DUNEDIN SMALLER COMPANIES INVESTMENT TRUST PLC

ANNUAL REPORT AND ACCOUNTS

31 OCTOBER 2009

COMPANY NUMBER – SC14692

Contents

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 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 Summary

	2009	2008
Net asset value capital return	**+30.0%**	–46.0%
Share price	**+35.9%**	–48.2%
FTSE SmallCap Index (ex Investment Companies)	**+46.7%**	–54.0%
Dividend per share[A]	**4.5p**	4.5p

[A]reflects the dividends declared for the period in which they were earned

Net Asset Value per share with debt at fair value
At 31 October – pence

Share price
At 31 October - pence

Dividends per share
pence

Financial Calendar

14 December 2009	Announcement of results for year ended 31 October 2009
4 February 2010	Annual General Meeting
9 February 2010	Final ordinary dividend payable for year ended 31 October 2009
June 2010	Announcement of interim results for six months ending 30 April 2010
July 2010	Interim ordinary dividend payable for year ending 31 October 2010

Corporate Summary

The Company

The Company is an investment trust and its 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 section 842 of the Income and Corporation Taxes Act 1988, 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 page15.

Capital Structure

As at 31 October 2009, the Company has a capital structure comprising ordinary shares of 5p each and subscription shares of 0.001p each. The Company had an £8 million, 3 year revolving credit facility. This facility expired on 27 November 2009 and was replaced with a new £5 million, 1 year revolving credit facility of which £5 million was drawn down as at 11 December 2009.

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 £64 million and a net asset value of 117.07p per ordinary share at 31 October 2009.

Market Capitalisation

The Company had a market capitalisation of £48 million at 31 October 2009.

Risk

Managing a portfolio of shares in smaller companies necessarily involves certain risks, the more important of which are set out on pages 18 and 39 to 43 of this Annual Report.

The Company has the ability to utilise gearing in the form of a 1 year revolving 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 £59,000 was earned in respect of the year ended 31 October 2009). The agreement is normally 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

Aberdeen Asset Management PLC, 40 Princes Street, Edinburgh EH2 2BY
Email: company.secretary@invtrusts.co.uk

Customer Services

Freephone: 0500 00 00 40
(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

Equity markets continued to fall until the middle of March. From that point however, and through to the end of the financial year, markets staged a remarkable recovery in the face of poor economic news. Investors also regained an appetite for higher risk assets and this was reflected in a sharp rally in the share prices of smaller companies, particularly the more speculative stocks.

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.

Over the twelve months ended 31 October 2009, the Company's capital NAV and share price rose by 30.0% and 35.9% respectively but the FTSE SmallCap Index (excluding Investment Companies) rose by 46.7% - the FTSE 100 Index rose by 15.2%. Our investment portfolio has delivered results ahead of the index in both rising and falling markets in recent years and, while disappointing, the under-performance in this twelve month period reflects the significant gains recorded by a number of the larger stocks in the index many of which were highly indebted and therefore did not meet our investment criteria, as outlined above. The Company maintained an essentially un-geared position over the period and held a net cash position at 31 October 2009.

The subscription shares which are listed on the London Stock Exchange had a closing price of 2.00p per share at 31 October 2009.

The Bank of England, the US Federal Reserve, the European Central Bank and other central banks have injected liquidity into their economies by buying bonds while many commercial and investment banks have been forced to raise additional equity capital to repair weakened balance sheets. While some of the major economies, the United States, Japan, France and Germany, emerged from recession over the summer months, the UK has so far failed to respond to monetary and fiscal stimuli. The GDP report for the third quarter of 2009 was the sixth consecutive quarter of negative returns and marked the weakest period of growth in the UK since 1955. Unemployment is still rising although some stability is emerging in the housing market.

The deterioration in the UK economy, in conjunction with the re-pricing of credit facilities, forced a number of companies to revise downwards their dividend pay-outs. Lower dividends and reduced interest income on cash deposits resulted in the Company's revenue return per share falling from 5.22p to 3.19p. The Board is recommending an unchanged final dividend of 2.65p per share which will be paid on 9 February 2010 to shareholders on the register on 15 January 2010. When combined with the interim dividend of 1.85p, the total dividend for the year will amount to 4.50p (2008 – 4.50p). The Board is utilising a portion of the Company's significant revenue reserves to maintain this year's dividend and following payment of the proposed final dividend the Company's revenue reserves will amount to 6.15p per share. The Board is prepared to utilise these reserves, if required, to maintain dividend payments to shareholders in the medium term, during which time we expect to see an increase in the dividends received from the companies in which we are invested.

During the period the Company repurchased 70,000 ordinary shares at discounts averaging 19%. The Directors 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 2009 was 14.4%, and has remained close to this level since the end of the financial year.

As explained in our financial statements for the year ended 31 October 2008, we recognised a sum of £580,000 representing the VAT charged on our management fees between 2004 and 2007. While claims have been submitted for the VAT incurred on management fees for earlier periods, the remaining amounts recoverable are uncertain and therefore there has been no recognition of any further sums in this year's financial statements.

The Company entered into a three year revolving credit facility with ING Bank in November 2006. Since the end of the financial year this facility expired and has been replaced with a new one year facility of £5 million from the same bank. The margin on the loan has been increased, which is in line with the general re-pricing of credit facilities by banks, although the covenants remain the same.

Global equity markets may have marked a low point in March and investors have anticipated correctly the economic recovery that is now emerging in many of the major economies. The UK economy however has failed to respond so far. Many smaller companies have cut costs, increased balance sheet flexibility and are well-placed to take advantage of any recovery but profits and dividends from UK companies need to show signs of improvement to support current market levels and to extend this rally in share prices.

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 the Manager's office at 40 Princes Street, Edinburgh, on 4 February 2010, at 12.00 noon. 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.

The Earl of Dalhousie
Chairman
11 December 2009

Manager's Review

It has been a quite remarkable year for both the global economy and equity markets. It can best be described as having been a "year of two halves." As we started the year last November, global financial markets were in a state of panic. The banking crisis was in full swing and the scale of the impending recession was becoming increasingly clear. It was the decision of the US authorities to allow Lehman Brothers to go bankrupt that created the greatest fear. Suddenly the scale of systemic risk became apparent and there was a widespread belief that we could be facing a depression on the scale of that experienced in the 1930's.

During October the international authorities had launched concerted action to prevent this from happening. Measures included an announcement that the UK would launch, what was until a few days hence, the largest bank rescue package ever. Shortly afterwards the highly unusual co-ordinated cuts in interest rates by the Federal Reserve, ECB, Bank of England and various other central banks was announced. Subsequently the US and Eurozone governments stated that they would follow the British model of re-capitalising certain banks.

Equity markets were surprisingly resilient in the face of such news and indeed during November the FTSE 100 recorded its largest ever one day gain. Smaller companies fared less well as investor appetite for risk continued to decline. Volatility remained very high and, at a time when unprecedented could be used to describe almost any action being taken by any central bank or government, the Bank of England reduced interest rates by a quite remarkable 1.5% - this reduction and subsequent reductions are shown in the table on page 7. Stimulus and rescue packages were being announced around the world almost daily. It was something of an alphabet soup of acronyms but what was becoming clear was that the authorities were prepared to provide massive levels of resource in an attempt to stabilise the global economy.

In the so called real economy the recession was developing far more rapidly than had been anticipated. Companies were talking of an almost complete cessation of demand towards the end of the fourth quarter. Management teams were faced with a very difficult situation where they lacked any visibility and simply could not take costs out fast enough. The scale and speed of demand destruction was causing high levels of volatility in commodity prices and oil, which had peaked at $147 per barrel earlier in 2008 had fallen to $32 by December. This had the positive effect of reducing inflationary expectations which made it easier for various central banks to adopt increasingly accommodative policies, and this was evidenced in the UK by a further 1% reduction in base rates.

Unemployment continued to rise, though it was noticeable that the increases were less than might have been expected as companies and workers adopted more flexible practices in an effort to preserve jobs. The housing market remained dire and transactions fell to a 30 year low. Remarkably the consumer was proving to be more resilient than originally thought, but even so a handful of well known High Street names, including Woolworths, Zavvi and Adams were forced into administration.

As we entered the New Year there was no sign that the problems were going to ease. The banks had essentially stopped lending, the Obama stimulus package failed to provide a fillip to markets despite a fiscal Bill of $789 billion, the release of an additional $350 billion of funds for the Troubled Asset Relief Program (TARP) and a $75 billion package to help homeowners. In the UK the Royal Bank of Scotland announced the largest corporate loss in history and interest rates were reduced by a further 0.5% to 1.5% their lowest level since the formation of the Bank of England. February continued to be very difficult for markets and although small companies again outperformed their larger peers this was in large part due to the travails being experienced by the banking, life assurance and real estate sectors. The Monetary Policy Committee reduced interest rates to 1% and indicated that there was limited scope for further conventional easing. Attention therefore switched to quantitative easing policies. Simplistically this means that the Bank of England is buying up gilts and bonds.

March signalled the beginning of the "second half." There were a number of positive announcements, some more significant than others but in aggregate they led to a pick up in appetite for risk and the start of a quite remarkable rally in equity markets. In the US there was an announcement of a $1 trillion scheme to remove toxic assets from banks' balance sheets and some banks began to report that they had traded profitably in the first quarter. In the UK the Bank of England commenced its programme of quantitative easing and also reduced interest rates by a further 0.5% to 0.5%, where they remain. The deterioration in the housing market began to slow and RPI avoided entering deflationary territory.

April was an extraordinary month especially for smaller companies. The index had been re-balanced during March and a number of large but financially distressed businesses had entered it. As the pace of rescue rights issues accelerated and investors' focus moved from concerns over survivability to the beginnings of optimism about the future, investor appetite for risk increased further and the rally accelerated strongly. A clear characteristic of this rally was the recovery in cyclical companies especially those with the most distressed balance sheets, many of which could be best described as little more than warrants on the market.

Equities continued to move upwards during the summer and, as various earnings reports were published, it was the case that many companies were hitting expectations, although it was also apparent this was generally due to cost cutting rather than actual growth. There were still no signs that the availability of liquidity was improving for companies and it was very difficult to determine if the liquidity being injected by the Bank of England was reaching its intended targets.

By late summer many companies were reporting that the rate of deterioration had slowed and they now regarded themselves as entering a period of stability and indeed hopefully eventual growth. However, as Mervyn King observed it is not just a matter of returning to growth but also the absolute level of activity that is important. Even with above trend levels of growth, as might be expected as we exit a recession, the damage done to the economy has been so severe that it will be some time before we return to the level we were at prior to the crisis. In August, the Monetary Policy Committee announced an additional £50 billion of quantitative easing, perhaps the most striking aspect of the announcement being that the Governor and two other members of the Committee had favoured an even larger increase. The September reporting season was broadly in line with expectations particularly for those companies with sound management teams, who, whilst they may have been caught out by the initial pace of the recession, have now had time to adjust their cost bases to an appropriate level. Although markets have continued to rise, there have been signs that investors are becoming more demanding with companies that merely meet, rather than beating, expectations receiving only a fraction of the share price appreciation that would have been the case.

Bank of England Base Rate

31 October 2008	4.50%
6 November 2008	3.00%
4 December 2008	2.00%
8 January 2009	1.50%
5 February 2009	1.00%
5 March 2009	0.50%
31 October 2009	0.50%

Portfolio

In light of the uncertainty facing the market the Company has maintained an essentially ungeared position over the year. Where gearing has been deployed it has been limited and has been used to fill the gaps that arise when managing a portfolio in an environment of low liquidity. The Company exited the year in a net cash position.

Clearly this has been a much better year for smaller companies than last year. However it has been a very volatile period and there have been very significant differences between the strongest and weakest performers. In such an environment it has been very important to avoid those businesses where a sudden deterioration in the trading environment has exposed what have turned out to be dangerously stretched balance sheets. Our investment process has served us well in this regard and we have maintained a disciplined approach to stock selection throughout the year. This has meant that there have been companies, very often with stretched balance sheets, that have performed particularly strongly, with some share prices rising several hundred per cent as appetite for risk increased. It would not be appropriate for us to invest in businesses with this level of financial leverage, instead we have focussed on trying to improve the overall quality of the portfolio as companies that we have been watching for some time have become available at attractive valuations. This has meant though that in the short term the Company has not participated fully in the rally.

Dividend cuts have been one of the defining features of the market over the last year. Across the market capitalisation scale, companies have sought to preserve cash either through necessity or because they have been seeking to improve their competitive position when the economy improves. The portfolio has suffered its share of these cuts though pleasingly it has had relatively few companies that have been forced to pass the dividend altogether. The diversified nature of the portfolio has meant that no single company has had an unmanageable impact on dividend receipts. It is worth noting that the dividend stream from the smaller company universe is much more diverse than that available from large companies and consequently the Company's income stream has a lower risk of being significantly reduced by a single sector based event like the banking crisis.

There have been a number of success stories in the portfolio over the year. Venture Production, the North Sea based developer and operator of gas assets, was acquired by Centrica. BPP, the provider of post-graduate training, had become the first for-profit organisation in the UK to be granted degree-awarding powers. The scale of the potential arising from this opportunity was illustrated when the company was acquired by the American organisation Apollo. John Menzies has had a very strong year. Despite the well publicised difficulties facing the aviation industry the company has successfully adjusted its cost base in a timely manner. At the same time its distribution business has been very successful taking market share from a major competitor. The cash flows from this business will provide the capital necessary to facilitate further growth in the aviation business when the opportunities arise. Mothercare has continued to successfully develop its business and the growth from its overseas operations has been particularly pleasing. This, combined with a strong balance sheet, has allowed Mothercare to increase its dividend by almost 21% this year.

McBride is a manufacturer of private label personal and household goods. It has had a very good year as consumers have increasingly recognised the value-for-money represented by their products and this has allowed them to both grow sales and improve their margins. An unusual occurrence for a manufacturer during a recession.

Some companies in the portfolio have had rights issues during the year. These have ranged from companies that have been required to repair what had become stretched balance sheets to those that were purely for expansion. Where management teams have provided a suitably robust explanation of their requirement for additional funds we have supported our investments. Share prices and operational performances to date indicate that his has been the correct course of action.

Outlook

It is the case that, in aggregate, global economic news flow is improving. The US has declared itself to be out of recession, unemployment has not yet reached the levels that were anticipated at the start of the year, the housing market in the UK and the US is stabilising, Asia is demonstrating its ongoing growth characteristics, talk of decoupling has re-emerged and merger and acquisition activity has reignited across the market, albeit utilising higher levels of equity than was previously the case.

Management teams across industries are increasingly talking about an end to the problem of de-stocking, a stabilisation of demand and even visibility of a return to growth. As we move through the year, comparatives are easing markedly, a return to growth in the UK next year can be forecast with increasing levels of confidence and the analytical community is moving away from playing catch up with their earnings downgrades to the reverse situation whereby they find themselves to have been overly pessimistic with their assumptions for profitability in the event of a recovery. However, it seems that valuations have more than captured this potential upside, and have dismissed completely the possibility that we face further setbacks in the economy over the short and medium term. In the face of issues such as the unexpectedly high levels of investor appetite for risk, the lack of growth in sales forecasts for the market as a whole, the impending negative impacts of a decrease in public spending, steeply rising taxation and unemployment, the lack of clarity as to whether it is a deflationary or an inflationary medium term threat that awaits us and the requirement for the entire financial system to continue to de leverage, it would seem that there is an additional factor at work. This would appear to be the ongoing use of massive stimulus through historically low interest rates and ever rising levels of quantitative easing.

October saw the release of what were shocking Q3 GDP numbers in the UK, with the economy proving to still be contracting rather than having returned to expansion as had been widely anticipated. Under normal circumstances such news would have had a markedly deleterious effect on markets, yet on this occasion investors shrugged it off as they took the view that this would mean lower interest rates for longer and a deferral of the eventual exit from quantitative easing. Such a mindset does not provide a solid foundation to further gains in equities. Nevertheless it remains the case that it is possible to buy attractively valued companies. However in light of the uncertainties outlined above it will remain important to focus on quality, as defined by balance sheet strength, cash flow and transparent profitability.

Ed Beal
Aberdeen Asset Managers Limited
11 December 2009

Results

Financial Summary

	31 October 2009	31 October 2008	% change
Total assets less current liabilities (before deducting bank loan)	£64,020,000	£51,170,000	
Equity shareholders' funds (Net Assets)	£56,020,000	£43,170,000	
Share price (mid market)	100.25p	73.75p	35.9
Net Asset Value per share	117.07p	90.08p	30.0
FTSE SmallCap Index (ex IC's) (capital gains basis)	2,438.09	1,662.39	46.7
Discount (difference between share price and net asset value)			
where borrowings are deducted at par	14.4%	18.1%	
Gearing (ratio of borrowing to shareholders' funds)			
Actual gearing ratio	(4.08%)	(4.83%)	
Potential gearing ratio	14.28%	18.53%	
Dividends and earnings			
Total return per share[A]	31.44p	(73.59p)	
Revenue return per share	3.19p	5.22p	(38.9)
Dividends per share[B]	4.50p	4.50p	
Dividend cover (including proposed final dividend)	0.71	1.16	
Revenue reserves[C]	£4,209,000	£4,831,000	
Operating costs			
Total expense ratio	1.44%	1.57%	

[A] Measures the total revenue and capital return for the year divided by the weighted average number of ordinary shares in issue (see Income Statement).

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

[C] The revenue reserve figure does not take account of the proposed final dividend amounting to £1,268,000 (2008 – £1,268,000).

Performance

	1 year % return	3 year % return	5 year % return
Capital return			
Share price	35.9	(30.6)	24.4
Net Asset Value per share	30.0	(27.4)	12.1
FTSE SmallCap Index (ex IC's)	46.7	(31.0)	(6.1)
Total return (Capital return plus dividends reinvested)			
Share price	44.2	(21.0)	50.0
Net Asset Value per share	36.6	(18.9)	31.4
FTSE SmallCap Index (ex IC's)	52.2	(23.9)	8.3

Dividends

	Rate per share	xd date	Record date	Payment date
Proposed final dividend 2009	2.65p	13 January 2010	15 January 2010	9 February 2010
Interim dividend 2009	1.85p	8 July 2009	10 July 2009	24 July 2009
2009	**4.50p**			
Final dividend 2008	2.65p	14 January 2009	16 January 2009	9 February 2009
Interim dividend 2008	1.85p	9 July 2008	11 July 2008	25 July 2008
2008	**4.50p**			

Performance

Ten Year Financial Record

Year to 31 October	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenue available for ordinary dividends (£'000)	2,510	2,243	1,647	2,002	2,403	2,795	3,128	2,432[A]	2,517	1,525
Per share										
Net revenue return (p)	3.0	2.7	2.0	2.4	2.9	3.4	3.8	4.5	5.2	3.2
Net dividends paid/proposed (p)	2.6	2.6	2.6	2.6	2.8	3.1	3.6	4.25	4.5	4.5
Net asset value (p)	134.8	95.9	68.9	90.1	102.6	123.3	161.3	167.0	90.1	117.1
Total return (p)	35.6	(23.7)	(24.4)	23.8	14.8	21.8	41.1	4.4	(73.6)	31.4
Shareholders' funds (£'000)	112,708	80,321	57,224	74,752	83,627	100,515	131,397	82,364	43,170	56,020

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

The per share values for the years 2000 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 2009

Company	Sector classification	Value of holding 2009 £'000	Total assets %	Value of holding 2008 £'000
McBride McBride is the UK's leading manufacturer of own label personal and household goods. They have a growing European business. Own label markets have been exhibiting growth for some time, this trend is being accentuated by the current tough economic conditions.	Household Goods	2,056	3.2	1,609
Chemring Group Chemring specialises in the manufacture of countermeasures for military customers. There is increasing use of these devices as armed forces seek to protect their assets. The company also has a rapidly growing energetics business.	Aerospace & Defence	1,825	2.9	1,145
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	1,808	2.8	1,817
BSS Group BSS is a distributor of lightside heating and plumbing products. It operates in both the domestic and industrial arenas. Many of its products are focused on the repair and maintenance markets and have shown themselves to be more defensive than the overall building supplies market.	Support Services	1,671	2.6	899
Ultra Electronics Ultra Electronics is a manufacturer of electronic products for the defence industry. The main products are for submarine detection, missile launch systems and battlespace technology.	Aerospace & Defence	1,609	2.5	1,463
Morgan Sindall Morgan Sindall is a building contractor. The company is a market leader in the fit out and infrastructure markets. Additionally, they serve the regional construction and urban regeneration markets. The latter provides them with a solid pipeline of opportunity and long order book. The company benefits from having a strong net cash balance sheet.	Construction & Materials	1,609	2.5	895
Mothercare Mothercare is the UK's leading provider of pre and post natal clothing and products for both a mother and her baby. They have a rapidly growing international business where their acknowledged expertise has facilitated the development of a valuable franchise.	General Retailers	1,544	2.4	971
Menzies (John) John Menzies is a logistics support service group. Their newspaper, magazine and periodicals distribution business has been successful winning a large number of contracts and taking market share from a competitor. Their aviation business is international in nature and provides ground and cargo handling to a broad range of airlines.	Support Services	1,420	2.2	749
Keller Group Keller is an international ground engineering specialist. They are the market leader in most of their markets and also have the broadest product offering. Their market is expected to grow at in excess of GDP as increasing use of brown field land necessitates increasing use of ground engineering.	Construction & Materials	1,416	2.2	–
Weir Group Weir is a market leader in the manufacture of industrial pumps and valves. Their products are sold into minerals, oil and gas and energy end markets. They have a large and growing service business which provides resilience during a slowing market.	Industrial Engineering	1,402	2.2	530
Ten largest investments		**16,360**	**25.5**	

Investment Portfolio – Other Investments

As at 31 October 2009

Company	Sector classification	Value of holding 2009 £'000	Total assets %	Value of holding 2008 £'000
Savills	Real Estate	1,395	2.2	993
Wilmington Group	Media	1,358	2.1	926
RPC Group	General Industrials	1,309	2.0	489
Fenner	Industrial Engineering	1,262	2.0	694
XP Power	Electronic & Electrical Equipment	1,241	2.0	728
Numis Corporation	Financial Services	1,232	1.9	907
Rensburg Sheppards	Financial Services	1,174	1.8	689
Chloride Group	Electronic & Electrical Equipment	1,166	1.8	953
Robert Walters	Support Services	1,148	1.8	503
Holidaybreak	Travel & Leisure	1,141	1.8	582
Twenty largest investments		28,786	44.9	
Intermediate Capital Group	Financial Services	1,111	1.7	904
Care UK	Health Care Equipment & Services	1,099	1.7	439
Huntsworth	Media	1,079	1.7	650
Restaurant Group	Travel & Leisure	1,042	1.6	1,125
Oxford Instruments	Electronic & Electrical Equipment	1,008	1.6	617
Bloomsbury Publishing	Media	996	1.6	1,222
Hornby	Leisure Goods	950	1.5	605
RM	Software & Computer Services	880	1.4	831
Zotefoams	Chemicals	875	1.4	778
British Polythene	General Industrials	860	1.3	965
Thirty largest investments		38,686	60.4	
Umeco	Aerospace & Defence	859	1.3	533
Low & Bonar	Construction & Materials	857	1.3	631
Greggs	Food & Drug Retailers	849	1.3	611
Fuller Smith & Turner 'A'	Travel & Leisure	847	1.3	523
Barr (AG)	Beverages	830	1.3	744
Victrex	Chemicals	822	1.3	974
Laird	Electronic & Electrical Equipment	754	1.2	508
Dignity	General Retailers	747	1.2	–
SIG	Support Services	704	1.1	423
Chaucer Holdings	Non-Life Insurance	673	1.1	552
Forty largest investments		46,628	72.8	
Headlam Group	Household Goods	667	1.0	457
TT Electronics	Electronic & Electrical Equipment	620	1.0	400
Fisher (J) & Sons	Industrial Transportation	595	0.9	–
Acal	Support Services	587	0.9	497
Anite Group	Software & Computer Services	571	0.9	536
Clarke (T)	Construction & Materials	567	0.9	707
Mouchel Group	Support Services	527	0.8	871
Bellway	Household Goods	524	0.8	386
Interserve	Support Services	514	0.8	407
Helical Bar	Real Estate	481	0.8	–
Fifty largest investments		52,281	81.6	

Company	Sector classification	Value of holding 2009 £'000	Total assets %	Value of holding 2008 £'000
Aveva Group	Software & Computer Services	450	0.7	378
Management Consulting Group	Support Services	420	0.7	657
Forth Ports	Industrial Transportation	371	0.6	327
Havelock Europa	Household Goods	212	0.3	218
Total investments		**53,734**	**83.9**	
Net current assets[A]		**10,286**	**16.1**	
Total assets		**64,020**	**100.0**	

[A] Excludes bank loan of £8,000,000 (2008 – £8,000,000).

Sector Analysis

As at 31 October 2009

		FTSE SmallCap Index (ex IC's) weighting %	Portfolio weightings 31 October 2009 %	31 October 2008 %
Basic Materials	Chemicals	2.22	2.65	3.42
	Industrial Metals	0.82	–	–
	Mining	2.67	–	–
		5.71	**2.65**	**3.42**
Consumer Goods	Beverages	–	1.30	1.45
	Food Producers	2.08	–	–
	Household Goods	1.60	5.40	5.22
	Leisure Goods	1.55	1.48	1.18
		5.23	**8.18**	**7.85**
Consumer Services	Food & Drug Retailers	0.41	1.33	1.19
	General Retailers	4.84	3.58	1.90
	Media	5.97	5.36	5.97
	Travel & Leisure	3.69	4.73	4.36
		14.91	**15.00**	**13.42**
Financials	Financial Services	4.52	5.49	4.89
	Life Insurance	1.44	–	–
	Non-life Insurance	1.80	1.05	1.08
	Real Estate	12.84	2.93	2.94
		20.60	**9.47**	**8.91**
Health Care	Health Care Equipment & Services	3.37	1.72	0.86
	Pharmaceuticals & Biotechnology	4.70	2.82	3.55
		8.07	**4.54**	**4.41**
Industrials	Aerospace & Defence	2.32	6.71	6.14
	Construction & Materials	5.35	6.95	4.67
	Electronic & Electrical Equipment	1.31	7.48	6.27
	General Industrials	1.49	3.39	3.07
	Industrial Engineering	3.76	4.16	2.39
	Industrial Transportation	3.79	1.51	0.64
	Support Services	13.88	10.92	14.03
		31.90	**41.12**	**37.21**
Oil & Gas	Oil & Gas Producers	1.68	–	1.66
		1.68	**–**	**1.66**
Technology	Software & Computer Services	7.89	2.97	3.41
	Technology Hardware & Equipment	2.29	–	–
		10.18	**2.97**	**3.41**
Telecommunications	Fixed Line Telecommunications	1.72	–	–
		1.72	**–**	**–**
	Total equities	**100.00**	**83.93**	**80.29**
	Net current assets before borrowings[A]	–	16.07	19.71
	Total assets less current liabilities	**100.00**	**100.00**	**100.00**

[A] Excludes bank loan of £8,000,000 (2008 – £8,000,000).

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 2009 managed a combined £144.3 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 41 investment trusts and other closed-end funds representing £8.9 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

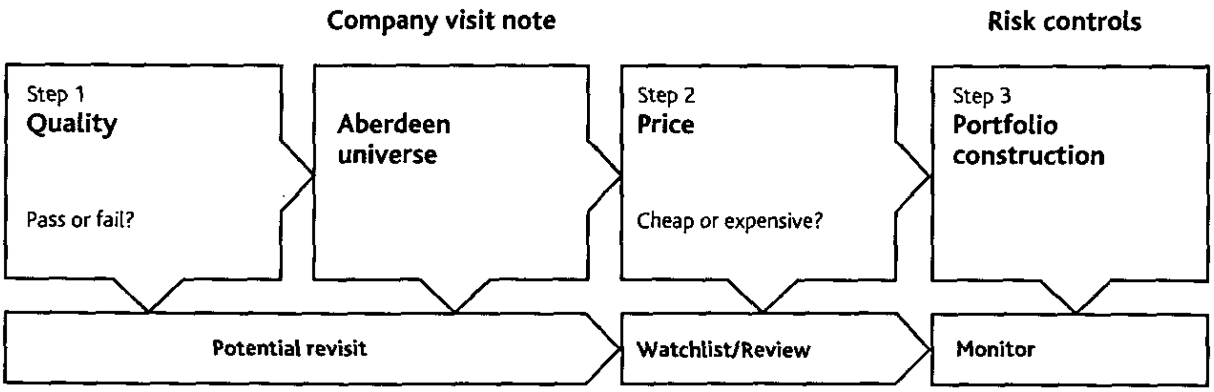
The Manager's investment philosophy is that markets are not always efficient. We (AAM) believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake 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, and 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: 61
Length of service: 16 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: 5 February 2009
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £20,800
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 and 3,000 subscription shares

T J K Barnes

Status: Independent Non-Executive Director
Age: 48
Length of service: 6 years, appointed a Director on 1 December 2003
Experience: is chief executive of Dobbies Garden Centres and a former investment banker
Last re-elected to the Board: 8 February 2007
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £15,600
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: 12,825 5p ordinary shares and 1,923 subscription shares

R M Entwistle

Status: Independent Non-Executive Director and Senior Independent Director
Age: 65
Length of service: 11 years, appointed a Director on 18 December 1998
Experience: is chairman of Adam & Company and a Fellow of the Chartered Institute of Bankers. He is also a director of J & 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: 7 February 2008
Committee membership: Audit Committee, Management Engagement Committee and Chairman of Nomination Committee
Remuneration: £15,600
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 and 4,500 subscription shares

N M Yarrow

Status: Independent Non-Executive Director
Age: 49
Length of service: 11 years, appointed a Director on 21 May 1998
Experience: is a director of NVM Private Equity, a member of the Institute of Chartered Accountants of Scotland and Trustee for Project Scotland
Last re-elected to the Board: 8 February 2007
Committee membership: Chairman of the Audit Committee and Management Engagement Committee and member of the Nomination Committee
Remuneration: £18,200
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 and 3,000 subscription 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 8. 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 which 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 Section 842 of the Income and Corporation Taxes Act 1988, 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)
- Total Expense Ratio

A record of these measures is disclosed on page 9.

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 2.65p (2009 – 2.65p) is paid on 9 February 2010 to shareholders on the register on 15 January 2010. The ex-dividend date is 13 January 2010.

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 SC 14692.

The Company has been approved by the Inland Revenue as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 October 2008. The Directors are of the opinion, under advice, that the Company has conducted its affairs for the year ended 31 October 2009 so as to be able to continue to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for that year.

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 2009 and 1 November 2008 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table on the page below.

	31 Oct 2008		**31 Oct 2009**	
	Ord 5p	**Sub shares**	**Ord 5p**	**Sub shares**
The Earl of Dalhousie	20,000	3,000	20,000	3,000
T J K Barnes	12,825	1,923	12,825	1,923
R M Entwistle	30,000	4,500	40,000	4,500
N M Yarrow	20,000	3,000	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 22 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 26 November 2010. 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 auditors 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 auditors are unaware, and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Additionally, there are no important events since the year end.

Auditors

The Company's auditors, KPMG Audit Plc, are willing to continue in office, and resolutions will be proposed at the AGM to reappoint them and to authorise the Directors to fix their remuneration. The Directors have reviewed the level of non-audit services provided by the auditors during the year, together with the auditors' 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

Under resolution 8 it is proposed that, in line with common practice, the Directors be authorised to allot up to £789,567 of relevant securities (as defined in that resolution) in the Company (equivalent to 15,791,349 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 2011. The Directors have no current intention to utilise this authority.

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 9) at the AGM which, if passed, will allow them to allot equity securities for cash up to an aggregate nominal value of £119,631 as if Section 561(1) did not apply. This authority will lapse (unless renewed) at the conclusion of the AGM in 2011. 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 and subscription shares in the market (resolutions 10 and 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, and the maximum aggregate number of subscription shares which may be purchased pursuant to the authority shall be 14.99% of the subscription shares in issue as at the date of the passing of the resolution. The minimum price which may be paid for an ordinary share and subscription share shall be 5p and 0.001p respectively (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 or subscription 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 or subscription shares (as appropriate).

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 10, the Company will have the option of either holding in treasury or of cancelling any of its own shares purchased pursuant to the authority and will decide at the time of purchase which option to pursue. The Directors will have regard to any guidelines issued by investor groups at the time of any such purchase, holding or re-sale of treasury shares, but the Directors would not in any circumstances sell treasury shares at less than the net asset value per ordinary share prevailing at the time of sale. Purchases of subscription shares will only be made through the market at prices where the Directors believe such purchases will enhance ordinary shareholder value.

This authority will last until the conclusion of the AGM of the Company to be held in 2011 (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, with the aim of maximising the benefit to shareholders.

The above resolutions will give the Directors additional flexibility going forward, and the Directors consider that it will be in the interest of the Company that such powers be available. Accordingly, the Directors recommend that shareholders vote in favour of the above resolutions. Such powers will only be implemented when, in the view of the Directors, to do so will be for the benefit of all shareholders.

Amendment to Articles of Association
The law in relation to companies has been undergoing a number of changes following the introduction of new companies legislation in the United Kingdom under the Companies Act 2006 ("2006 Act") and the implementation of the Companies (Shareholders Rights) Regulations 2009 ("Regulations") which were introduced in August of this year. The changes brought about by the 2006 Act have been implemented in stages, and the remaining parts were implemented on 1 October 2009. The Company has been updating its Articles in stages to accommodate the revisions required as a consequence of the latest parts of the 2006 Act to be implemented. Whilst the majority of the changes introduced on 1 October 2009 will apply automatically to the Company, it is best practice to update the Company's Articles to reflect the law when the opportunity arises. Accordingly, resolution 12(b) is a special resolution relating to the adoption of new Articles of Association ("New Articles") in order to ensure full compliance with the provisions of the 2006 Act.

The principal changes proposed to be made to the existing Articles of Association to incorporate these changes ("Existing Articles") at the Company's AGM are detailed in the Appendix at the back of this Annual Report. The proposed New Articles showing all the changes are available for inspection at the Company's registered office from the date of this Annual Report until the close of the AGM.

Recommendation
Your Board considers resolutions 8, 9, 10, 11 and 12 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 resolutions 8, 9, 10, 11 and 12 to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings, amounting to107,825 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 22 to 24. 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
11 December 2009

Statement of Corporate Governance

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 Combined Code on Corporate Governance (the "Combined Code") issued in June 2008 (appended to the UK Listing Authority Listing Rules and 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 Combined 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 (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 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.

The Board has in place the necessary procedures 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.

Directors have attended Board and Committee meetings during the year ended 31 October 2009 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)	3 (4)	1 (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 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.

Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that as at 31 October 2009 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 2009 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 on the Combined Code.

The Board has reviewed the effectiveness of the system of internal control. 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 2009 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 October 2009 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 October 2009. The results of the assessment were then reported to the Board at the next Board meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are 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 auditors to review their proposed audit programme of work and the findings of the auditors. 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 auditors 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 auditors and to approve the remuneration and terms of engagement of the auditors; and
- to monitor and review annually the auditors' independence, objectivity, effectiveness, resources and qualification.

The non-audit fee of £4,000 paid to the auditors during the year was for the interim review. Shareholders have the opportunity at each AGM to vote on the appointment of the auditors 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 10 December 2009, 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]	12,544,277	26.2
Aberdeen Asset Managers[A] *	10,954,548	22.9
(*Includes Windsor Life Assurance)	2,576,827	5.4
Derbyshire County Council	3,400,000	7.1
DC Thomson & Company Ltd	2,030,000	4.2
Legal & General Investment Management Ltd[A]	1,964,807	4.1

[A] Non-beneficial interest

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 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 all shares held by the Company.

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, however, is to deliver superior investment return for their shareholders. Accordingly, whilst the Manager will seek to favour companies which pursue best practice in the above areas, this must not be to the detriment of the return on the investment portfolio.

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 auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' 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 2010 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 remain the same.

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). 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:

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 11 December 2009 and signed on its behalf by:

Dalhousie

The Earl of Dalhousie
Chairman
11 December 2009

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 Corporate Governance Statement 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
11 December 2009

Independent Auditors' 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 2009 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 sections 495, 496 and 497 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 auditors' 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 auditors

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 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 web-site at www.frc.org.uk/apb/scope/UKP.

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 2009 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; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Gareth Horner

Gareth Horner (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditors
Chartered Accountants
Edinburgh

11 December 2009

Income Statement

	Notes	Year ended 31 October 2009 Revenue return £'000	Capital return £'000	Total return £'000	Year ended 31 October 2008 Revenue return £'000	Capital return £'000	Total return £'000
Gains/(losses) on investments	9	–	13,839	13,839	–	(37,560)	(37,560)
Income	2	1,979	–	1,979	3,039	–	3,039
Investment management fee	3	(55)	(224)	(279)	(67)	(515)	(582)
VAT recoverable on investment management fees	19	–	–	–	74	506	580
Administrative expenses	4	(367)	–	(367)	(380)	–	(380)
Net return before finance costs and taxation		1,557	13,615	15,172	2,666	(37,569)	(34,903)
Finance costs	5	(32)	(97)	(129)	(149)	(446)	(595)
Return on ordinary activities before taxation		1,525	13,518	15,043	2,517	(38,015)	(35,498)
Taxation	6	–	–	–	–	–	–
Return on ordinary activities after taxation		**1,525**	**13,518**	**15,043**	**2,517**	**(38,015)**	**(35,498)**
Return per ordinary share (pence):	8	**3.19**	**28.25**	**31.44**	**5.22**	***(78.81)***	***(73.59)***

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

Non-current assets	Notes	As at 31 October 2009 £'000	As at 31 October 2008 £'000
Investments at fair value through profit or loss	9	53,734	41,083
Current assets			
Debtors and prepayments	10	768	912
UK Treasury Bills	16	-	2,963
Cash and short term deposits	16	10,048	6,422
		10,816	10,297
Creditors: amounts falling due within one year			
Bank loan	11,16	(8,000)	(8,000)
Other creditors	11	(530)	(210)
		(8,530)	(8,210)
Net current assets		2,286	2,087
Net assets		**56,020**	**43,170**
Capital and reserves			
Called-up share capital	12	2,393	2,396
Share premium account		24	24
Capital redemption reserve		2,233	2,230
Capital reserve	13	47,161	33,689
Revenue reserve		4,209	4,831
Equity shareholders' funds		**56,020**	**43,170**
Net asset value per ordinary share (pence):	17	**117.07**	**90.08**

The financial statements were approved by the Board of Directors and authorised for issue on 11 December 2009 and were signed on its behalf by:

Dalhousie

The Earl of Dalhousie
Director

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

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 October 2009

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve [A] £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2008		2,396	24	2,230	33,689	4,831	43,170
Purchase of own shares		(3)	–	3	(46)	–	(46)
Return on ordinary activities after taxation		–	–	–	13,518	1,525	15,043
Dividends paid	7	–	–	–	–	(2,147)	(2,147)
Balance at 31 October 2009		**2,393**	**24**	**2,233**	**47,161**	**4,209**	**56,020**

For the year ended 31 October 2008

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2007		2,466	19	2,160	73,307	4,412	82,364
Issue of subscription shares		–	5	–	–	–	5
Purchase of own shares		(70)	–	70	(1,603)	–	(1,603)
Return on ordinary activities after taxation		–	–	–	(38,015)	2,517	(35,498)
Dividends paid	7	–	–	–	–	(2,098)	(2,098)
Balance at 31 October 2008		**2,396**	**24**	**2,230**	**33,689**	**4,831**	**43,170**

[A] 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

	Notes	Year ended 31 October 2009 £'000	Year ended 31 October 2009 £'000	Year ended 31 October 2008 £'000	Year ended 31 October 2008 £'000
Net cash inflow from operating activities	14		1,401		2,075
Servicing of finance					
Interest paid			(130)		(604)
Financial investment					
Purchases of investments		(7,612)		(8,086)	
Sales of investments		9,197		11,997	
Net cash inflow from financial investment			1,585		3,911
Equity dividends paid	7		(2,147)		(2,098)
Net cash inflow before use of liquid resources and financing			709		3,284
Net cash inflow from management of liquid resources			2,963		6,350
Net cash inflow before financing			3,672		9,634
Financing					
Repayment of bank loan		–		(2,000)	
Repurchase of own shares		(46)		(1,603)	
Issue of subscription shares		–		5	
Net cash outflow from financing			(46)		(3,598)
Increase in cash	15		**3,626**		**6,036**

Reconciliation of net cash flow to movements in net funds			
Increase in cash as above		3,626	6,036
Net change in liquid resources		(2,963)	(6,350)
Change in net funds resulting from cash flows		663	(314)
Repayment of bank loan		–	2,000
Movement in net funds in the year		663	1,686
Opening net funds/(debt)		1,385	(301)
Closing net funds	16	**2,048**	**1,385**

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

Notes to the Financial Statements For the year ended 31 October 2009

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' (issued in January 2009 and adopted early). The early adoption of the January 2009 SORP had no effect on the financial statements of the Company, other than:

– the requirement to disclose separately capital reserves that relate to the revaluation of investments held at the reporting date. These are disclosed in note 13. This new requirement replaces the previous requirement to disclose the value of the capital reserve that was unrealised.

– the requirement to present tax reconciliations based on the total column of the Income Statement rather than the revenue column as was previously recommended. The reconciliation is disclosed in note 6.

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).

(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.

(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.

2. Income	2009 £'000	2008 £'000
Income from investments[A]		
UK dividend income	1,730	2,424
Overseas dividend income	85	85
	1,815	2,509
Other income[B]		
Interest from AAA rated Money Market funds	–	34
Interest on Treasury Bills	26	150
Deposit interest	128	344
Underwriting commission	10	2
	164	530
Total income	**1,979**	**3,039**

[A]All 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.

[B]Other income on financial assets not designated fair value through profit or loss.

	2009			2008		
3. Investment management fee	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Investment management fee	55	165	220	67	200	267
Performance fee	–	59	59	–	315	315
	55	**224**	**279**	**67**	**515**	**582**

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 IC's) over the twelve month period.

The management agreement between the Company and the Manager is normally 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 chargeable wholly to capital.

4. Administrative expenses	2009 £'000	2008 £'000
Directors' fees	70	68
Auditors' remuneration :		
– fees payable to the Company's auditor :		
– for the audit of the annual accounts	14	14
– fees payable to the Company's auditor and its associates for other services:		
– *interim review*	4	4
Secretarial fee	71	68
Investment Trust Initiative	27	37
Registrar's fees	38	37
Advisory fees	25	25
Legal fees	4	4
Loan commitment fee	–	8
Irrecoverable VAT	31	40
Other expenses	83	75
	367	**380**

The secretarial fee of £71,000 (2008 – £68,000) was paid to the Manager.

The Investment Trust Initiative expense of £27,000 (2008 – £37,000) was paid to the Manager in respect of marketing and promotion of the Company.

5. Finance costs	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Finance liabilities not at fair value through profit or loss:						
Bank loan interest	**32**	**97**	**129**	**149**	**446**	**595**

6. Taxation

There is no liability to corporation tax for the year (2008 – nil).

	2009 £'000	2008 £'000
Return on ordinary activities before taxation	15,043	(35,498)
Tax thereon at 28% (2008 – 28.83%)	4,212	(10,234)
Effects of:		
Non taxable UK dividends	(484)	(699)
Non taxable overseas dividends	(11)	–
(Gains)/losses on investments not taxable	(3,875)	10,828
Excess expenses not utilised	158	105
	–	–

At the year end, the Company had surplus management expenses and loan relationship losses of £24,968,000 (2008 – £24,402,000). 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. This is because the Company is not expected to generate taxable income in a future period in excess of deductible expenses for that future period and, accordingly, is unlikely to be able to reduce future tax liabilities by offsetting these losses.

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

7. Dividends	**2009 £'000**	**2008 £'000**
Amounts recognised as distributions to equity holders in the period:		
Final dividend for 2008 – 2.65p (2007 – 2.50p)	1,268	1,208
Interim dividend for 2009 – 1.85p (2008 – 1.85p)	885	890
Refund of unclaimed dividends by registrar	(6)	–
Dividends paid in the period	**2,147**	**2,098**

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 Section 842 ('s.842') Income and Corporation Taxes Act 1988 are considered. The revenue available for distribution by way of dividend for the year is £1,525,000 (2008 – £2,517,000).

	2009 £'000	**2008 £'000**
Interim dividend paid for 2009 – 1.85p (2008 – 1.85p)	885	890
Proposed final dividend for 2009 – 2.65p (2008 – 2.65p)	1,268	1,268
	2,153	**2,158**

8. Return per ordinary share	**2009 p**	**2008 p**
Revenue return	3.19	5.22
Capital return	28.25	(78.81)
Total return	**31.44**	**(73.59)**
Weighted average number of ordinary shares in issue	**47,857,299**	**48,236,983**

On the basis set out in Financial Reporting Standard 22 "Earnings per Share", there is no dilutive effect on net revenue or net capital per share in either the current or prior year, arising from the potential exercise of the subscription shares as detailed in note 12.

9. Investments	Listed in UK 2009 £'000	Listed in UK 2008 £'000
Fair value through profit or loss:		
Opening fair value	41,083	82,931
Opening fair value losses/(gains) on investments held	10,791	(29,872)
Opening book cost	51,874	53,059
Purchases at cost	7,997	7,710
Sales – proceeds	(9,182)	(11,997)
– (losses)/gains on sales	(2,775)	3,102
Closing book cost	47,914	51,874
Closing fair value gains/(losses) on investments held	5,820	(10,791)
Closing fair value	**53,734**	**41,083**

Gains/(losses) on investments	2009 £'000	2008 £'000
(Losses)/gains on sales of equities	(2,775)	3,102
Movement in fair value gains on investments held	16,611	(40,663)
Gains on sales of Certificates of Deposit	3	–
Increase in value of Certificates of Deposit	–	1
	13,839	**(37,560)**

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 gains on investments in the Income Statement. The total costs were as follows:

	2009 £'000	2008 £'000
Purchases	40	46
Sales	6	8
	46	**54**

10. Debtors: amounts falling due within one year	2009 £'000	2008 £'000
Amounts due from stockbrokers	–	15
Net dividends and interest receivable	173	300
VAT recoverable	580	580
Other debtors and prepayments	15	17
	768	**912**

11. Creditors: amounts falling due within one year

(a) Bank loan

In November 2006 the Company entered into a three year revolving credit agreement facility with ING Bank N.V. At the year end £8,000,000 (2008 – £8,000,000) remained drawn down at a rate of 0.99875% (2008 – 5.30875%). On 26 November 2009 the loan facility was renewed with ING Bank N.V. at a reduced amount of £5,000,000 and was drawn down at a rate of 2.27375%. No balance of the facility remains undrawn. The terms of the loan facility contain covenants that the minimum net assets of the Company are £35 million and percentage of borrowings against net assets be less than 30%. The Company met both of these covenants throughout the period.

(b) Other creditors	2009 £'000	2008 £'000
Amounts due to stockbrokers	385	–
Investment management fee	64	114
Interest payable	–	1
Sundry creditors	81	95
	530	**210**

12. Called-up share capital	2009 £'000	2008 £'000
Authorised:		
104,000,000 ordinary shares of 5p each (2008 – 104,000,000 ordinary shares of 5p each)	**5,200**	**5,200**
Allotted, called-up and fully paid:		
47,852,573 ordinary shares of 5p each (2008 – 47,922,573 ordinary shares of 5p each)	**2,393**	**2,396**

During the year 70,000 (2008 – 1,407,500) ordinary shares of 5p each were bought back for cancellation at a total cost of £45,634 (2008 – £1,602,808) including expenses.

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 confers 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 have no voting rights or entitlement to dividends.

No subscription shares were exercised during the year (2008 – 2,752), with 8,529,027 subscription shares remaining in issue.

13. Capital reserve	2009 £'000	2008 £'000
At 1 November	33,689	73,307
Movement in fair value gains/(losses)	13,839	(37,560)
Investment management fees	(224)	(515)
VAT recoverable on investment management fees	–	506
Finance costs	(97)	(446)
Purchase of own shares	(46)	(1,603)
At 31 October	**47,161**	**33,689**

The capital reserve includes investment holding gains amounting to £5,820,000 (2008 – losses of £10,790,000), as disclosed in note 9.

14. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities	2009 £'000	2008 £'000
Net return on ordinary activities before finance costs and taxation	15,172	(34,903)
Adjustment for:		
(Gains)/losses on investments	(13,839)	37,560
Realised gains on sales of Certificates of Deposit	3	–
Decrease/(increase) in accrued income	127	(27)
Decrease/(increase) in other debtors	2	(578)
(Decrease)/increase in other creditors	(64)	23
Net cash inflow from operating activities	**1,401**	**2,075**

15. Analysis of changes in cash during the year	2009 £'000	2008 £'000
Opening balance	6,422	386
Net cash inflow	3,626	6,036
Closing balance	**10,048**	**6,422**

16. Analysis of changes in net funds	At 1 November 2008 £'000	Cash flow £'000	At 31 October 2009 £'000
Cash and short term deposits	6,422	3,626	10,048
UK Treasury Bills	2,963	(2,963)	–
Bank loan	(8,000)	–	(8,000)
Net funds	**1,385**	**663**	**2,048**

17. Net asset value per share

	2009	2008
Equity shareholders' funds	£56,020,000	£43,170,000
Number of Ordinary shares in issue at year end	47,852,573	47,922,573
Equity shareholders' funds per share	117.07p	90.08p

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

	2009 £'000	2008 £'000
Opening adjusted net assets	43,170	82,364
Capital return for the year	13,518	(38,015)
Revenue on ordinary activities after taxation	1,525	2,517
Dividends appropriated in the year	(2,147)	(2,098)
Issue of subscription shares	–	5
Share buybacks	(46)	(1,603)
Closing net assets	**56,020**	**43,170**

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 are 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 price 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 three year £8 million revolving credit agreement facility, subsequently reduced to £5 million after the year end. Details of borrowings at 31 October 2009 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 2009	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Assets				
Cash deposits	0.25	0.69	6,047	4,001
Total assets	–	–	**6,047**	**4,001**
Liabilities				
Bank loans	0.04	1.00	–	8,000
Total liabilities	–	–	–	**8,000**

At 31 October 2008	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Assets				
UK Treasury Bills	0.28	4.52	–	2,963
Cash deposits	0.25	5.34	3,421	3,001
Total assets	–	–	**3,421**	**5,964**
Liabilities				
Bank loans	0.02	5.31	–	8,000
Total liabilities	–	–	–	**8,000**

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 and the fixed rate assets consist of Certificates of Deposit.

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:

At 31 October 2009	Within 1 year £'000	More than 1 year £'000
Fixed rate		
Short term bank loan	(8,000)	–
Cash	4,001	–
	(3,999)	–
Floating rate		
Cash	6,047	–
Total	**2,048**	–

At 31 October 2008	Within 1 year £'000	More than 1 year £'000
Fixed rate		
UK Treasury Bills	2,963	–
Short term bank loan	(8,000)	–
Cash	3,001	–
	(2,036)	–
Floating rate		
Cash	3,421	–
Total	**1,385**	–

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 2009 would increase/decrease by £60,000 (2008 – increase/decrease by £34,000). This is mainly attributable to the Company's exposure to interest rate on its 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 2009 would have increased/decreased by £5,373,000 (2008 – £4,108,000). 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.

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 £8 million, which was subsequently reduced to £5 million and this amount is reviewed on an ongoing basis. Details of borrowings at 31 October 2009 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 2009 was as follows:

	2009 Balance Sheet £'000	2009 Maximum exposure £'000	2008 Balance Sheet £'000	2008 Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	53,734	53,734	41,083	41,083
Current assets				
Trades and other receivables	595	595	612	612
Accrued income	173	173	300	300
Cash and cash equivalents	10,048	10,048	9,385	9,385
	64,550	**64,550**	**51,380**	**51,380**

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. Contingent assets

On 5 November 2007, the European Court of Justice ruled that management fees on investment trusts should be exempt from VAT. HMRC has announced its intention not to appeal against this ruling to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company will be processed by HMRC in due course. The Company has not been charged VAT on its investment management fees from 1 November 2007.

The Manager has agreed to refund £580,000 to the Company for VAT charged on investment management fees for the period 1 January 2004 to 31 October 2007 and this was included in the prior year financial statements. This repayment, which excludes interest, has been allocated to revenue and capital in line with the accounting policy of the Company for the periods in which the VAT was charged. The reclaim for previous periods, the associated interest thereon and the timescale for receipt are at present uncertain and the Company has taken no account in these financial statements of any such repayment.

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, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP

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 £7,200 can be made in the tax year 2009/2010 and up to £10,200 in subsequent tax years.

Between 6 October 2009 and 5 April 2010, an additional £3,000 may be invested in an ISA, for the tax year 2009/2010, provided that the ISA holder will be aged 50 years or over not later than 5 April 2010.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, 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 six monthly and deducted from income. 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.

Investment Trust Pension

The Investment Trust Pension enables existing investors to save for retirement by investing in Dunedin Smaller Companies Investment Trust PLC. The Investment Trust Pension offers a Personal Pension Plan.

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
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP

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

How to Invest in Dunedin Smaller Companies Investment Trust PLC continued

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 (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 2020
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).

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
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP

For information on the Pension Plan, please contact
Edinburgh Pension Centre
Capita SIP Services
141 Castle Street
Salisbury
Wiltshire SP1 3TB
Telephone: 0800 13 70 79

The information on pages 44, 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

Actual Gearing
Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds.

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 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.

Potential Gearing
Total Assets including all debt being used for investment purposes divided by shareholders' funds.

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

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

Notice of Annual General Meeting

Notice is hereby given that the eighty-second Annual General Meeting of Dunedin Smaller Companies Investment Trust PLC will be held at 40 Princes Street, Edinburgh, EH2 2BY on Thursday 4 February 2010 at 12 noon, for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 8 inclusive will be proposed as ordinary resolutions and resolutions 9 to 12 will be proposed as special resolutions:

Ordinary Business

1. To receive the Reports of the Directors and auditors and the financial statements for the year ended 31 October 2009.
2. To approve the Directors' Remuneration Report for the year ended 31 October 2009.
3. To approve a final dividend of 2.65p on the ordinary shares.
4. To re-elect Mr T J K Barnes as a Director of the Company.
5. To re-elect Mr N M Yarrow as a Director of the Company.
6. To re-appoint KPMG Audit Plc as auditors of the Company.
7. To authorise the Directors to fix the remuneration of the auditors for the year to 31 October 2010.

Special Business

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 for the purposes of Section 551 of the Companies Act 2006 (the "Act") shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (such shares and rights together being "relevant securities") up to an aggregate amount of £789,567 representing approximately 33% of the present issued share capital such authorisation to expire at the conclusion of the next Annual General Meeting of the Company in 2011, 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 after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.

9. 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 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 £119,631; 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 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 2011, 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 make such offers or agreements as if such expiry had not occurred.

10. 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 2011 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.

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 subscription shares of 0.001p each in the capital of the Company ("subscription shares") provided that:
(i) the maximum aggregate number of subscription shares hereby authorised to be purchased shall be 14.99% of the issued subscription shares as at the date of the passing of this resolution;
(ii) the minimum price which may be paid for a subscription share shall be 0.001p (exclusive of expenses);
(iii) the maximum price (exclusive of expenses) which may be paid for a subscription share shall be the higher of:
a) 5% above the average of the market values of the subscription shares (as derived from the Daily Official List of the London Stock Exchange) for the subscription 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 subscription shares and the highest current independent bid for subscription 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 2011 save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase subscription 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 subscription shares pursuant to any such contract or contracts.

12. That:

(a) the Articles of Association of the Company be amended by deleting all of the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as part of the Company's Articles of Association; and
(b) the Articles of Association produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the Articles of Association of the Company in substitution for, and to the entire exclusion of, the existing Articles of Association of the Company.

Registered office:
40 Princes Street
Edinburgh
EH2 2BY

By order of the Board
Aberdeen Asset Management PLC
Secretary
29 December 2009

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 forty eight hours 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 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 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 p.m. on 2 February 2010 or if this meeting is adjourned, at 6 p.m. on the day two days prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.

(ix) As at 17 December 2009 (being the latest business day prior to the publication of this notice) the Company's issued share capital comprised 47,852,573 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 17 December 2009 was 47,852,573.

(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 auditors' 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 auditors 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, 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.

A copy of the current Articles of Association and of the proposed new Articles of Association marked up to show the proposed amendments will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Aberdeen Asset Managers Ltd, 40 Princes Street, Edinburgh, EH2 2BY, until the conclusion of the meeting.

Appendix to Notice of Annual General Meeting

EXPLANATORY NOTE OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

The Company's Objects
The provisions regulating the operations of the Company are currently set out in the Company's memorandum and Articles of Association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies 2006 Act (the "2006 Act") significantly reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are contained in a company's memorandum, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all the other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 12(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

Articles which Duplicate Statutory Provisions
Provisions in the Existing Articles which replicate provisions contained in the 2006 Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

Change of Name
Under the Companies Act 1985, a company could only change its name by special resolution. Under the 2006 Act a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

Authorised Share Capital and Unissued Shares
The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act.

Redeemable Shares
Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

Authority to Purchase own Shares and Reduce Share Capital
Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Existing Articles include these enabling provisions. Under the 2006 Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

Suspension of Registration of Share Transfers
The Existing Articles permit the Directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Existing Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

Voting by Proxies on a Show of Hands

The Companies (Shareholders Rights) Regulations 2009 ("Regulations") have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles have been drafted to reflect these changes.

Voting by Corporate Representatives

The Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

Electronic Conduct of Meetings

Amendments made to the 2006 Act by the Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles have been amended to reflect more closely the relevant provisions.

Chairman's Casting Vote

The New Articles remove the provision giving the Chairman a casting vote in the event of an equality of votes as this is no longer permitted under the 2006 Act.

Notice of General Meetings

The Regulations amend the 2006 Act to require the Company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Existing Articles to be consistent with the new requirements.

Adjournments for Lack of Quorum

Under the 2006 Act as amended by the Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles have been drafted to reflect this requirement.

Voting Record Date

Under the 2006 Act as amended by the Regulations the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles have been drafted to reflect this requirement.

General

Generally the opportunity has been taken to bring clearer language into the New Articles and therefore non-material changes and stylistic amendments have also been made to the Existing Articles.

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: SC 14692

Stockbrokers

Canaccord Adams
7th Floor, Cardinal Place
80 Victoria Street
London SW1E 5JL

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).

Auditors

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 2009

47,852,573	Ordinary 5p shares
8,529,027	Subscription 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

Aberdeen