	(0 10)
Total return	<u>(27.30)</u>	<u>15.97</u>	<u>4.37</u>

The figures above are based on the following attributable revenues

	Six months ended 30 April 2008 £'000	Six months ended 30 April 2007 £'000	Year ended 31 October 2007 £'000
Revenue return	1,091	1,089	2,432
Capital return	(14,309)	8,274	(53)
Total return	<u>(13,218)</u>	<u>9,363</u>	<u>2,379</u>
Weighted average number of Ordinary shares in issue	48,421,194	58,620,232	54,391,540

4 Transaction costs

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

	Six months ended 30 April 2008 £'000	Six months ended 30 April 2007 £'000	Year ended 31 October 2007 £'000
Purchases	18	30	63
Sales	6	40	48
	<u>24</u>	<u>70</u>	<u>111</u>

	As at 30 April 2008	As at 30 April 2007	As at 31 October 2007
5 Net asset value			
The net assets attributable to the Ordinary Shareholders were as follows			
Net assets attributable (£'000)	66,613	92,673	82,364
Number of Ordinary shares in issue	48,172,573	50,984,877	49,327,321
Net asset value per Ordinary share (p)	138 28	181 77	166 97
6	During the period to 30 April 2008 1,157,500 ordinary shares of 5p each were bought back for cancellation at a total cost of £1,329,000 including expenses. Subsequent to the period end a further 75,000 ordinary shares were bought back for cancellation at a total cost of £91,000 including expenses, leaving 48,097,573 ordinary shares in issue at the date of this report.		
	On 28 February 2008, 2,752 subscription shares were exercised at 170p per share, leaving 8,529,027 subscription shares in issue at the date of this report.		
7	Commitments, contingencies and post Balance Sheet events		
	On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC has announced its intention not to appeal against this case to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company will be processed in due course. The Board is currently in the process of quantifying the potential repayment that should be due. However, the amount the Company will receive, the period to which it will refer, and the timescale for receipt remain uncertain and hence the Company has made no provision in these financial statements for any such repayment.		
8	The financial information for the six months ended 30 April 2008 and 30 April 2007 comprises non statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 October 2007 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified and did not contain a Statement under either Section 237(2) or 237(3) of the Companies Act 1985.		