
SMALL COMPANIES DIVIDEND TRUST PLC

Half-yearly Report

for the six months ended 31 October 2014

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Investment objective and policy

The investment objective of Small Companies Dividend Trust PLC ('the Company') is to provide Ordinary shareholders with a high income and opportunity for capital growth, having provided a capital return sufficient to repay the capital entitlement of the Zero Dividend Preference shares issued by the subsidiary company, Small Companies ZDP PLC ('SCZ').

The Group's funds are invested principally in smaller capitalised UK companies. The portfolio comprises companies listed on the Official List and companies admitted to trading on AIM. The Group does not invest in other investment trusts or in unquoted companies. No investment is made in preference shares, loan stock or notes, convertible securities or fixed interest securities.

Financial highlights

	31 October	30 April	
	2014	2014	% change
Capital			
Total net assets (£'000)	29,847	31,706	(5.86)
Net asset value per Ordinary share	180.34p	191.58p	(5.87)
Mid-market price per Ordinary share	168.50p	188.00p	(10.37)
Discount	6.56%	1.87%	
Net asset value per Zero Dividend Preference share	113.52p	110.24p	2.98
Mid-market price per Zero Dividend Preference share	121.25p	117.00p	3.63
Premium	6.81%	6.13%	
	Six months to	Six months to	
	31 October	31 October	
Revenue	2014	2013	% change
Return per Ordinary share	5.00p	4.75p	5.26
Dividend per Ordinary share*	3.15p	2.95p	6.78
Total return			
Total return on Group's net assets**	(2.35)%	34.72%	

* Dividend per Ordinary share includes the first interim paid and second interim declared for the period to 31 October 2014 and 2013 and will differ from the amounts disclosed within the statement of changes in net equity.

** Adding back dividends distributed in the period.

Interim management report

Results

This half-yearly report covers the six months to 31 October 2014. The net asset value per Ordinary share as at 31 October 2014 was 180.34p, a decrease of 5.87% in the past six months compared to an decrease of 3.10% in the MSCI Small Cap Index. Since the beginning of the Company's financial year, the Ordinary share price has decreased from 188.00p to 168.50p at 31 October 2014, a fall of 10.37% whilst the discount has increased from 1.87% to 6.56% over the same period. Since then the share price has decreased to 163.00p as at 5 December 2014, whilst the discount to NAV has increased to 10.87%.

Dividend

A first interim dividend of 1.575p (2013: 1.475p) per Ordinary share was paid on 18 September 2014 in respect of the year 1 May 2014 to 30 April 2015.

The Board has declared a second interim dividend of 1.575p per Ordinary share (2013: 1.475p) payable on 9 January 2015 to shareholders on the register on 12 December 2014, making a total for the half year of 3.15p per Ordinary share (2013: 2.95p). At present it is anticipated that the Company will maintain this level of dividend for the third quarter.

It is the Board's intention, over time, to move the dividend profile gradually to a position where the four interim dividends paid are equal. This will be achieved by maintaining the fourth interim dividend at the same level and increasing the first, second and third dividends in future years to reflect earnings.

Portfolio

Within the fund we continue to favour a relatively balanced portfolio as the UK equity market shows no sign of sustained sector or style leadership. In the last period we started to build a holding in DX Group, a mail, parcels and logistics business that IPOd earlier this year. We added two IPOs; Epwin Group, a specialist provider of low maintenance building products, to the portfolio on an annualised yield of over 6% and Shoe Zone a discount shoe retailer on an annualised yield of over 5.5%.

During the period, we added a new holding in Belvoir Lettings, a residential lettings agency and Majestic, the wine retailer. We reduced our holding in Braemar Shipping Services after the takeover of ACM and sold some of our holding in Stadium Group as we continued our policy of reducing our exposure to relatively large illiquid weightings. These funds were used to top up our positions in Avesco Group, Clarke (T.) and Alumasc Group.

We sold our entire holding in RPC Group after a period of strong performance and added another new investment in Bioventix, a business engaged in the creation and engineering of antibodies on a 4% prospective yield.

We took up our rights in Acal, topped up our position in Mucklow (A&J) Group and raised funds from the sale of our holding in Office2Office after an agreed bid and from reducing Stadium Group, Portmeirion Group and Marshalls after strong share price moves.

Outlook

The lack of investor appetite for small and mid caps that became apparent ahead of the Scottish referendum in September 2014 has continued to provide a headwind to performance. The problem is that the momentum in domestic corporate earnings is not yet strong enough to compensate for a slowing Eurozone macro outlook and investor nervousness can be seen in the magnitude of short term share price falls in stocks that disappoint.

We believe that UK and small cap performance will steadily improve as our portfolio is relatively highly geared to a strong domestic economy. Dividend growth in the companies in which we invest continues to be ahead of market expectations.

Chelverton Asset Management Limited

12 December 2014

Principal risks

The principal risks facing the Group are substantially unchanged since the date of the annual report for the year ended 30 April 2014 and continue to be as set out in that report on pages 9 and 10. Risks faced by the Group include, but are not limited to, market risk, discount volatility, regulatory risk, financial risk and risks associated with banking counterparties.

Responsibility statement of the Directors in respect of the half-yearly report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in compliance with IAS 34 'Interim Financial Reporting' and gives a true and fair view of the assets, liabilities and financial position of the Group; and
- the interim management report and notes to the half-yearly report include a fair view of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

This half-yearly report was approved by the Board of Directors on 12 December 2014 and the above responsibility statement was signed on its behalf by Lord Lamont, Chairman.

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 31 October 2014

	Six months to 31 October 2014			Year to 30 April 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
						(audited)
(Losses)/gains on investments at fair value through profit or loss	–	(1,135)	(1,135)	–	8,649	8,649
Investment income	978	–	978	2,179	–	2,179
Investment management fee	(50)	(149)	(199)	(97)	(292)	(389)
Other expenses	(100)	(11)	(111)	(208)	(21)	(229)
Net return/(deficit) before finance costs and taxation	828	(1,295)	(467)	1,874	8,336	10,210
Finance costs						
Appropriations in respect of Zero Dividend Preference shares	–	(279)	(279)	–	(530)	(530)
Net return/(deficit) before taxation	828	(1,574)	(746)	1,874	7,806	9,680
Taxation (see note 2)	–	–	–	–	–	–
Net return/(deficit) after taxation	828	(1,574)	(746)	1,874	7,806	9,680
Return per:	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Ordinary share (see note 3)	5.00	(9.51)	(4.51)	11.47	47.79	59.26
Zero Dividend Preference share (see note 3)	–	3.28	3.28	–	6.24	6.24

The total column of this statement is the statement of comprehensive income of the Group prepared in accordance with IFRS as adopted by the EU. All revenue and capital items in the above statement derive from continuing operations. All of the net return for the period and the total comprehensive income for the period is attributable to the shareholders of the Group. The supplementary revenue and capital return columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies ('AIC').

Six months to 31 October 2013

Revenue	Capital	Total
£'000	£'000	£'000

			(Losses)/gains on investments at fair value through profit or loss
–	7,478	7,478	
922	–	922	Investment income
(46)	(138)	(184)	Investment management fee
(104)	(10)	(114)	Other expenses
<u>772</u>	<u>7,330</u>	<u>8,102</u>	Net return/(deficit) before finance costs and taxation
			Finance costs
			Appropriations in respect of Zero Dividend Preference shares
–	(263)	(263)	
<u>772</u>	<u>7,067</u>	<u>7,839</u>	Net return/(deficit) before taxation
–	–	–	Taxation (see note 2)
<u>772</u>	<u>7,067</u>	<u>7,839</u>	Net return/(deficit) after taxation

Revenue	Capital	Total
pence	pence	pence

4.75	43.49	48.24	Return per:
–	3.10	3.10	Ordinary share (see note 3)
			Zero Dividend Preference share (see note 3)

Condensed consolidated statement of changes in net equity (unaudited)

for the six months ended 31 October 2014

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Six months ended 31 October 2014					
30 April 2014	4,138	12,403	13,079	2,086	31,706
Total comprehensive return for the period	–	–	(1,574)	828	(746)
Dividends paid (see note 4)	–	–	–	(1,113)	(1,113)
	<u>4,138</u>	<u>12,403</u>	<u>11,505</u>	<u>1,801</u>	<u>29,847</u>
31 October 2014	<u>4,138</u>	<u>12,403</u>	<u>11,505</u>	<u>1,801</u>	<u>29,847</u>
Year ended 30 April 2014 (audited)					
30 April 2013	4,063	11,917	5,273	1,326	22,579
Total comprehensive return for the year	–	–	7,806	1,874	9,680
Ordinary shares issued	75	493	–	–	568
Expenses of Ordinary share issue	–	(7)	–	–	(7)
Dividends paid	–	–	–	(1,114)	(1,114)
	<u>4,138</u>	<u>12,403</u>	<u>13,079</u>	<u>2,086</u>	<u>31,706</u>
30 April 2014	<u>4,138</u>	<u>12,403</u>	<u>13,079</u>	<u>2,086</u>	<u>31,706</u>
Six months ended 31 October 2013					
30 April 2013	4,063	11,917	5,273	1,326	22,579
Total comprehensive return for the period	–	–	7,067	772	7,839
Dividends paid	–	–	–	(630)	(630)
	<u>4,063</u>	<u>11,917</u>	<u>12,340</u>	<u>1,468</u>	<u>29,788</u>
31 October 2013	<u>4,063</u>	<u>11,917</u>	<u>12,340</u>	<u>1,468</u>	<u>29,788</u>

Condensed consolidated balance sheet (unaudited)

as at 31 October 2014

	31 October 2014 £'000	30 April 2014 £'000 (audited)	31 October 2013 £'000
Non-current assets			
Investments at fair value through profit or loss	39,371	40,820	38,384
Current assets			
Trade and other receivables	240	291	619
Cash and cash equivalents	51	136	30
	291	427	649
Total assets	39,662	41,247	39,033
Current liabilities			
Trade and other payables	(166)	(171)	(142)
Total assets less current liabilities	39,496	41,076	38,891
Non-current liabilities			
Zero Dividend Preference shares	(9,649)	(9,370)	(9,103)
	(9,649)	(9,370)	(9,103)
Total liabilities	(9,815)	(9,541)	(9,245)
Net assets	29,847	31,706	29,788
Represented by:			
Share capital	4,138	4,138	4,063
Share premium account	12,403	12,403	11,917
Capital reserve	11,505	13,079	12,340
Revenue reserve	1,801	2,086	1,468
Equity shareholders' funds	29,847	31,706	29,788
Net asset value per: (see note 5)			
	pence	pence	pence
Ordinary share	180.34	191.58	183.31
Zero Dividend Preference share	113.52	110.24	107.10

Condensed consolidated statement of cash flows (unaudited)

for the six months ended 31 October 2014

	Six months to 31 October 2014 £'000	Year to 30 April 2014 £'000 (audited)	Six months to 31 October 2013 £'000
Operating activities			
Investment income received	1,034	2,081	945
Investment management fee paid	(203)	(365)	(165)
Administration and secretarial fees paid	(31)	(57)	(31)
Other cash payments	(86)	(156)	(102)
Net cash inflow from operating activities (see note 7)	714	1,503	647
Investing activities			
Purchases of investments	(3,844)	(8,807)	(3,774)
Sales of investments	4,158	7,954	3,748
Net cash inflow/(outflow) from investing activities	314	(853)	(26)
Financing activities			
Issue of Ordinary shares	–	568	–
Expenses of Ordinary share issue	–	(7)	–
Dividends paid	(1,113)	(1,114)	(630)
Net cash outflow from financing activities	(1,113)	(553)	(630)
(Decrease)/increase in cash and cash equivalents for period	(85)	97	(9)
Cash and cash equivalents at start of period	136	39	39
Cash and cash equivalents at end of period	51	136	30

Notes to the condensed half-yearly report

for the six months ended 31 October 2014

1 General information

The financial information contained in this half-yearly report does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 30 April 2014, which contained an unqualified auditors' report, have been lodged with the Registrar of Companies and did not contain a statement required under the Companies Act 2006. These statutory financial statements were prepared under International Financial Reporting Standards ('IFRS') and in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies, and Venture Capital Trusts issued by the AIC in January 2009, except to any extent where it conflicts with IFRS.

The Group has considerable financial resources and therefore the Directors believe that the Group is well placed to manage its business risks and also believe that the Group will have sufficient resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this half-yearly report.

This half-yearly report has not been reviewed by the Group's Auditors.

This half-yearly report has been prepared using accounting policies adopted in the audited financial statements for the year ended 30 April 2014. This report has also been prepared in compliance with IAS 34 'Interim Financial Reporting'.

2 Taxation

The Company has an effective tax rate of 0%. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an Investment Trust and there is expected to be an excess of management expenses over taxable income and thus there is no charge for corporation tax.

3 Return per share

Ordinary shares

Revenue return per Ordinary share is based on revenue on ordinary activities after taxation of £828,000 (30 April 2014: £1,874,000, 31 October 2013: £772,000) and on 16,550,000 (30 April 2014: 16,335,000, 31 October 2013: 16,250,000) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

Capital return per Ordinary share is based on the capital loss of £1,574,000 (30 April 2014: capital profit of £7,806,000, 31 October 2013: capital profit of £7,067,000) and on 16,550,000 (30 April 2014: 16,335,000, 31 October 2013: 16,250,000) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

Zero Dividend Preference shares

Capital return per Zero Dividend Preference share is based on allocations from the Company of £279,000 (30 April 2014: £530,000, 31 October 2013: £263,000) and on 8,500,000 (30 April 2014: 8,500,000, 31 October 2013: 8,500,000) Zero Dividend Preference shares being the weighted average number of Zero Dividend Preference shares in issue during the period.

Notes to the condensed half-yearly report (continued)

for the six months ended 31 October 2014

4 Dividends

During the period, a fourth interim dividend of 2.40p per Ordinary share and a special dividend of 2.75p per Ordinary share for the year ended 30 April 2014, together with a first interim dividend of 1.575p per Ordinary share for the year ending 30 April 2015, have been paid to shareholders.

In addition, the Board has declared a second interim dividend of 1.575p per Ordinary share payable on 9 January 2015 to shareholders on the register at 12 December 2014.

5 Net asset values

Ordinary shares

The net asset value per Ordinary share is based on assets attributable of £29,847,000 (30 April 2014: £31,706,000, 31 October 2013: £29,788,000) and on 16,550,000 (30 April 2014: 16,550,000, 31 October 2013: 16,250,000) Ordinary shares, being the number of shares in issue at the period end.

Zero Dividend Preference shares

The net asset value per Zero Dividend Preference share is based on assets attributable of £9,649,000 (30 April 2014: £9,370,000, 31 October 2013: £9,103,000) and on 8,500,000 (30 April 2014: 8,500,000, 31 October 2013: 8,500,000) Zero Dividend Preference shares, being the number of shares in issue at the period end.

6 Fair value hierarchy

Financial assets and financial liabilities of the Company are carried in the Condensed Consolidated Balance Sheet at their fair value. The fair value is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than a forced or liquidation sale. For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices and Stock Exchange Electronic Trading Service ("SETS") at last trade price at the Balance Sheet date, without adjustment for transaction costs necessary to realise the asset.

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

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

As at 31 October 2014, 30 April 2014 and 31 October 2013 all of the Company's investments are classified as Level 1.

7 Reconciliation of net (deficit)/return before and after taxation to net cash inflow from operating activities

	31 October 2014 £'000	30 April 2014 £'000	31 October 2013 £'000
Net (deficit)/return before and after taxation	(746)	9,680	7,839
Net capital loss/(return)	1,574	(7,806)	(7,067)
Decrease/(increase) in receivables	51	(97)	13
(Decrease)/increase in payables	(5)	39	10
Interest and expenses charged to the capital reserve	(160)	(313)	(148)
	714	1,503	647

8 Related party transactions

The Group's investments are managed by Chelverton Asset Management Limited, a company in which Mr van Heesewijk, a Director of the Company and the subsidiary, has an interest. The amounts paid to the Investment Manager in the six months to 31 October 2014 were £199,000 (year ended 30 April 2014: £389,000, six months to 31 October 2013: £184,000).

At 31 October 2014 there were amounts outstanding to be paid to the Investment manager of £99,000 (year ended 30 April 2014: £103,000, six months to 31 October 2013: £98,000).

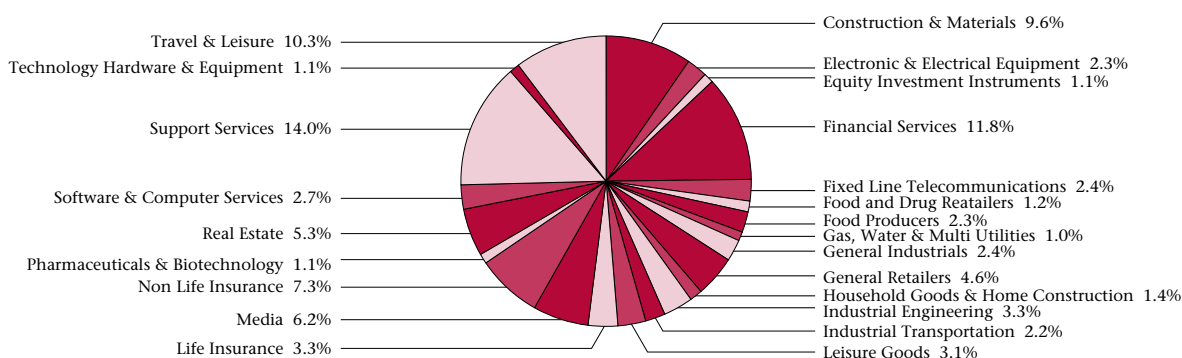
Principal portfolio investments

as at 31 October 2014

Top 20 holdings

	Industrial classification	Market value £'000	% of portfolio
GVC Holdings	Travel & Leisure	960	2.4
KCOM Group	Fixed Line Telecommunication	930	2.4
Connect Group	Support Services	928	2.4
Stadium Group	Electronic & Electrical Equipment	917	2.3
Marshalls	Construction & Materials	896	2.3
Alumasc Group	Construction & Materials	851	2.2
Acal	Support Services	841	2.1
Marston's	Travel & Leisure	829	2.1
Braemar Shipping Services	Industrial Transportation	819	2.1
Jarvis Securities	Financial Services	805	2.0
Shoe Zone	General Retailers	802	2.0
Town Centre Securities	Real Estate	785	2.0
St Ives	Support Services	772	2.0
Wilmington Group	Media	764	1.9
Tritax Big Box	Real Estate	763	1.9
Go-Ahead Group	Travel & Leisure	738	1.9
Avesco Group	Media	700	1.8
Sanderson Group	Software & Computer Services	700	1.8
Chesnara	Life Insurance	689	1.8
Randall & Quilter	Non Life Insurance	675	1.7
Top 20 companies		16,164	41.1
Balance held in 57 companies		23,207	58.9
Total portfolio		39,371	100.0

Breakdown of portfolio by industry



Shareholder information

Financial calendar

Group's year end	30 April
Interim dividends paid	April, July, October and January
Special dividend paid	July
Annual results announced	July
Annual General Meeting	September
Group's half-year	31 October
Half-year results announced	December

Share prices and performance information

The Company's Ordinary and Zero Dividend Preference shares issued through SCZ are listed on the London Stock Exchange.

The net asset values are announced weekly to the London Stock Exchange and published monthly via the AIC.

Information about the Group can be obtained on the Chelverton internet site at www.chelvertonam.com. Any enquiries can also be e-mailed to cam@chelvertonam.com.

Share register enquiries

The registers for the Ordinary and Zero Dividend Preference shares are maintained by Share Registrars Limited. In the event of queries regarding your holding, please contact the Registrar on 01252 821390. Changes of name and/or address must be notified in writing to the Registrar.

Interim management statements

The Financial Conduct Authority has removed the requirement for companies to prepare Interim Management Statements with effect from 7 November 2014. Therefore the Board has decided not to prepare and release Interim Management Statements in the future.

Capital structure

Small Companies Dividend Trust PLC ('the Company')

The Company has in issue one class of Ordinary share. In addition, it has a wholly owned subsidiary, SCZ, through which Zero Dividend Preference shares have been issued.

Ordinary shares of 25p each ('Ordinary shares') – 16,550,000 in issue

Dividends

Holders of Ordinary shares are entitled to dividends.

Capital

On a winding-up of the Company, Ordinary shareholders will be entitled to all surplus assets of the Company available after payment of the Company's liabilities, including the capital entitlement of the Zero Dividend Preference shares.

Voting

Each holder, on a show of hands, will have one vote and on a poll will have one vote for each Ordinary share held.

Small Companies ZDP PLC ('SCZ')

Ordinary shares of 100p each ('SCZ ordinary shares') – 50,000 in issue (partly paid up as to 25p each)

The SCZ ordinary shares are wholly owned by the Company. References to Ordinary shares within this half-yearly report are to the Ordinary shares of Small Companies Dividend Trust PLC.

Capital

Following payment of any liabilities and the capital entitlement to the Zero Dividend Preference shareholders, ordinary shareholders are entitled to any surplus assets of SCZ.

Voting

Each holder, on a show of hands, will have one vote and on a poll will have one vote for each ordinary share held.

Zero Dividend Preference shares of 100p each – 8,500,000 in issue

Dividends

Holders of Zero Dividend Preference shares are not entitled to dividends.

Capital

On a winding up of SCZ, after the satisfaction of prior ranking creditors and subject to sufficient assets being available, Zero Dividend Preference shareholders are entitled to an amount equal to 100p per share increased daily from 28 August 2012 at such compound rate as will give an entitlement to 136.7p per share at 8 January 2018.

Voting

Holders of Zero Dividend Preference shares are not entitled to attend, speak or vote at a general meeting of the Company (including the Company's Annual General Meeting) unless the business of the meeting includes a resolution to vary, modify or abrogate the rights attached to the Zero Dividend Preference shares.

In the event that Zero Dividend Preference shareholders are entitled to attend a General Meeting each holder of Zero Dividend Preference shares, on a show of hands, will have one vote for every Zero Dividend Preference share held.

Directors and Advisers

Directors	The Rt Hon Lord Lamont of Lerwick (Chairman) David Harris William van Heesewijk Howard Myles
Investment Manager	Chelverton Asset Management Limited 12b George Street Bath BA1 2EH Tel: 01225 483030
Secretary and Registered Office	Capita Sinclair Henderson Limited Beaufort House 51 New North Road Exeter EX4 4EP Tel: 01392 412122
Registrar and Transfer Office	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL Tel: 01252 821390 www.shareregistrars.uk.com
Auditors	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT
Custodian	Jarvis Investment Management Limited 78 Mount Ephraim Tunbridge Wells Kent TN4 8BS

Notes



Notes

