

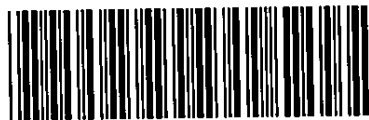
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DUNEDIN SMALLER COMPANIES INVESTMENT TRUST PLC

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 OCTOBER 2012

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take or about the contents of this document, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 (or in the case of recipients outside the United Kingdom, a stockbroker, bank manager, solicitor, accountant or other independent financial adviser).

If you have sold or otherwise transferred all of your Ordinary shares in Dunedin Smaller Companies Investment Trust PLC, please pass this document, together with the accompanying form of proxy, as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Financial Highlights

	2012	2011
Net asset value total return	+21.6%	-4.6%
Share price total return	+33.3%	+6.6%
FTSE SmallCap Index (ex Investment Companies) total return	+22.4%	-6.9%
Dividend per share ^A	+3.1%	+5.4%

^A Reflects the dividends declared for the year in which they were earned.

Net Asset Value per share

At 31 October – pence

Mid-market price per share

At 31 October – pence

Dividends per share

pence

Financial Calendar

17 December 2012	Announcement of results for year ended 31 October 2012
7 February 2013	Annual General Meeting in Dundee (12.30 p.m.)
11 February 2013	Final Ordinary dividend payable for year ended 31 October 2012
June 2013	Announcement of Half-Yearly Financial Report for six months ending 30 April 2013
July 2013	Interim Ordinary dividend payable for year ending 31 October 2013

Corporate Summary

The Company

The Company is an investment trust and its Ordinary shares are listed on the London Stock Exchange. The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust.

Manager

Aberdeen Asset Managers Limited ("AAM") or the ("Manager").

Investment Objective

The achievement of long term growth from a portfolio of smaller companies in the United Kingdom.

Benchmark

FTSE SmallCap Index (excluding Investment Companies).

Investment Policy and Approach

The Company maintains a diversified portfolio of investments, typically comprising in the region of 45 to 75 holdings (but without restricting the Company from holding a more or less concentrated portfolio from time to time). The Company is unconstrained as to the market sectors in which it may invest.

The Company invests primarily in the equity securities of UK smaller companies, with an emphasis on investing in quality companies with good management, strong cash flow, a sound balance sheet and the prospect of dividend growth.

The Company does not typically acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be quoted or listed if the Manager considers this to be appropriate.

It is the policy of the Company to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

The Company complies with Sections 1158-1159 of the Corporation Tax Act 2010 and does not invest more than 15% of its assets in the shares of any one company.

Investment Process

The Manager believes that, over the long term, share prices reflect underlying business fundamentals. A bottom-up process is followed, which is based on a disciplined evaluation of companies through direct visits.

Company selection is the major source of added value. New investments are not made without the Manager having first met management of the investee company, undertaken further analysis and written detailed notes to outline the underlying investment merits. A company's value is estimated in two stages; quality then price. Quality is defined with reference to management, business focus, balance sheet and corporate governance. Price is calculated relative to key financial ratios and business prospects. The Manager believes that risk should be considered in the context of investing in poor quality companies and/or overpaying, rather than relative to a benchmark; hence, great emphasis is placed on understanding the business and understanding how it should be valued.

Top-down factors are secondary in the Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weightings. The Manager's portfolios are generally run conservatively, with an emphasis on traditional buy-and-hold, top-slicing/topping up being preferred to outright trading and this approach results in low turnover within portfolios. Typically, investee companies have a higher return on equity/assets and lower debt to equity than the market averages.

Portfolios are managed by the Manager on a team basis, with individual investment managers carrying out their own research and analysis. Each investment desk has a model portfolio that contains its best ideas, and forms the basis for portfolios, both retail and institutional. All ideas are shared via formal committees and common databases, with desk heads and the Chief Investment Officer ensuring there is consistency across portfolios. The investment process and risk controls employed by the Manager are further disclosed on page 15.

Capital Structure

As at 31 October 2012, the Company has a capital structure comprising 47,857,317 Ordinary shares of 5p each. At the year end, the Company had a £5 million 3 year revolving facility agreement with Scotiabank Europe PLC of which £5 million was drawn down as at 14 December 2012.

Gearing

The Board is responsible for determining the gearing policy of the Company. The current guidelines from the Board authorise the Manager to invest up to £5 million of borrowings without reference to the Board.

Total Assets and Net Asset Value

The Company had total assets of £85.5 million and a net asset value of 168.21p per Ordinary share at 31 October 2012.

Market Capitalisation

The Company had a market capitalisation of £79.4 million at 31 October 2012.

Risk

Managing a portfolio of shares in smaller companies necessarily involves certain risks, the more important of which are set out on page 18 and pages 38 to 43 of this Annual Report.

The Company has the ability to utilise gearing in the form of a 3 year credit facility. Gearing has the effect of accentuating market falls and market gains.

Duration

The Company does not have a fixed life.

Share Dealing

Shares in the Company can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen savings schemes and fully qualify for inclusion within tax-efficient ISA wrappers (see page 45).

Management and Secretarial Agreements

The Company has an agreement with AAM for the provision of management services, details of which are shown in note 3 to the financial statements. The basic management fee is 0.4% per annum of adjusted gross assets. There is also a performance-related management fee calculated at a rate of 0.1% per annum (up to a maximum of 0.5% per annum) of the adjusted gross assets for every 1.0% by which the Company's net asset value performance outperforms the capital performance of the benchmark index over the previous 12 month period (a performance fee of £115,000 was earned in respect of the year ended 31 October 2012). The agreement is terminable by either party on three months' notice.

The Company has an agreement with AAM for the provision of administrative and secretarial services, details of which are shown in note 4 to the financial statements.

The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Management Engagement Committee on an annual basis. The Committee believes that the continuing appointment of the Manager, on the terms agreed, is in the interests of shareholders as a whole. Further details are provided in the Chairman's Statement.

AIC

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

Company Secretary

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Edinburgh EH2 2BY
Email: company.secretary@invtrusts.co.uk

Customer Services

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(open Monday - Friday 9 a.m. – 5 p.m.)

Email: inv.trusts@aberdeen-asset.com

Websites

www.dunedinsmaller.co.uk
www.aberdeen-asset.com

Chairman's Statement

The Earl of Dalhousie
Chairman

I am pleased to report on a year of good returns for our shareholders. Over the twelve months ended 31 October 2012, the Company's net asset value per share (NAV) increased from 143.0p to 168.2p. This represented an increase of 21.6% in total return terms which compares with a return of 22.4% for the Company's benchmark. The Company's share price rose from 129.5p to 166.0p, an increase of 28.2%. It is also pleasing to report that we are achieving our objective of long term growth with our NAV rising by 58.5% in total return terms over the last three years which compares to the benchmark total return of 21.5%.

Our investment portfolio is constructed to deliver both capital and income growth and we remain focused on identifying good quality companies run by strong management teams, particularly where an above-average dividend yield is available. As a general rule, we do not invest in loss-making businesses which may be high-risk and carry a material chance of failure. The success of this approach is reflected in our returns over longer time periods.

Equity markets remained volatile but with a positive bias over the period. Politicians averted an implosion in the Eurozone although the uncertainty over the currency and the outlook for some of the weaker member states unsettled investors on a number of occasions. World trade has stagnated in 2012, pushing down global growth which has been bad news for struggling western economies. The culprits are easily identified and include the Eurozone crisis, a sharp slowdown in China, a lacklustre US recovery and rising oil prices. With such a weak background, the UK economy deteriorated with a contraction being recorded in GDP for the first half of 2012 although there was a welcome recovery in the third quarter from the positive impact of the Olympic Games. An improvement in the rate of inflation proved to be one of the few positive factors.

The number of companies in the portfolio increasing dividends against a difficult business environment is encouraging although the portfolio has suffered from dividend reductions from a small number of holdings. The Company's revenue return per share has fallen from 5.34p to 4.61p although shareholders should note that last year's revenue return included a receipt of non-recurring interest on VAT payments amounting to 0.61p. On a like for like basis, the revenue return per share fell by 2.5% over the previous year. The Board is proposing an increase in the final dividend to 3.00p per share (2011 - 2.90p) which will be paid on 11 February 2013 to shareholders on the register on 18 January 2013. When combined with the interim dividend of 2.00p, the total dividend for the year will amount to 5.00p (2011 - 4.85p), an increase of 3.1%. Following the payment of the final dividend, revenue reserves per share will amount to 5.70p (2011 - 6.09p), which makes the Board's policy on dividends viable in the medium term.

The Company did not repurchase any ordinary shares during the period. The Directors will continue to monitor the Company's discount with that of its peer group and will use the Company's share buyback powers, subject to market conditions, when it feels this to be appropriate. The discount at 31 October 2012 was 1.3% which compares with an average of 15.0% for the Association of Investment Companies UK Smaller Companies sector.

The economic outlook for the UK continues to be uncertain as evident in the Bank of England's recent comments that underlying growth in the economy was likely to remain sluggish over the next three years. The Bank also cited the scale of the adjustments in indebtedness and competitiveness in the Eurozone area as a major threat to sustained recovery in the UK. This background provides a challenging environment for many companies and profits will come under pressure if there is any further deterioration. Our portfolio however should benefit from its exposure to more buoyant foreign markets – approximately 45% of the sales generated by the portfolio's holdings are into overseas markets. Our policy of investing in good quality companies which offer robust balance sheets, transparent profitability and strong cash flows should serve us well in these difficult times.

Corporate Broker

During the year the Company changed its financial adviser and corporate broker from Canaccord Genuity Limited to Cantor Fitzgerald Europe.

Corporate Governance

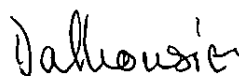
The Board reviews annually the performance of the Manager, the Chairman and the Board as a whole. The Board has assessed the performance of the Manager, the investment process and risk controls. The Directors have reviewed the terms of the management agreement and believe that the continuing appointment of the Manager is in the interests of shareholders.

Annual General Meeting

The Annual General Meeting this year will be held at Discovery Point, Dundee on 7 February 2013, at 12.30 p.m. and I would encourage shareholders to attend. In addition to the formal business of the meeting, our portfolio manager, Ed Beal, will provide an update on the outlook for smaller companies and there will also be an opportunity for shareholders to meet informally with the Directors at the conclusion of the Annual General Meeting.

Performance to 31 October 2012	1 year return	3 year return	5 year return	10 year return
Total return*	%	%	%	%
Share price	+33.3	+85.9	+44.6	+363.2
Net asset value per share	+21.6	+58.5	+21.0	+231.0
FTSE SmallCap Index (ex IC's)	+22.4	+21.5	-11.6	+102.9

*The total return for share price and net asset value is calculated on the basis of reinvesting dividends to shareholders on the ex-dividend date.



The Earl of Dalhousie
Chairman
14 December 2012

Manager's Review

The year to October 2012 has been a good one for small companies. The FTSE Small Cap Index (ex Investment Companies) has increased by almost 19%, outperforming larger companies by 15%. The Company's share price rose by 28.2% and the discount has narrowed. Clearly the market not the manager determines the level of the discount but it is pleasing that the discount remains narrower than that on most, if not all, of the peer group.

Performance during the year has been good and the net asset value per share has risen by 21.6% on a total return basis. Our objective is to deliver growth over the long term. Therefore we are pleased to be able to report that over the last three years the net asset value per share has increased by 58.5% exceeding the FTSE SmallCap Index by 37%. Our conservative approach means that we expect to deliver more sedate relative returns when businesses that are, to our minds, at the riskier end of the spectrum are driving the performance of the index. During the year there has been a marginal underperformance which occurred during a period when markets were very strong.

As we entered the new financial year, markets continued to be volatile. Indeed, the FTSE 100 index declined for nine consecutive days, only the second time that this has happened since 1994. Events in Europe continued to dominate both the headlines and investor sentiment. Two Prime Ministers were forced to resign. In Greece, Mr Papandreou had threatened to call a referendum on his country's proposed bailout. This had the effect of making a Greek exit from the Euro appear even more likely. Meanwhile, in Italy, Silvio Berlusconi had to step down after it became clear that investors had lost faith in him.

The European Financial Stability Fund had been proposed as a key plank of the solution for the debt crisis. However, this would have required both private and sovereign funding and it became quite clear that there was no appetite to provide this. There was some good news though. In Europe and the US, central banks demonstrated that they were very aware of the liquidity risks facing the banking sector when they engaged in unexpected and co-ordinated action to ease the dollar funding constraints being experienced by many institutions. At the same time, the Chinese authorities reduced interest rates for the first time in three years, indicating that they recognised the signs that their economy may be facing more than a mild slowdown in growth. Corporate performance was broadly satisfactory though some sectors, notably those exposed to UK consumer spending were finding life increasingly tough.

2011 ended fairly quietly with markets virtually unchanged. The European Central Bank reduced interest rates and there was another summit in Europe, though these had become an almost weekly affair. Such an environment served to

illustrate the dichotomy facing investors. On the one hand, equities offered good value. With their generally much improved balance sheets, many companies were well positioned to survive should trading conditions deteriorate and to capitalise on opportunities that may arise. On the other, the implications of a potential breakup of the Eurozone were so significant that investors were largely reduced to reacting to policy announcements.

The new year started much more constructively with small companies in particular delivering positive returns. The environment felt less strained. US economic data continued to improve. In Europe, the Long Term Refinancing Operation ('LTRO') was delivering tangible results as evidenced by both Spain and Italy being able to issue new bonds at lower rates than they had previously experienced. In the UK, the picture was more mixed with inflation beginning to fall but GDP contracting during the fourth quarter 2011. But the clearest sign that investor appetite for risk was increasing came on the back of the news from Standard & Poor's that they were downgrading the ratings of nine members of the Eurozone, including France and Austria. Markets barely moved.

The rally continued through the early part of the year and small companies remained at the fore. But aside from the US and China the recovery remained weak. In the UK the Bank of England released a further £50billion of quantitative easing and in Europe there was another phase of the LTRO. The take up of €529billion meant that the facility had provided almost €1trillion of liquidity since it came into being. It was indicative of sentiment in the markets that investors had constructed arguments to explain why both a large and a small take up would be good news. Importantly though this activity was serving to reduce borrowing costs for the more indebted nations.

The reporting season revealed few surprises. Consumer-facing businesses were having a difficult time. Elsewhere results were broadly in line with expectations. What was becoming clear though was that Chinese growth was slowing. Expectations for European growth continued to decline with most commentators now anticipating a recession.

By the spring, faced with ongoing negative economic news flow, markets had run out of steam. A particularly weak performance from the construction sector led to a second quarter of economic contraction and the UK was officially back in recession. One of the distinguishing features of the recovery in the UK was just how anaemic it was. Conventionally, a deep recession leads to a sharp rebound in activity once the economy begins to pick up. This time though the recovery has been prolonged, characterised by periods of low growth interspersed with bouts of further

contraction. This is all the more surprising when one considers the quantum of stimulus that was being deployed.

Once again the European sovereign debt crisis moved back into focus. Electorates across the region and particularly in France and Greece were showing increasing resistance to austerity. Investors were beginning to worry that even if the funding required to prevent the break-up of the Euro could be organised, politics would prevent governments from taking the action necessary to address the underlying imbalances.

By May the news from emerging markets was deteriorating. It had been hoped that demand from these nations and in particular the BRICs (Brazil, Russia, India and China) would prove strong enough to act as a driver of global growth and help pull the developed markets out of their difficulties. However, it was becoming clear that as demand from the developed nations declined on the back of ongoing recession and austerity so the exports of China in particular would also be impacted. Decoupling was again being shown to be more of a theory than a reality. Chinese and Brazilian growth continued to slow and Indian GDP reached a nine year low.

A Greek exit from the Euro now seemed as likely as not and the situation in Spain was worsening. The Spanish banking system was struggling to cope with the bursting of the property bubble. Despite the government's protestations to the contrary a bail out of some sort looked increasingly likely. The European Central Bank was engaged in further action. By increasing its lending to the region's banks they were in turn able to step up their purchases of Spanish and Italian government debt. As some commentators noted that this was, in fact, quantitative easing by the back door, others observed just how small the total European stimulus had been relative to that provided in the US and UK. The clear intimation being that a great deal more may be required.

Volatility remained a factor as events were subject to rapid change. This was exemplified in June when it was announced that the Spanish banks were indeed to be bailed out and that the New Democracy Party had won the Greek election thereby reducing the risk Greece would choose to exit the Euro. In the UK, there was some positive data as inflation continued to fall and this allowed the Monetary Policy Committee to announce a further £50 billion of stimulus. Whilst in the EU, the European Central Bank cut interest rates to their lowest ever level. What was remarkable was that the reaction from markets suggested that they were already pricing in such actions. Profit warnings began to accelerate. These emanated from a broad range of industries and came particularly from companies with weak customer relationships.

The summer was characterised by markets rising on the back of increasing investor appetite for risk which was picking up as a result of another wave of extraordinary stimulus in both the EU and US. In the EU, the President of the ECB, Mario Draghi, stated that they would "do whatever it takes to keep the Euro together." This manifested itself as the Outright Monetary Transactions facility. This was a theoretically unlimited support package for distressed nations. In the US, the Federal Reserve Open Market Committee announced an extension to the duration of zero interest rates and a commitment that they would be kept low until after the economy had strengthened. Additionally, they would provide further stimulus by purchasing \$40 billion of mortgage backed securities each month for the foreseeable future. Even Brazil, where growth had practically stalled, was forced to announce a package of infrastructure investment that it was hoped would provide a stimulus for the economy.

Markets continued to rise as your Company's year ended. There was some better news flow, especially from the US where unemployment fell to its lowest level for three years and the housing market showed signs of improvement. However, at the corporate level there were signs that trading was deteriorating. Profit warnings began to increase and one notable feature of many of them was that they referred to slowing markets in Asia and China in particular.

Portfolio Activity

This has been another good year for many of the companies in the portfolio and this can perhaps be most clearly seen when one considers the dividend distributions being made by your investments. Fifteen companies in the portfolio increased their payments by 10% or more. As I commented last year this reflects a combination of solid trading allied to balance sheets that are in aggregate in a good state of repair. Some of these businesses are worthy of special mention.

Aveva sells software that is used in the design stages of very large projects such as oil rigs and power stations. They are a market leader in this field and have been benefitting from high levels of demand particularly from emerging markets. They have increased their dividend by 15%.

Bellway the UK house builder has been benefitting from rising demand and selling prices coupled with the utilisation of land that has been bought at lower prices. These factors have resulted in rising margins. This has manifested itself in the form of a 57% increase in profits and a 60% rise in the dividend.

Elementis is a market leader in the supply of rheological additives. These are used in the coatings, oil and gas and cosmetics markets to confer specialised thickening properties to fluids and creams. The mission critical nature of their products combined with their low cost as a proportion of the

Manager's Review continued

end product confers meaningful pricing power. At their final results, they announced a 40% improvement in profitability and a 42% uplift to the dividend. They have subsequently announced a sizable special dividend as well.

We have held Weir Group for many years. It has been a real success, rising from being a smaller company to now being a member of the FTSE 100. The company is a market leader in the production of specialist pumps and has a sizable after market operation that provides it with a degree of resilience in more difficult markets. We continue to regard it as an attractive investment and have therefore retained a holding in the portfolio despite the increase in the size of the company. Although parts of the business that are exposed to the natural gas market in the US have been hit by the falling gas price, the company still posted a 27% rise in profits at its recent results. Shareholders were rewarded with an 11% increase in the dividend.

Last year I wrote about Victrex the speciality chemicals company that produces PEEK. The company had posted very strong results and had raised its interim dividend by 25%. This rate of growth continued and they were able to increase the final dividend by 32%.

There were two material dividend reductions during the year.

Mothercare has had well publicised problems in its domestic operations. These have resulted in the UK part of the business moving into losses and the departure of the Chief Executive. Understandably, the company has cut its dividend in order to ensure that it retains the balance sheet strength that is necessary to allow it undertake a significant restructuring. We believe that this remains a good company, especially in regard to its growing international division. A new Chief Executive has been appointed and he has laid out a clear pathway for the restoration of profitability in the UK.

McBride is the UK's leading manufacturer of private label household and personal goods. They have experienced some difficulties with the rapid pace of raw material price increases. However, they have taken action to pass on these costs and have been improving the quality of their European business as they have exited some very low margin contract manufacturing turnover. They took the decision to rebase their dividend when they announced their final results. Given the improvements in trading, we were surprised and disappointed by this decision.

Pleasing as the general growth in dividends has been it is worth remembering that two alternative uses for the cash that has been paid out are organic and acquisitive investment. It says something about the mind set of many management teams that they still lack the confidence to

engage in either activity. Clearly this has implications for long term growth expectations.

The last two years have seen a recovery in dividends. Typically we would expect dividend growth to lag economic recovery. That scenario has been inverted this time round with a bout of strong dividend growth accompanying a period of minimal economic recovery. Profit margins remain at or close to peak levels, reducing the potential for expansion here to drive future improvements in profitability. Indeed, aggregate earnings expectations for next year are coming under increasing pressure. Therefore it would seem prudent to anticipate a slowing in the rate of dividend growth in 2013. We are not however anticipating a return to widespread dividend reductions. This is in part because pay out ratios – the proportion of earnings that companies distribute in the form of dividends – remain close to historically low levels.

We have introduced three new companies to the portfolio over the year.

Domino Printing is the market leader in continuous inkjet and laser printing and occupies a top three position in the other two key technologies. They are also the global number one in the primary packaging market and have stronger emerging market operations than either of their two competitors. Primary packaging is likely to grow ahead of GDP as regulation and customer demand drive increased use of variable data, which is printed onto primary packaging. 60% of sales are consumables and services. Once embedded into a customer's supply chain there is a low incentive for the customer to change supplier given the low cost of sale and the high cost of failure.

BBA Aviation has a leading position in the operation of flight support stations for private business jets in the US. This is a recovering market with ample scope for additional growth through consolidation. The barriers to entry are high as the ability to provide a national network of bases is very attractive to customers whilst being difficult to replicate. They also have a unique business that provides out of production spares to the aviation industry. The management team has shown itself able to manage the cost base in the event that markets slow again.

Devro is the global leader in the production of collagen based artificial sausage skins. The collagen market is benefitting from two structural drivers. Firstly, there is increasing protein consumption across the World and especially in emerging markets. Secondly, collagen benefits from cost and efficiency advantages when compared to traditional hog gut. Therefore there is an ongoing trend of substitution that is causing collagen based sales to grow ahead of the market.

There has been relatively little corporate activity in the portfolio.

We had a holding in Umeco, the supplier of composite products to the wind, aerospace and motor industries and the company was bid for by Cytech Industries. We regarded the price as fair and sold the holding generating a profit of more than 75% on our book cost.

Dechra Pharmaceuticals had a rights issue to help fund its acquisition of Eurovet. We have held Dechra for many years and we were happy to support the management team in their efforts to develop the European side of their pharmaceutical division. Recent announcements have indicated that the integration of this business is proceeding ahead of expectations.

Whilst there has been absolutely no change to our investment process there has been a shift in the shape of the portfolio over the course of the year. Specifically, the weighting of mid-capitalised companies has risen from a little over 51% at the start of the year to almost 63% by the end of October. This does not reflect a change in our approach, rather it is a function of two related factors. Firstly, many of our investments have performed well over the year. We and your Board take a pragmatic approach and believe that a change in the index classification of a company is not in itself grounds to sell it if we believe that it remains an attractive investment. This has been the case for many years and over 2012 we have benefitted from the promotion of Dechra Pharmaceuticals and John Menzies to the FTSE 250 Index. Simultaneously, two of the holdings we have exited, Umeco and Hornby, were both smaller companies. Additionally, as we have continued to focus very closely on the quality of our investments we have seen better opportunities among some of the slightly larger companies. This is reflected in the introduction of BBA Aviation, Domino Printing and Devro and the top-ups of Elementis, Berendsen, Fenner, AG Barr, Savills and Restaurant Group all of which are FTSE 250 constituents. Many of these companies have been in the portfolio for several years, reflecting our long term approach to investing.

Outlook

The macro economic factors that have hung over markets in recent years remain firmly in place.

In Europe, there has been no meaningful progress made towards a resolution of the over indebtedness and lack of productivity of many peripheral nations. It is true that the proposed Outright Monetary Transactions facility has persuaded many investors that a break up of the Euro can be avoided. However, there are a number of significant questions that remain unanswered. These include whether the European Central Bank will be successful in ensuring that

all lending under the LTRO will be matched by deposits. Specifically, will the stringent criteria that are attached to any bail out make potential recipients reluctant to seek assistance and would the ECB really feel able to withdraw assistance in the event that the terms of a bail out were broken? Even if all these issues can be overcome we still face a long period of debt reduction and rebalancing of the economies of the peripheral nations. In such an environment the prospects for growth in the region remain anaemic.

In the US, the authorities continue to address a problem of over indebtedness with economic stimulus and the creation of further debt. Although President Obama remains in the White House, it is difficult to envisage that he will be able to avoid making very significant cuts to spending. Whilst the economy is currently performing better than most developed nations, with improving employment and housing markets, such cuts are likely to be damaging to the recovery in the short term.

Meanwhile growth in many emerging markets is beginning to slow. As demand for its goods falls, China is less willing to engage in the quantum of stimulatory infrastructure spending that provided a substantial boost to global growth as we exited the global financial crisis a few years ago. India is labouring under high unemployment and inflation and Brazil's growth is on a par with that of many members of the EU.

For much of 2012 companies have in aggregate proven to be largely resilient to a very difficult economic backdrop. This is beginning to change. Across a broad range of industries profits warnings are increasing. It is notable how many companies are reporting that they expect to meet expectations for this year but that with order rates slowing they are cautious about the prospects for next year.

When one considers the macro economic situation, it is difficult to determine where meaningful growth is likely to come from in the short term. However, we believe that our investments have strong business models and balance sheets and that these will allow them to negotiate the current difficulties and to prosper in the medium term.

Ed Beal
Aberdeen Asset Managers Limited
14 December 2012

Results

Financial Highlights

	31 October 2012	31 October 2011	% change
Total assets less current liabilities (before deducting bank loan)	£85,499,000	£73,446,000	
Equity shareholders' funds (Net Assets)	£80,499,000	£68,446,000	
Share price (mid market)	166.00p	129.50p	28.2
Net Asset Value per share	168.21p	143.03p	17.6
FTSE SmallCap Index (ex Investment Companies) (capital gains basis)	2,697.94	2,273.27	18.7
Discount (difference between share price and net asset value) where borrowings are deducted at par	1.3%	9.5%	
Gearing Net gearing/(cash) ^A	1.94%	(2.83)%	
Dividends and earnings Total return per share ^B	30.08p	(6.51)p	
Revenue return per share	4.61p	5.34p	(13.7)
Dividends per share ^C	5.00p	4.85p	3.1
Dividend cover (including proposed final dividend)	0.92	1.10	
Revenue reserves ^D	£4,164,000	£4,302,000	
Operating costs Ongoing charges (excluding performance fees) ^E	0.98%	0.95%	
Ongoing charges (including performance fees)	1.14%	1.39%	

^A Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition on page 47).

^B Measures the total revenue and capital return for the year divided by the weighted average number of Ordinary shares in issue (see Income Statement).

^C The figures for dividends per share reflect the years in which they were earned (see note 7 on page 35).

^D The revenue reserve figure does not take account of the proposed final dividend amounting to £1,436,000 (2011 – £1,388,000).

^E The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses divided by the average cum income net asset value throughout the year. The figure for 2011 has been restated.

Performance

	1 year % return	3 year % return	5 year % return
Capital return			
Share price	+28.2	+65.6	+16.5
Net Asset Value per share	+17.6	+43.6	+0.7
FTSE SmallCap Index (ex Investment Companies)	+18.7	+10.7	-25.3
Total return (Capital return plus dividends paid)			
Share price	+33.3	+85.9	+44.6
Net Asset Value per share	+21.6	+58.5	+21.0
FTSE SmallCap Index (ex Investment Companies)	+22.4	+21.5	-11.6

Dividends

	Rate per share	Ex date	Record date	Payment date
Proposed final dividend 2012	3.00p	16 January 2013	18 January 2013	11 February 2013
Interim dividend 2012	2.00p	11 July 2012	13 July 2012	27 July 2012
2012	5.00p			
Final dividend 2011	2.90p	11 January 2012	13 January 2012	9 February 2012
Interim dividend 2011	1.95p	6 July 2011	8 July 2011	29 July 2011
2011	4.85p			

Performance

Capital Return of NAV and Share Price vs FTSE SmallCap Index (ex Investment Companies)

Five years to 31 October 2012 (rebased to 100 at 31/10/07)

Share Price Discount to NAV (%)

Five years to 31 October 2012

Ten Year Financial Record

Year to 31 October	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue available for Ordinary dividends (£'000)	2,002	2,403	2,795	3,128	2,432 ^A	2,517	1,525	1,939	2,556 ^B	2,206
Per share										
Net revenue return (p)	2.4	2.9	3.4	3.8	4.5	5.2	3.2	4.1	5.3	4.6
Net dividends paid/proposed (p)	2.6	2.8	3.1	3.6	4.3	4.5	4.5	4.6	4.9	5.0
Net asset value (p)	90.1	102.6	123.3	161.3	167.0	90.1	117.1	154.2	143.0	168.2
Total return (p)	23.8	14.8	21.8	41.1	4.4	(73.6)	31.4	41.7	(6.5)	30.1
Shareholders' funds (£'000)	74,752	83,627	100,515	131,397	82,364	43,170	56,020	73,809	68,446	80,499

^A The Tender Offer in November 2006 had an impact on the income account.

^B Includes interest on VAT recovered.

The per share values for the years 2003 to 2006 have been adjusted by a factor of five to reflect the sub-division of the Ordinary 25p shares into 5 Ordinary 5p shares in November 2006.

The figures for 2005 for net asset value and shareholders' funds have been restated to reflect the changes in accounting policies (FRS 26 – Financial Instruments: Recognition and Measurement; FRS 21- Events after the Balance Sheet Date). The figures for dividends have not been restated and still reflect the dividends for the years in which they were earned.

Investment Portfolio – Ten Largest Investments

As at 31 October 2012

Company	Sector classification	Value of holding 2012 £'000	Total assets %	Value of holding 2011 £'000
RPC Group RPC is Europe's leading manufacturer of rigid plastic packaging. Their products are benefitting from regulatory driven substitution. Their ability to manufacture a broad array of different shapes and sizes combined with innovative printing and labelling techniques provides a barrier to the more volume orientated larger competitors.	General Industrials	3,264	3.8	3,035
Bellway Bellway is a UK house builder. Management have shown themselves to be both cautious and astute and have managed the balance sheet in advance of deteriorating conditions. With an increasing proportion of their houses being built on land that has been purchased post the credit crunch there is a natural expansion in their margins waiting to flow through to profitability.	Household Goods & Home Construction	3,146	3.7	2,208
Fenner Fenner is a specialist producer of advanced polymer solutions. Their business can broadly be split into two divisions. Conveyor belting sells to the mining and other industries. Advanced Engineered Products which manufactures a wide array of products that are all critical to the end product's performance whilst representing a low percentage of the end product's cost.	Industrial Engineering	3,100	3.6	2,498
Dechra Pharmaceuticals Dechra develops, manufactures and distributes veterinary pharmaceuticals. They focus on the companion animal market. Veterinary pharmaceuticals are much less susceptible to generic competition than human drugs. The company has excellent opportunities to expand further into both Europe and the US.	Pharmaceuticals & Biotechnology	2,931	3.4	1,942
Morgan Sindall Morgan Sindall is a construction and fit out business. The company has four divisions. In construction and infrastructure they occupy a strong position with the utility companies. Fit Out where they are the market leader in the London market. In affordable housing they are able to utilise their construction expertise to deliver the mixed use schemes that local authorities want. Their regeneration business has been very successful in winning a number of very large projects that will provide revenue streams for many years.	Construction & Materials	2,798	3.3	2,144
Oxford Instruments Oxford Instruments designs and manufactures very high technology tools and systems that are used in both industry and for research. The products are used for either analysis or the manipulation of matter at the nanoscopic level.	Electronic & Electrical Equipment	2,782	3.3	2,488
XP Power XP Power is a leading designer and manufacturer of power convertors. The company has been benefitting from substantial gross margin expansion as they have focussed on selling more of their own rather than third party products. Sales are set to benefit over the medium term from recent investment in new product development.	Electronic & Electrical Equipment	2,650	3.1	1,514
Wilmington Group Wilmington is a provider of information and training services to a range of professional industries. The company benefits from a high level of recurring revenues and a focus on niche data that often provides good barriers to entry.	Media	2,600	3.0	1,791
Euromoney Institutional Investor Euromoney is a business to business publisher. More than half their revenues are subscription based and more than a third are from emerging markets. The information they sell is often business critical for their clients which provides them with a combination of pricing power and resilience during difficult markets.	Media	2,568	3.0	1,546
Restaurant Group Restaurant Group operate the Frankie and Benny's, Chiquitos, Garfunkels and Brunnin and Price chains of restaurants. Their sites are predominately away from the High Street which means that they are less exposed to competition than many other operators. They also operate in airports both land side and airside. This capability confers substantial barriers to entry.	Travel & Leisure	2,451	2.9	1,893
Ten largest investments		28,290	33.1	

Investment Portfolio – Other Investments

As at 31 October 2012

Company	Sector classification	Value of holding 2012 £'000	Total assets %	Value of holding 2011 £'000
Fuller Smith & Turner 'A'	Travel & Leisure	2,326	2.7	2,186
Anite	Software & Computer Services	2,319	2.7	1,096
Elementis	Chemicals	2,248	2.6	1,296
TT Electronics	Electronic & Electrical Equipment	2,234	2.6	1,338
Victrex	Chemicals	2,180	2.6	1,715
Ultra Electronic	Aerospace & Defence	2,150	2.5	1,942
Berendsen	Support Services	2,128	2.5	1,408
Interserve	Support Services	2,036	2.4	1,726
Chemring Group	Aerospace & Defence	2,011	2.4	1,678
Helical Bar	Real Estate Investment & Services	1,988	2.3	1,950
Twenty largest investments		49,910	58.4	
BBA Aviation	Industrial Transportation	1,937	2.3	–
Savills	Real Estate Investment & Services	1,800	2.1	1,058
McBride	Household Goods & Home Construction	1,795	2.1	1,782
Aveva Group	Software & Computer Services	1,720	2.0	1,367
Barr (AG)	Beverages	1,708	2.0	1,404
Rathbone Brothers	Financial Services	1,698	2.0	1,507
Weir Group	Industrial Engineering	1,620	1.9	1,612
Mothercare	General Retailers	1,607	1.9	1,208
Bloomsbury Publishing	Media	1,549	1.8	1,174
Fisher (James) & Sons	Industrial Transportation	1,496	1.8	1,062
Thirty largest investments		66,840	78.3	
Greggs	Food & Drug Retailers	1,493	1.7	1,635
Robert Walters	Support Services	1,483	1.7	1,152
Dignity	General Retailers	1,402	1.6	1,225
Keller Group	Construction & Materials	1,389	1.6	1,069
Intermediate Capital Group	Financial Services	1,330	1.6	1,066
Devro International	Food Producers	1,203	1.4	–
Headlam Group	Household Goods & Home Construction	1,134	1.3	946
Domino Printing	Electronic & Electrical Equipment	1,133	1.3	–
Menzies (John)	Support Services	1,078	1.3	1,375
Chesnara	Life Insurance	1,039	1.2	1,081
Forty largest investments		79,524	93.0	
Huntsworth	Media	998	1.2	1,329
Numis Corp	Financial Services	973	1.1	823
Acal	Support Services	823	1.0	1,130
Total investments		82,318	96.3	
Net current assets ^A		3,181	3.7	
Total assets		85,499	100.0	

^A Excludes bank loan of £5,000,000 (2011 – £5,000,000).

Sector Analysis

As at 31 October 2012

		FTSE SmallCap Index (ex IC's) weighting %	Portfolio weightings 31 October 2012 %	31 October 2011 %
Basic Materials	Chemicals	1.17	5.38	5.43
	Industrial Metals	0.27	–	–
	Mining	3.57	–	–
		5.01	5.38	5.43
Consumer Goods	Automobiles & Parts	0.22	–	–
	Beverages	–	2.08	2.11
	Food Producers	4.49	1.46	–
	Household Goods & Home Construction	2.72	7.38	7.43
	Leisure Goods	0.58	–	1.64
		8.01	10.92	11.18
Consumer Services	Food & Drug Retailers	–	1.81	2.46
	General Retailers	5.70	3.66	5.67
	Media	5.41	9.37	8.79
	Travel & Leisure	10.42	5.80	6.14
		21.53	20.64	23.06
Financials	Financial Services	1.43	4.86	5.11
	Life Insurance	1.06	1.26	1.63
	Non-life Insurance	1.11	–	–
	Real Estate Investment & Services	9.42	4.60	4.53
	Real Estate Investment Trusts	3.32	–	–
		16.34	10.72	11.27
Health Care	Health Care Equipment & Services	1.80	–	–
	Pharmaceuticals & Biotechnology	1.42	3.56	2.92
		3.22	3.56	2.92
Industrials	Aerospace & Defence	0.45	5.05	6.98
	Construction & Materials	6.05	5.09	4.84
	Electronic & Electrical Equipment	4.29	10.69	8.04
	General Industrials	0.46	3.97	4.57
	Industrial Engineering	3.74	5.73	6.18
	Industrial Transportation	3.48	4.17	1.60
	Support Services	16.75	9.17	10.22
		35.22	43.87	42.43
Oil & Gas	Oil & Gas Producers	2.10	–	–
	Oil Equipment, Services & Distribution	2.23	–	–
		4.33	–	–
Technology	Software & Computer Services	4.62	4.91	3.71
	Technology Hardware & Equipment	1.72	–	–
		6.34	4.91	3.71
Total equities		100.00	100.00	100.00

Information About the Manager

Dunedin Smaller Companies Investment Trust PLC

The Company's Manager is Aberdeen Asset Managers Limited ("AAM"), a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 31 October 2012 managed a combined £188.9 billion of funds for UK institutions, investment trusts, closed end funds, unit trusts, private clients and offshore funds. It has its headquarters in Aberdeen with principal investment offices in Bangkok, Edinburgh, Hong Kong, London, Philadelphia, Singapore and Sydney.

The Group manages over 33 investment trusts and other closed-end funds representing £9.3 billion under management.

The Senior Investment Manager

Ed Beal

Senior Investment Manager

Ed is an investment manager on the Pan European equities team. Ed manages the Company. Ed joined Edinburgh Fund Managers plc (which was subsequently taken over by Aberdeen Asset Management PLC) in 2000 from the University of Dundee's Student Association where he was president leading development and strategy.

Ed graduated with a BSc (Hons) in Biochemistry from the University of Dundee and is a CFA Charterholder.

The Investment Process

Philosophy and Style

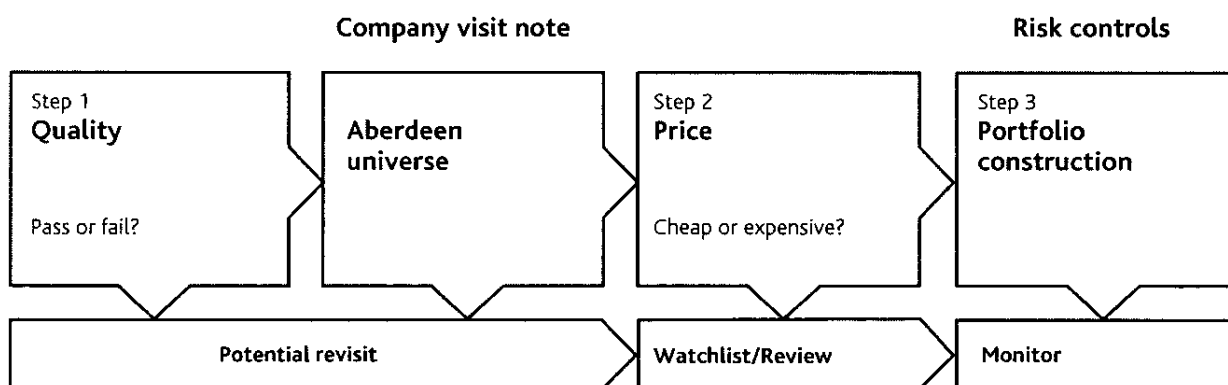
The Manager's investment philosophy is that markets are not always efficient. We (AAM) believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake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

Risk Controls

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

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

Regional Teams



Your Board of Directors

The Directors, all of whom are non-executive, are independent of the Manager, supervise the management of Dunedin Smaller Companies Investment Trust PLC and represent the interests of Shareholders.

The Earl of Dalhousie

Status: Independent Non-Executive Chairman

Age: 64

Length of service: 19 years, appointed a Director on 1 November 1993

Experience: formerly a director of Hambros Bank Ltd, Enskilda Securities and Capel-Cure Myers Capital Management

Last re-elected to the Board: 2 February 2012

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

Remuneration: £23,217

All other public company directorships: None

Employment by the Manager: None

Other connections with Company or Manager: None

Shared Directorships with any other Company Directors: None

Shareholding in Company: 20,000 5p Ordinary shares

T J K Barnes

Status: Independent Non-Executive Director

Age: 51

Length of service: 9 years, appointed a Director on 1 December 2003

Experience: is chief executive of Dobbies Garden Centres, now part of Tesco plc and a former investment banker

Last re-elected to the Board: 4 February 2010

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

Remuneration: £17,420

All other public company directorships: None

Employment by the Manager: None

Other connections with Company or Manager: None

Shared Directorships with any other Company Directors: None

Shareholding in Company: 17,825 5p Ordinary shares

R M Entwistle

Status: Independent Non-Executive Director and Senior Independent Director

Age: 68

Length of service: 14 years, appointed a Director on 18 December 1998

Experience: formerly chairman of Adam & Company and is a Fellow of the Chartered Institute of Bankers. He is also Chairman of Scoban PLC, a director of I & H Brown Ltd and Chairman of the Scottish Civic Trust and a Trustee of the Victims Support Campaign Board.

Last re-elected to the Board: 23 February 2011

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

Remuneration: £17,420

All other public company directorships: None

Employment by the Manager: None
Other connections with Company or Manager: None

Shared Directorships with any other Company Directors: None

Shareholding in Company: 40,000 5p Ordinary shares

N M Yarrow

Status: Independent Non-Executive
Director

Age: 52

Length of service: 14 years, appointed
a Director on 21 May 1998

Experience: is a former director of
NVM Private Equity, a director of
Weldex (International) Offshore
Limited, a member of the Institute of
Chartered Accountants of Scotland and
Scottish Civic Trust

Last re-elected to the Board:
4 February 2010

Committee membership: Chairman of
the Audit Committee and Management
Engagement Committee and member
of the Nomination Committee

Remuneration: £20,317

**All other public company
directorships:** None

Employment by the Manager: None

**Other connections with Company or
Manager:** None

**Shared Directorships with any other
Company Directors:** None

Shareholding in Company: 35,000 5p
Ordinary shares

Directors' Report

Business Review

A review of the Company's activities is given in the Corporate Summary on pages 2 and 3, the Chairman's Statement on pages 4 and 5 and the Manager's Review on pages 6 to 9. This includes a review of the business of the Company and its principal activities, likely future developments of the business, the recommended dividend and details of acquisition of its own shares by the Company. The Board has adopted a matrix of the key risks that affect its business. The major financial risks associated with the Company are detailed in note 18 to the Financial Statements. Other risks include:

- (i) Performance risk: The performance of the portfolio relative to the benchmark (FTSE SmallCap Index (ex Investment Companies)) and the underlying stock weightings in the portfolio against their index weightings are monitored closely by the Board.
- (ii) Discount volatility: The Company's shares can trade at a discount to its underlying net asset value. The Company operates a share buyback programme, and any shares repurchased may be either cancelled or held in treasury. The programme is reviewed on an ongoing basis.
- (iii) Regulatory risk: The Company operates in a complex regulatory environment and faces a number of regulatory risks. Breaches of regulations, such as Sections 1158-1159 of the Corporation Tax Act 2010, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main key performance indicators (KPIs) which have been identified by the Board for determining the progress of the Company:

- Net Asset Value
- Share Price
- Discount
- FTSE SmallCap Index (ex Investment Companies)
- Ongoing Charges

A record of these measures is disclosed on page 10.

The current Directors, as shown in the table opposite, who held office throughout the year under review, were the only Directors who served during the year.

The Company makes no political donations or expenditures or donations for charitable purposes and, in common with most investment trusts, has no employees.

Results and Dividends

The Directors recommend that a final dividend of 3.00p (2011 – 2.90p) is paid on 11 February 2013 to shareholders on the register on 18 January 2013. The ex-dividend date is 16 January 2013.

Principal Activity

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

Status

The Company is registered as a public limited company. The Company's registration number is SC014692.

The Company carries on business as an investment trust for the purpose of Sections 1158-1159 of the Corporation Tax Act 2010 and has been approved as such by HM Revenue & Customs for the period ended 31 October 2011 although approval for that year would be subject to review were there to be any enquiry under the Corporate Tax Self Assessment regime. The Company has subsequently conducted its affairs so as to enable it to continue to seek such approval for the period ended 31 October 2012.

The new regime under Chapter 4 of Part 24 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will apply for the year end 31 October 2013 and the Company will apply for approval under the new regime post the 2012 year end.

The affairs of the Company were conducted in such a way as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner in the future.

Directors

Details of the current Directors of the Company are shown on pages 16 and 17.

In accordance with the Articles of Association, Messrs Barnes and Yarrow will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the Annual General Meeting ("AGM"). The Board has reviewed their skills and experience, and has no hesitation in recommending to shareholders their re-election at the AGM.

The Directors at 31 October 2012 and 1 November 2011 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

	31 Oct 2012		31 Oct 2011	
	Ord 5p	Sub shares	Ord 5p	Sub shares
The Earl of Dalhousie	20,000	n/a	20,000	3,000
T J K Barnes	17,825	n/a	17,825	1,923
R M Entwistle	40,000	n/a	40,000	4,500
N M Yarrow	35,000	n/a	35,000	3,000

The above interests were unchanged as at the date of this report. No contract or arrangement subsisted during the period in which any of the Directors was materially interested. No Director had a service contract with the Company.

Directors' & Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. Each Director of the Company shall be entitled to be indemnified out of the assets of the Company to the extent permitted by law against all costs, charges, losses, expenses and liabilities incurred by him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office. These rights are included in the Articles of Association of the Company and the Company has granted indemnities to the Directors on this basis.

Corporate Governance

The Statement of Corporate Governance which forms part of the Directors' Report is shown on pages 21 to 24.

Going Concern

The Company's assets consist substantially of equity shares in companies listed on the London Stock Exchange and in most circumstances are realisable within a short timescale. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. Borrowings of £5 million are committed to the Company until 24 November 2014. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and, for the above reasons, they continue to adopt the going concern basis in preparing the accounts.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 25 and 27.

Each Director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor are unaware, he has taken all the steps that he could

reasonably be expected to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information. Additionally, there are no important events since the year end.

Auditor

The Company's auditor, KPMG Audit Plc, is willing to continue in office, and resolutions will be proposed at the AGM to reappoint them and to authorise the Directors to fix its remuneration. The Directors have reviewed the level of non-audit services provided by the auditor during the year, together with the auditor's procedures in connection with the provision of such services, and remain satisfied that KPMG Audit Plc's objectivity and independence is being safeguarded.

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. In certain circumstances, settlement terms are agreed prior to business taking place.

Annual General Meeting

Issue of New Shares and Treasury Shares

Under resolution 8 it is proposed that, in line with common practice, the Directors be authorised to allot up to £789,645 of shares and to grant relevant rights (as defined in that resolution) in relation to shares in the Company (equivalent to 15,792,915 ordinary shares of 5p, representing approximately 33% of the Company's issued share capital) without further reference to the Company in general meeting for a period ending at the conclusion of the AGM in 2014. The Directors have no current intention to utilise this authority.

Resolution 9 will give the Directors authority to sell or transfer ordinary shares out of treasury for cash up to an aggregate nominal value of £119,643 (representing approximately 5% of the Company's issued share capital) after taking account of any shares issued pursuant to resolution 10. The Directors will be authorised to sell or transfer such shares at a price below the then prevailing net asset value of the shares provided always that the shares will only be sold or transferred out of treasury at prices (a) in excess of the average price at which the shares were bought into treasury; and (b) at a narrower discount to the net asset value than the average level of discount the shares were purchased at. Any dilution to the net asset value resulting from (b) above shall be restricted to no more than 0.5% in any financial year. Resolution 9 is conditional on the passing of resolution 10.

Directors' Report continued

The authority conferred by this resolution will give the Directors additional flexibility going forward, and the Directors consider that it will be in the interest of the Company that such authority be available. Such authority will only be implemented when, in the view of the Directors, to do so will be for the benefit of all shareholders. This authority will lapse at the conclusion of the AGM to be held in 2014.

Under Section 561 of the Companies Act 2006, where it is proposed to issue equity securities for cash, or to sell the shares out of treasury, they must first be offered to existing shareholders in proportion to their holdings. In some circumstances, it is beneficial to allot such securities for cash without first offering them in this way.

The Directors will therefore propose a special resolution (resolution 10) at the AGM which, if passed, will allow them to allot equity securities for cash up to an aggregate nominal value of £119,643 as if Section 561(1) did not apply. This authority will lapse (unless renewed) at the conclusion of the AGM in 2014. New Ordinary shares would not be issued at a price that is less than the prevailing net asset value.

Share Repurchases

The Directors also propose to seek renewed approval at the forthcoming AGM of the Company to purchase its own Ordinary shares in the market (resolution 11). The maximum aggregate number of Ordinary shares which may be purchased pursuant to the authority shall be 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution. The minimum price which may be paid for an Ordinary share shall be 5p (being the nominal value). The maximum price (exclusive of expenses) which may be paid for the shares shall be the higher of: a) 5% above the average of the market values of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and b) the higher of the price of the last independent trade and the highest current independent bid on the main market for the Ordinary shares.

The authority to buy back Ordinary shares, if conferred, will only be exercised if to do so would result in an increase in net asset value per Ordinary share for the remaining shareholders and if it is in the best interests of shareholders generally. If the Directors exercise the authority conferred by resolution 11, the Company will have the option of either holding the shares in treasury or of cancelling the shares and will decide at the time of purchase which option to pursue.

This authority will last until the conclusion of the AGM of the Company to be held in 2014 (unless previously revoked, varied or renewed by the Company in general meeting).

Any use by the Company of the authority to purchase shares will be by way of either a single purchase or a series of purchases, when market conditions allow.

Recommendation

Your Board considers the resolutions to be proposed at the AGM to be in the best interests of the Company and its members as a whole. Accordingly, your Board unanimously recommends that shareholders should vote in favour of the resolutions to be proposed at the AGM, as they intend to do so in respect of their own beneficial holdings, amounting to 112,825 Ordinary shares.

Additional Information

Where not provided elsewhere in the Directors' Report, the following provides the additional information required to be disclosed by Part 15 of the Companies Act 2006:

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

The Company is not aware of any agreements between shareholders that may result in restriction on the transfer of securities and/or voting rights.

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 21 to 22. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover.

Other than the management and administration contracts with the Manager, further details of which are set out on page 3, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.



By order of the Board

Aberdeen Asset Management PLC
Secretary, Edinburgh
14 December 2012

Statement of Corporate Governance

Corporate Governance

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

Introduction

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code ("UK Code") which is available on the Financial Reporting Council's website: www.frc.org.uk. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the UK Code.

Additionally, as the Company is a member of the AIC, the Board has taken account of the recommendations of the AIC's Code of Corporate Governance dated October 2010 (the "AIC Code") which seeks to codify best practice of particular relevance to investment trusts. The AIC Code is available on the AIC's website: www.theaic.co.uk

Directors

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager. Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Senior Independent Director is Mr Entwistle. The Board meets at least four times each year, and more frequently when business needs require. The Board has a schedule of matters reserved to it for decision, and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager under the terms of the investment management agreement.

The Board has in place the necessary procedures (using questionnaires and discussion) to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole. The Board has also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

The Board has assessed the independence of the Directors against the criteria set out in the Codes, and has concluded that they are all independent of the Manager and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct. The Board takes the view that independence is not compromised by length of tenure on the Board and that experience can add significantly to the Board's strength. In the case of The Earl of Dalhousie, Mr Entwistle, Mr Yarrow and Mr Barnes who have been directors since 1993, 1998, 1998 and 2003 respectively, the Board takes the view that their independence has not been compromised by their length of service and that experience as well as a long-term perspective can add significant value to a well-balanced investment trust company board comprising of non-executive directors. In considering their independence, the Directors considered a number of factors including their experience, integrity and judgement of character. The Directors also recognised that the Directors have no connection with the Manager, are not professional advisers who have provided services to the Manager or the Board, do not serve on any other board of a company managed by the Manager or serve as directors on companies with any of the other Company's directors. For these reasons the Board (excluding the individual Directors) believes the Directors remain independent notwithstanding their length of service and have no hesitation in recommending the re-election of Messrs Barnes and Yarrow at the next AGM.

Directors have attended Board and Committee meetings during the year ended 31 October 2012 as follows (with their eligibility to attend the relevant meeting in brackets):

Director	Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
The Earl of Dalhousie (Chairman)	4 (4)	2 (2)	2 (2)
T J K Barnes	4 (4)	2 (2)	2 (2)
R M Entwistle	4 (4)	2 (2)	2 (2)
N M Yarrow	4 (4)	2 (2)	2 (2)

Between meetings the Board maintains regular contact with the Manager.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Aberdeen Asset Management PLC, which is responsible to the Board for ensuring that Board procedures

Statement of Corporate Governance continued

are followed and that applicable rules and regulations are complied with.

Appointments to the Board of Directors are considered by the whole Board. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. External search consultants may be used to ensure that a wide range of candidates can be considered. Every Director is entitled to receive appropriate training as deemed necessary. A Director is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the first AGM following his or her appointment. The Articles also require that one third of the Directors retire by rotation each year and seek re-election at the AGM. In addition, all Directors are required to submit themselves for re-election at least every three years.

There is a formal process for the consideration and authorisation by the Board of Directors' reported actual and potential conflicts of interest, a full analysis of the Directors' appointments and interests having been considered at each Board meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of their own position. The Board will continue to monitor and review potential conflicts of interests on a regular basis.

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

Internal Controls and Risk Management

The Board is ultimately responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. The Board confirms that as at 31 October 2012 there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that it has been in place for the year ended 31 October 2012 and up to the date of approval of the Annual Report and Accounts, that it is regularly reviewed by the Board and accords with the internal control guidance for directors in the UK Code.

The Board has reviewed the effectiveness of the Manager's system of internal control and risk management. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

- financial;
- operational; and
- compliance.

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

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board;
- as a matter of course the Manager's compliance department continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Manager, has decided to place reliance on the Manager's systems and internal audit procedures; and
- at its December 2012 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 October 2012 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 October 2012. The results of the assessment were then reported to the Board at the next Board meeting.

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

Board Committees

The Directors have appointed a number of Committees as set out below. Copies of their terms of reference, which clearly define the responsibilities and duties of each Committee, are available upon request from the Company and are on the Company's website.

Audit Committee

The Directors have appointed an Audit Committee which meets not less than twice per year. The Audit Committee operates within clearly defined written terms of reference and comprises the entire Board with Mr Yarrow acting as Chairman.

The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience.

In summary, the Audit Committee's main functions are:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to meet, as required, with the auditor to review its proposed audit programme of work and the findings of the auditor. The Committee also uses this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the auditor to supply non-audit services;
- to review the arrangements in place within AAM whereby AAM staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters ("whistle blowing" arrangements);
- to make recommendations to the Board in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- to monitor and review annually the auditor's independence, objectivity, effectiveness, resources and qualification.

The audit related fee of £4,000 paid to the auditor during the year was for the interim review. Shareholders have the opportunity at each AGM to vote on the appointment of the auditor for the forthcoming year.

Management Engagement Committee

The Directors have appointed a Management Engagement Committee. All of the Directors are members of the Management Engagement Committee and Mr Yarrow is the Chairman. The Committee reviews the performance of the Manager and its compliance with the terms of the management and secretarial agreement. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee on an annual basis. The Committee believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Nomination Committee

Given the size of the Board, the Board as a whole acts as a Nomination Committee with the Senior Independent Director acting as Chairman.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager's freephone information service and the Company responds to letters from shareholders on a wide range of issues.

The notice of the AGM included within the Annual Report and Accounts is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions at the Company's AGM.

Substantial Interests

At 14 December 2012, being the nearest practicable date to the signing 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 ordinary shares held	% of ordinary shares held
Aberdeen Investment Trust Savings Plans ^A	12,094,259	25.3
Aberdeen Asset Managers ^A	9,910,793	20.7
Derbyshire County Council	3,269,000	6.8
DC Thomson & Company Ltd	2,030,000	4.2

^A Non-beneficial interests

Share Capital and Voting Rights

The total number of ordinary shares of 5p of the Company in issue at 31 October 2012 was 47,857,317 with each share holding one voting right.

During the year, shareholders have exercised their right to convert 1,874 Subscription shares into Ordinary shares.

The final exercise date for the Subscription Shares was 28 February 2012 and, in accordance with the terms and conditions on which the Subscription Shares were issued, the Company appointed Equiniti Financial Services Ltd as trustee (the "Trustee"). As the net proceeds of sale of Ordinary Shares which would have arisen on conversion of the outstanding Subscription Shares after deduction of all costs and expenses incurred by the Trustee would have been substantially less than the costs of exercising the subscription rights conferred by the outstanding Subscription Shares, the Trustee concluded that such subscription rights will not be exercised. All remaining subscription rights conferred by the outstanding Subscription Shares lapsed, and each outstanding Subscription Share was converted automatically

Statement of Corporate Governance continued

into one deferred share, on 14 March 2012 which were immediately redeemed and treated as cancelled.

Proxy Voting as an Institutional Shareholder

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

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

Corporate Governance and Socially Responsible Investment Policy

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report & Accounts and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

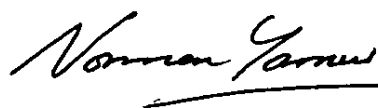
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For and on behalf of the Board of Dunedin Smaller Companies Investment Trust PLC

Norman Yarrow

Chairman of the Audit Committee
14 December 2012



Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming AGM. The law requires your Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 27.

Remuneration Committee

As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board.

Unaudited Information

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £100,000 per annum. Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. It is intended that this policy will continue for the year to 31 October 2013 and subsequent years. The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits. The Board carried out a review of the level of Directors' fees during the year and concluded that the amounts should increase in line with RPI to £23,690, £20,730 and £17,780 for the Chairman, Audit Committee Chairman and remaining Directors respectively effective 1 July 2012.

No Director has a service contract with the Company. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first AGM after their appointment, and at least every three years after that. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

No Director was interested in contracts with the Company during the period or subsequently.

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

The graph opposite shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE SmallCap Index (excluding Investment Companies) for the

five year period to 31 October 2012 (rebased to 100 at 31 October 2007). This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

Audited Information

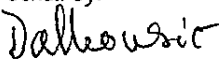
Directors' Emoluments

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

Director	2012 £	2011 £
The Earl of Dalhousie	23,217	22,220
T J K Barnes	17,420	16,666
R M Entwistle	17,420	16,666
N M Yarrow	20,317	19,443
Total	78,374	74,995

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 14 December 2012 and signed on its behalf by:



The Earl of Dalhousie
Chairman
14 December 2012

Independent Auditor's Report to the Members of Dunedin Smaller Companies Investment Trust PLC

We have audited the financial statements of Dunedin Smaller Companies Investment Trust PLC for the period ended 31 October 2012 set out on pages 28 to 43. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 19, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



Phil Merchant (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh

14 December 2012

Income Statement

	Notes	Year ended 31 October 2012			Year ended 31 October 2011		
		Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Gains/(losses) on investments	9	–	12,628	12,628	–	(5,011)	(5,011)
Income	2	2,716	–	2,716	3,056	–	3,056
Investment management fee	3	(79)	(351)	(430)	(80)	(569)	(649)
Administrative expenses	4	(401)	–	(401)	(389)	–	(389)
Net return before finance costs and taxation		2,236	12,277	14,513	2,587	(5,580)	(2,993)
Finance costs	5	(30)	(88)	(118)	(31)	(91)	(122)
Return on ordinary activities before taxation		2,206	12,189	14,395	2,556	(5,671)	(3,115)
Taxation	6	–	–	–	–	–	–
Return on ordinary activities after taxation		2,206	12,189	14,395	2,556	(5,671)	(3,115)
Return per Ordinary share (pence)	8	4.61	25.47	30.08	5.34	(11.85)	(6.51)

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 are recognised in the Income Statement.

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

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

BALANCE SHEET

		As at 31 October 2012 £'000	As at 31 October 2011 £'000
	Notes		
Non-current assets			
Investments at fair value through profit or loss	9	82,318	66,443
Current assets			
Debtors and prepayments	10	700	241
UK Treasury Bills	16	-	1,000
Cash and short term deposits	16	3,442	5,940
		4,142	7,181
Creditors: amounts falling due within one year			
Bank loan	11,16	(5,000)	(5,000)
Other creditors	11	(961)	(178)
		(5,961)	(5,178)
Net current (liabilities)/assets		(1,819)	2,003
Net assets		80,499	68,446
Capital and reserves			
Called-up share capital	12	2,393	2,393
Share premium account		30	28
Capital redemption reserve		2,233	2,233
Capital reserve	13	71,679	59,490
Revenue reserve		4,164	4,302
Equity shareholders' funds		80,499	68,446
Net asset value per Ordinary share (pence)	17	168.21	143.03

The financial statements were approved by the Board of Directors and authorised for issue on 14 December 2012 and were signed on its behalf by:

Dalhousie
Director

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

THE EARL OF DALHOUSIE

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 October 2012

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve [^] £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2011		2,393	28	2,233	59,490	4,302	68,446
Exercise of Subscription shares		–	2	–	–	–	2
Return on ordinary activities after taxation		–	–	–	12,189	2,206	14,395
Dividends paid	7	–	–	–	–	(2,344)	(2,344)
Balance at 31 October 2012		2,393	30	2,233	71,679	4,164	80,499

For the year ended 31 October 2011

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve [^] £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2010		2,393	27	2,233	65,161	3,995	73,809
Exercise of Subscription shares		–	1	–	–	–	1
Return on ordinary activities after taxation		–	–	–	(5,671)	2,556	(3,115)
Dividends paid	7	–	–	–	–	(2,249)	(2,249)
Balance at 31 October 2011		2,393	28	2,233	59,490	4,302	68,446

[^] See note 13 for further details on the capital reserve.

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

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

Cash Flow Statement

		Year ended 31 October 2012		Year ended 31 October 2011	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	14		1,896		2,207
Servicing of finance					
Interest paid			(116)		(143)
Financial investment					
Purchases of investments		(12,361)		(15,917)	
Sales of investments		9,425		17,153	
Net cash (outflow)/inflow from financial investment			(2,936)		1,236
Equity dividends paid	7		(2,344)		(2,249)
Net cash (outflow)/inflow before use of liquid resources and financing			(3,500)		1,051
Net cash inflow/ (outflow) from management of liquid resources			1,000		(1,000)
Net cash (outflow)/inflow before financing			(2,500)		51
Financing					
Repayment of bank loan		–		(5,000)	
Bank loan drawn down		–		5,000	
Exercise of Subscription shares		2		1	
Net cash inflow from financing			2		1
(Decrease)/increase in cash	15		(2,498)		52
Reconciliation of net cash flow to movements in net (debt)/funds					
(Decrease)/increase in cash as above			(2,498)		52
Net change in liquid resources			(1,000)		1,000
Change in net (debt)/funds resulting from cash flows			(3,498)		1,052
Repayment of bank loan			–		5,000
Bank loan drawn down			–		(5,000)
Movement in net (debt)/funds in the year			(3,498)		1,052
Opening net funds			1,940		888
Closing net (debt)/funds	16		(1,558)		1,940

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

Notes to the Financial Statements For the year ended 31 October 2012

1. Accounting policies

(a) Basis of preparation and going concern

The financial statements have been prepared in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

The financial statements have been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 19.

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

(b) Revenue, expenses and interest payable

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

Expenses are charged to capital when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs are allocated between revenue and capital in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively (see notes 3 and 5). Performance fees are allocated wholly to capital.

(c) Investments

Investments have been designated upon initial recognition at 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 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 capital reserve.

(d) Dividends payable

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

(e) Capital reserve

Gains and losses on the sale of investments and changes in fair values of investments held are transferred to the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve. Performance fees are allocated wholly to capital.

(f) Taxation

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

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

	2012 £'000	2011 £'000
2. Income		
Income from investments^A		
UK dividend income	2,495	2,567
Overseas dividend income	126	70
UK stock dividend income	66	89
	2,687	2,726
Other income^B		
Interest on Treasury Bills	–	1
Deposit interest	25	28
Interest on VAT recovered	–	293
Underwriting commission	4	8
	29	330
Total income	2,716	3,056

^AAll investments have been designated fair value through profit or loss on initial recognition, therefore all investment income arises on investments at fair value through profit or loss.

^BOther income on financial assets not designated fair value through profit or loss.

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
3. Investment management fee						
Investment management fee	79	236	315	80	240	320
Performance fee	–	115	115	–	329	329
	79	351	430	80	569	649

The management fee paid to the Manager is calculated at 0.4% per annum of the gross assets of the Company after deducting current liabilities and excluding commonly managed funds ('adjusted gross assets').

In addition, the Manager is entitled to a performance-related fee calculated quarterly in arrears at a rate of 0.1% per annum (up to a maximum of 0.5% per annum) of the adjusted gross assets for every 1% by which the Company's net asset value performance outperforms the capital performance of the FTSE SmallCap Index (ex Investment Companies) over the twelve month period.

The management agreement between the Company and the Manager is terminable by either party on 3 months' notice.

The management fee is chargeable 75% to capital and 25% to revenue. The performance-related management fee is allocated wholly to capital.

Notes to the Financial Statements continued

	2012 £'000	2011 £'000
4. Administrative expenses		
Directors' fees	78	75
Auditors' remuneration :		
– fees payable to the Company's auditor :		
– for the audit of the annual accounts	15	15
– fees payable to the Company's auditor and its associates for audit-related services:		
– interim review	4	5
Secretarial fee	77	73
Marketing	31	30
Share Plan costs	37	36
Registrar's fees	18	16
Advisory fees	33	31
Legal fees	1	–
Irrecoverable VAT	43	41
Other expenses	64	67
	401	389

The secretarial fee of £77,000 (2011 – £73,000) was paid to the Manager.

Marketing expenses of £31,000 (2011 – £30,000) were paid to the Manager in respect of marketing and promotion of the Company.

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
5. Finance costs						
Financial liabilities not at fair value through profit or loss:						
Bank loan interest	30	88	118	31	91	122

6. Taxation

There is no liability to corporation tax for the year (2011 – £nil).

The corporation tax rate was 26% until 31 March 2012 and 24% from 1 April 2012 giving an effective rate of 24.83%.

	2012 £'000	2011 £'000
Factors affecting tax charge for the year		
Return on ordinary activities before taxation	14,395	(3,115)
Tax thereon at 24.83% (2011 – 26.83%)	3,574	(836)
Effects of:		
Non taxable UK dividends	(620)	(689)
Non taxable overseas dividends	(31)	(19)
Non taxable UK stock dividends	(16)	(24)
Gains on investments not taxable	(3,136)	1,344
Excess expenses not utilised	229	224
	–	–

At the year end, the Company had surplus management expenses and loan relationship losses of £27,242,000 (2011 – £26,321,000). These have been generated because such a large part of the Company's income is derived from dividends from UK companies. The Company is not expected to generate taxable income in a future period in excess of deductible expenses for that period and, accordingly, is unlikely to be able to reduce future tax liabilities by offsetting these losses. These losses are not recognised as a deferred tax asset.

7. Dividends	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for 2011 – 2.90p (2010 – 2.75p)	1,388	1,316
Interim dividend for 2012 – 2.00p (2011 – 1.95p)	957	933
Return of unclaimed dividends	(1)	–
Dividends paid in the year	2,344	2,249

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158–1159 Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £2,206,000 (2011 – £2,556,000).

	2012 £'000	2011 £'000
Interim dividend paid for 2012 – 2.00p (2011 – 1.95p)	957	933
Proposed final dividend for 2012 – 3.00p (2011 – 2.90p)	1,436	1,388
	2,393	2,321

8. Return per Ordinary share	2012 p	2011 p
Revenue return	4.61	5.34
Capital return	25.47	(11.85)
Total return	30.08	(6.51)

Weighted average number of Ordinary shares in issue	47,856,631	47,855,057
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As detailed in note 12, the remaining Subscription shares lapsed and were cancelled following the expiry of the final exercise date on 28 February 2012. On the basis set out in Financial Reporting Standard 22 "Earnings per Share", there was no dilutive effect on net revenue or net capital per share in the prior year, arising from the exercise of the Subscription shares as detailed in note 12.

Notes to the Financial Statements continued

	Listed in UK 2012 £'000	Listed in UK 2011 £'000
9. Investments		
Fair value through profit or loss:		
Opening fair value	66,443	72,401
Opening fair value gains on investments held	(9,378)	(17,834)
Opening book cost	57,065	54,567
Purchases at cost	13,105	15,917
Sales – proceeds	(9,858)	(16,864)
Sales – gains on sales	2,260	3,445
Closing book cost	62,572	57,065
Closing fair value gains on investments held	19,746	9,378
Closing fair value	82,318	66,443
	2012	2011
	£'000	£'000
Gains/(losses) on investments		
Gains on sales of equities	2,260	3,445
Movement in fair value gains on investments held	10,368	(8,456)
	12,628	(5,011)

Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within (losses)/gains on investments in the Income Statement. The total costs were as follows:

	2012 £'000	2011 £'000
Purchases	71	91
Sales	11	19
	82	110

	2012 £'000	2011 £'000
10. Debtors: amounts falling due within one year		
Amounts due from stockbrokers	433	–
Net dividends and interest receivable	252	233
Other debtors and prepayments	15	8
	700	241

11. Creditors: amounts falling due within one year

(a) Bank loan

The Company has a three year revolving credit agreement, expiring on 24 November 2014, with Scotiabank Europe for up to £5 million. At the year end the facility was drawn down in full at a rate of 1.95991%. The terms of the loan facility contain covenants that the minimum net assets of the Company are £37 million and the percentage of borrowings against net assets to be less than 25%.

On 26 November 2012 the loan facility was rolled over until 25 January 2013 at a rate of 1.96617%.

	2012 £'000	2011 £'000
(b) Other creditors		
Amounts due to stockbrokers	744	–
Investment management fee	84	90
Interest payable	2	–
Sundry creditors	131	88
	961	178

	2012 £'000	2011 £'000
12. Called-up share capital		
Allotted, called-up and fully paid:		
47,857,317 Ordinary shares of 5p each (2011 – 47,855,443 Ordinary shares of 5p each)	2,393	2,393

During the year no Ordinary shares of 5p each (2011 – nil) were bought back for cancellation.

In November 2006, a bonus issue of new Subscription shares of 0.001p each was completed on the basis of 15 new Subscription shares for every 100 Ordinary shares resulting from the Ordinary share sub-division. Each Subscription share conferred the right to subscribe for, or convert into, one Ordinary share on 28 February in any of the years 2007 to 2012 (inclusive) at a price of 170p per share. The Subscription shares had no voting rights or entitlement to dividends.

During the year 1,874 Subscription shares were exercised (2011 – 1,091).

As 28 February 2012 was the final exercise date for the Subscription shares, in accordance with the terms and conditions, all remaining Subscription shares lapsed and were cancelled.

	2012 £'000	2011 £'000
13. Capital reserve		
At 1 November	59,490	65,161
Movement in fair value gains on investments held	12,628	(5,011)
Investment management fees	(351)	(569)
Finance costs	(88)	(91)
At 31 October	71,679	59,490

The capital reserve includes investment holding gains amounting to £19,746,000 (2011 – £9,378,000), as disclosed in note 9.

	2012 £'000	2011 £'000
14. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities		
Net return on ordinary activities before finance costs and taxation	14,513	(2,993)
Adjustment for:		
(Gains)/losses on investments	(12,628)	5,011
Increase in accrued income	(19)	(30)
(Increase)/decrease in other debtors	(7)	292
Increase/(decrease) in other creditors	37	(73)
Net cash inflow from operating activities	1,896	2,207

Notes to the Financial Statements continued

	2012 £'000	2011 £'000
15. Analysis of changes in cash during the year		
Opening balance	5,940	5,888
Net cash (outflow)/inflow	(2,498)	52
Closing balance	3,442	5,940

	At 1 November 2011 £'000	Cash flow £'000	At 31 October 2012 £'000
16. Analysis of changes in net funds			
Cash and short term deposits	5,940	(2,498)	3,442
UK Treasury Bills	1,000	(1,000)	–
Bank loan	(5,000)	–	(5,000)
Net funds/(debt)	1,940	(3,498)	(1,558)

	2012	2011
17. Net asset value per share		
Equity shareholders' funds	£80,499,000	£68,446,000
Number of Ordinary shares in issue at year end	47,857,317	47,855,443
Equity shareholders' funds per share	168.21p	143.03p

The movements during the year of the assets attributable to the Ordinary shares were as follows:

	2012 £'000	2011 £'000
Opening net assets	68,446	73,809
Capital return for the year	12,189	(5,671)
Revenue on ordinary activities after taxation	2,206	2,556
Dividends paid in the year	(2,344)	(2,249)
Exercise of Subscription shares	2	1
Closing net assets	80,499	68,446

18. Financial instruments

The Company's objective is to attract long term private and institutional investors wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust.

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

The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions for the purpose of managing currency and market risks arising from the Company's activities.

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

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

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

The main risks the Company faces from its financial instruments are (i) market price risk (comprising interest rate risk, currency risk and other price risk), (ii) liquidity risk and (iii) credit risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors, other than for currency disclosures.

(i) Market risk

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

Interest rate risk

Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- interest payable on the Company's variable rate borrowings.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

It is the Company's policy to increase its exposure to equity market price risk through the judicious use of borrowings. When borrowed, funds are invested in equities, the effect is to magnify the impact on Shareholders' funds of changes – both positive and negative – in the value of the portfolio.

The Company's borrowings comprise a 3 year £5 million revolving credit agreement facility. Details of borrowings as at 31 October 2012 are shown in note 11.

Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the Balance Sheet date was as follows:

At 31 October 2012	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Assets				
Cash deposits	–	0.54	3,442	–
Total assets	–	–	3,442	–

Notes to the Financial Statements continued

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Liabilities				
Bank loans	0.07	1.96	–	(5,000)
Total liabilities	–	–	–	(5,000)

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
At 31 October 2011				
Assets				
UK Treasury Bills	0.04	–	–	1,000
Cash deposits	–	0.60	5,940	–
Total assets	–	–	5,940	1,000
Liabilities				
Bank loans	0.07	2.06	–	(5,000)
Total liabilities	–	–	–	(5,000)

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

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

The Company's equity portfolio and short-term debtors and creditors (excluding bank loans) have been excluded from the above tables.

All financial liabilities are measured at amortised cost.

Maturity profile

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

	Within 1 year £'000	More than 1 year £'000
At 31 October 2012		
Fixed rate		
Short term bank loan	(5,000)	–
	(5,000)	–
Floating rate		
Cash	3,442	–
Total	(1,558)	–

	Within 1 year £'000	More than 1 year £'000
At 31 October 2011		
Fixed rate		
UK Treasury Bills	1,000	–
Short term bank loan	(5,000)	–
	(4,000)	–
Floating rate		
Cash	5,940	–
Total	1,940	–

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the Balance Sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

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

– profit for the year ended 31 October 2012 would increase/decrease by £16,000 (2011 – increase/decrease by £59,000). This is mainly attributable to the Company's exposure to interest rates on its short term bank loan and floating rate cash balances.

– the Company holds no financial instruments that will have an equity reserve impact.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives.

Other price risk

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets and the stock selection process, as detailed on page 15, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on the London Stock Exchange.

Other price risk sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 October 2012 would have increased/decreased by £8,231,000 (2011 – £6,664,000). This is based on the Company's equity portfolio at each year end.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the other price risk management process used to meet the Company's objectives.

(ii) Liquidity risk

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

Liquidity risk is not considered to be significant as the Company's assets comprise mainly cash, short term deposits, placements and listed securities, which can be sold or realised to meet funding commitments if necessary.

Notes to the Financial Statements continued

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions, and reviews these on a regular basis. Borrowings comprise a revolving credit agreement facility. At the year end the Company had borrowings of £5 million and this amount is reviewed on an ongoing basis. Details of borrowings at 31 October 2012 are shown in note 11.

Short-term flexibility is achieved through the use of loan and overdraft facilities, details of which can be found in note 11. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing is shown in the interest rate risk section of this note.

(iii) Credit risk

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

The risk is managed as follows:

- where the Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, the custodian carries out a stock reconciliation to third party administrators' records on a monthly basis to ensure discrepancies are picked up on a timely basis. The Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's Risk Management Committee. This review will also include checks on the maintenance and security of investments held;
- cash is held only with reputable banks with high quality external credit enhancements.

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

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 October 2012 was as follows:

	2012		2011	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	82,318	82,318	66,443	66,443
Current assets				
Trades and other receivables	448	448	8	8
Accrued income	252	252	233	233
UK Treasury Bills	–	–	1,000	1,000
Cash and cash equivalents	3,442	3,442	5,940	5,940
	86,460	86,460	73,624	73,624

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

Fair values of financial assets and financial liabilities

The book value of cash at bank and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at fair value. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

19. Fair value hierarchy

FRS 29 'Financial Instruments: Disclosures', requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

All of the Company's investments are in quoted equities (2011 – same) actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments as at the year end of £82,318,000 (2011 – £66,443,000) have therefore been deemed as Level 1.

20. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The capital of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company is not subject to any externally imposed capital requirements.

Marketing Strategy

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

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

These aims can be met in several ways:

Investor Relations Programme

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

Group Schemes

The Aberdeen Group administers several savings schemes including the Share Plan, ISA and the Children's Plan. These schemes allow investment at lower costs and have proved popular with private investors.

Direct Response Advertising

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

Direct Mail

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

Newsletter

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

Public Relations

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

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The marketing programme is under the direction of AAM's Head of Investor Relations for Investment Trusts, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

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

The Company is committed to the close monitoring of the Marketing Programme. The Head of Investor Relations for Investment Trusts reports to the Board and provides a written summary quarterly.

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

How to Invest in Dunedin Smaller Companies Investment Trust PLC

Direct

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

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Dunedin Smaller Companies Investment Trust PLC. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Dunedin Smaller Companies Investment Trust PLC can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £11,280 can be made in the tax year 2012/2013.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT calculated annually and deducted on 31 March (or the last business day in March) either by direct debit or, if there is no

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

ISA Transfer

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

Note

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

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

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

Trust Information

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

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

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

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times, and other national newspapers.

For internet users, detailed data on Dunedin Smaller Companies Investment Trust PLC including price, performance information and a monthly fact sheet is available from the Company's website (www.dunedinsmaller.co.uk) and the TrustNet website

How to Invest in Dunedin Smaller Companies Investment Trust PLC continued

(www.trustnet.co.uk). Alternatively you can call 0500 00 00 40 for trust information.

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

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

Shareholder helpline numbers:
Tel. 0871 384 2445
Fax 0871 384 2100
Shareview enquiry line: 0871 384 2233
Textel/hard of hearing line: 0871 384 2255

(Calls to the above Equiniti numbers will be charged at 8p per minute from a BT landline. Other telephony providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday excluding bank holidays).

Overseas helpline number: +44 121 415 7047

Literature Request Service

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

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

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

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

For information on the Pension Plan, please contact

Capita SIP Services
141 Castle Street
Salisbury
Wiltshire SP1 3TB
Telephone: 0800 13 70 79

The information on pages 45 and 46 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority.

Glossary of Terms and Definitions

Asset Cover

The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

Discount

The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Cover

Earnings per share divided by dividends per share expressed as a ratio.

Dividend Yield

The annual dividend expressed as a percentage of the share price.

Net Gearing/(Cash)

Net gearing/(cash) is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.

Ongoing Charges (Total Expense Ratio)

Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard method.

Net Asset Value

The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

Premium

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Price/Earnings Ratio

The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

Prior Charges

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

Total Assets

Total Assets less current liabilities (before deducting prior charges as defined above).

Total Return

Total Return involves reinvesting the net dividend in the month that the share price goes up. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, e.g. quarter end, half year or year end date.

Notice of Annual General Meeting

Notice is hereby given that the eighty-fifth Annual General Meeting of Dunedin Smaller Companies Investment Trust PLC will be held at Discovery Point, Dundee, DD1 4XA, on Thursday 7 February 2013 at 12.30 p.m. for the following purposes:

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

1. To receive the Reports of the Directors and auditor and the financial statements for the year ended 31 October 2012.
2. To approve the Directors' Remuneration Report for the year ended 31 October 2012.
3. To approve a final dividend of 3.00p on the Ordinary shares.
4. To re-elect Mr James Barnes as a Director of the Company.
5. To re-elect Mr Norman Yarrow as a Director of the Company.
6. To re-appoint KPMG Audit Plc as auditor of the Company.
7. To authorise the Directors to fix the remuneration of the auditor for the year to 31 October 2013.
8. That, with effect from the time of the passing of this resolution the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot in accordance with Section 551 of the Companies Act 2006 shares in the Company and to grant rights ("relevant rights") to subscribe for, or to convert any security into shares in the Company up to an aggregate nominal amount of £789,645 representing approximately 33% of the issued share capital as at the date of the passing of this resolution, such authorisation to expire at the conclusion of the Annual General Meeting of the Company in 2014, unless previously renewed, revoked or varied by the Company in general meeting, but so that this authority shall allow the Company and its Directors to make offers or agreements before such expiry which would or might require such securities to be allotted or relevant rights to be granted after such expiry and the Directors may allot shares or grant relevant rights in pursuance of any such offers or agreements as if such expiry had not occurred.
9. That, subject to and conditional upon the passing of resolution 10 set out below, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with LR 15.4.11 of the Listing Rules of the UK Listing Authority to sell or transfer out of treasury ordinary shares of 5p each in the capital of the Company (the "share(s)") for cash at a price which represents a discount to the net asset value attributable to the ordinary shares at the date of such issue, provided always that:
 - (i) such sale or transfer will be limited to a sale or transfer at a price in excess of the average price at which the shares were bought into treasury;
 - (ii) where any shares are sold or transferred out of treasury pursuant to this authority at a discount to the then prevailing net asset value of the shares, such discount must be lower than the average discount to the net asset value per share at which the Company acquired the relevant shares;
 - (iii) the aggregate net asset value dilution associated with all sales of treasury shares in any one financial year does not exceed 0.5% of net assets;
 - (iv) this power shall be limited to the sale of shares having an aggregate nominal value of £119,643, being approximately 5% of the nominal value of the issued share capital of the Company, as at the date of the passing of this resolution and provided further that the number of shares to which this power applies shall be reduced from time to time by the number of shares which are allotted for cash as if section 561(1) of the Companies Act 2006 did not apply pursuant to the power conferred on the Directors by resolution 10 set out below; and
 - (v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2014, (unless such authority is renewed, varied or revoked by the Company in general meeting prior to such time) save that the Company may, prior to such expiry, make an offer or agreement which would or might otherwise require treasury shares to be sold or transferred after such expiry and the Directors may sell or transfer treasury shares pursuant to such offer or agreement as if the authority conferred hereby had not expired.
10. That, subject to the passing of resolution number 8 set out above, the Directors be and are hereby empowered, pursuant to Sections 570 and 573 of the Companies Act 2006 ("the Act"), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by resolution number 8 above or by way of a sale of treasury shares, in each case as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:
 - (i) (otherwise than pursuant to sub-paragraph (ii) below) which are, or are to be wholly paid up in cash, at the price of not less than the net asset value per share at allotment, as determined by the Directors, up to an aggregate nominal value of £119,643; and


- (ii) in connection with an offer by way of rights issue in favour of all holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective number of Ordinary shares held by them on the record date of such allotment or to holders of other equity securities as required by the rights of these securities (but subject in either case to such exclusions, limitations, restrictions or other arrangements as the Directors consider necessary, expedient, or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever) at a price of not less than the net asset value per share at allotment, as determined by the Directors;

and shall expire at the conclusion of the Annual General Meeting of the Company in 2014, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

11. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), the Company be and it is hereby generally and unconditionally authorised, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 5p each in the capital of the Company ("Ordinary shares") provided that:

- (i) the maximum aggregate number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for an Ordinary share shall be 5p (exclusive of expenses);
- (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be the higher of:
 - a) 5% above the average of the market values of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary shares for the five business days immediately preceding the date of purchase; and
 - b) the higher of the price of the last independent trade in Ordinary shares and the highest current independent bid for Ordinary shares on the London Stock Exchange; and
- (iv) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase Ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract or contracts.

Registered office:
40 Princes Street
Edinburgh
EH2 2BY


By order of the Board
Aberdeen Asset Management PLC
Secretary
27 December 2012

Notes:

- (i) A member entitled to attend and vote at the meeting may appoint a proxy or proxies to exercise all or any of his/her rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise the rights attached to any one share.
- (ii) A form of proxy is enclosed. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrars, Equiniti Limited, Freepost 10850, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting.
- (iii) The return of a completed proxy form or other such instrument of proxy will not prevent a member attending the Annual General Meeting and voting in person if he/she wishes to do so.
- (iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual and by logging on

Notice of Annual General Meeting continued

to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

- (v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (viii) The right to vote at a meeting is determined by reference to the Company's register of members as at 6.00 p.m. on 5 February 2013 or if this meeting is adjourned, 6.00 p.m. on the day two days prior to the date of the adjourned meeting (excluding non-working days). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.
- (ix) As at 14 December 2012 (being the latest business day prior to the publication of this notice) the Company's issued share capital comprised 47,857,317 Ordinary shares of 5p each. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 14 December 2012 was 47,857,317.
- (x) A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes (i) to (iii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
- (xi) Members who have general queries about the Annual General Meeting should contact the Company Secretary in writing. Members are advised that any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- (xii) It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting or

any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

- (xiii) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the Company's registered office and for 15 minutes prior to, and at, the meeting.
- (xiv) Information regarding the Annual General Meeting is available from the Company's website, www.dunedinsmaller.co.uk
- (xv) As a member, you have the right to put questions at the meeting relating to business being dealt with at the meeting.
- (xvi) Under section 338 of the Companies Act 2006, members may require the Company to give, to members of the company entitled to receive this notice of meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting. Under section 338A of that Act, members may request the company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business.

Corporate Information

Directors

The Earl of Dalhousie, Chairman
T J K Barnes
R M Entwistle
N M Yarrow

Manager and Registered Office

Aberdeen Asset Managers Limited
40 Princes Street
Edinburgh
EH2 2BY
Telephone: 0131 528 4000

Company Registration Number: SC014692

Stockbrokers

Cantor Fitzgerald
17 Crosswall
London, EC3N 2LB

Registrar

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0871 384 2445

(Calls to the above Equiniti number will be charged at 8p per minute from a BT landline. Other telephony providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday excluding bank holidays).

Overseas helpline number: +44 121 415 7047

Auditor

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Website

www.dunedinsmaller.co.uk

Your Company's History

The Company was incorporated on 19 July 1927

Issued Share Capital at 31 October 2012

47,857,317 Ordinary 5p shares

Capital History

7 May 1997	£15,000,000 raised via a 25 year 8.375% Debenture issue
6 July 2000	100,000 Ordinary shares purchased for cancellation
15 March 2002	150,000 Ordinary shares purchased for cancellation
3 August 2004	276,281 Ordinary shares purchased for cancellation
29 November 2006	Pursuant to a Tender Offer for up to 30% of the Ordinary shares in issue, 4,882,087 Ordinary shares were purchased by tender and cancelled at 740.49p per share
30 November 2006	Sub-division of Ordinary shares of 25p each into five Ordinary shares of 5p each
30 November 2006	Bonus Issue of 8,543,496 Subscription shares
1 December 2006	£15,000,000 8.375% Debenture Stock 2022 repaid at a price of £143.09 per £100 nominal of Debenture Stock
28 February 2007	11,717 Subscription shares converted into 5p Ordinary shares
Year ended 31 October 2007	7,642,556 Ordinary shares purchased for cancellation
28 February 2008	2,752 Subscription shares converted into 5p Ordinary shares
Year ended 31 October 2008	1,407,500 Ordinary shares purchased for cancellation
Year ended 31 October 2009	70,000 Ordinary shares purchased for cancellation
28 February 2010	1,779 Subscription shares converted into 5p Ordinary shares
28 February 2011	1,091 Subscription shares converted into 5p Ordinary shares
28 February 2012	1,874 Subscription shares converted into 5p Ordinary shares
14 March 2012	Each outstanding Subscription Share was converted automatically into one deferred share which were immediately redeemed and treated as cancelled.

