

06

Dunedin Smaller Companies Investment Trust plc

Interim Report

for the 6 months ended 30 April 2006



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Corporate Summary

The Company aims to attract long term private and institutional holders wanting to benefit from the growth prospects of smaller companies by investment in a relatively risk averse investment trust.

Objective

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

Financial Summary

| | Six months ended 30 April 2006 | Year ended 31 October 2005* | % change |
|---|-----------------------------------|--------------------------------|----------|
| Capital return | | | |
| Net asset value per share(including undistributed revenue for the period)** | 767.53p | 616.71p | +24.5 |
| Net asset value per share(excluding undistributed revenue for the period)** | 769.74p | 613.93p | +25.4 |
| Share price | 687.00p | 513.00p | +33.9 |
| FTSE SmallCap Index (excl. Inv Cos) | 3,493.4 | 2,967.1 | +17.7 |
| Total return | | | |
| Net asset value per share | – | – | +26.4 |
| Share price | – | – | +36.4 |
| FTSE SmallCap Index (excl. Inv Cos) | – | – | +18.9 |
| Gearing | | | |
| Actual gearing ratio | –0.80% | –3.09% | |
| Maximum gearing ratio | 12.01% | 14.95% | |
| Dividend and earnings | | | |
| Total return | 161.80p | 108.77p | |
| Revenue return | 8.80p | 17.17p | |
| Interim dividend*** | 4.65p | 4.40p | +5.7 |

* Figures are restated to comply with revised UK GAAP. Details of the restatements can be found in note 1 to the accounts on page 9.

** Articles basis – see note 6.

*** Represents the interim dividends proposed in the periods.

Chairman's Statement

The smaller company sector continued to perform well over the six months ended 30th April 2006, both in absolute terms and in relation to the broader equity markets. The Company's net asset value rose by 24.5% compared to increases of 17.7% in the FTSE SmallCap Index (excluding Investment Companies) and 13.3% in the FTSE 100 Index. The Company's share price rose by 33.9% to 687p, while the discount has continued to narrow, (at 30th April 2006 the discount was 10.5% with the debenture valued at par and 7.2% with it valued at market). The share price total return for the period was 36.4%.

Revenue return per share for the period increased from 8.29p to 8.80p and the Board is pleased to announce that it has raised the interim dividend once again, this time by 5.7% to 4.65p. The interim dividend will be paid on 30th June 2006 to shareholders on the register on 23rd June 2006.

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). New Financial Reporting Standards, issued as part of the programme to converge UK GAAP with International Financial Reporting Standards (IFRS), were applicable for the accounting period to 30 April 2006 and the effect of these new standards are outlined in Note 1 of the financial statements.

The period under review has been a positive climate for smaller companies in the UK. An improving economic outlook in the UK has allowed smaller companies to deliver good growth in profits and stronger balance sheets have enabled this growth to be passed through to shareholders in increased dividend payments. Merger and acquisition activity and investors' increased appetite for risk have also been positive factors throughout the period. The last two months of the period however witnessed increasing share price volatility in response to concerns about the outlook for inflation and interest rates.

The Company's portfolio remains focussed on well-managed, good quality companies where an above average and growing dividend is expected. The portfolio benefited from several strong performances including Robert Walters,

Chemring, Systems Union, European Motor Holdings and Venture Production where the share prices rose by more than 60% over the period. A number of companies in the portfolio were either acquired or announced that they were in bid talks - these included Paladin Oil and Gas, Peacock Group and Systems Union.

Gearing

The Company moved from being slightly ungeared to very modestly geared over the period – based on the capital assets of the Company. The decision to invest the Company's borrowings is driven by the manager identifying attractive investment opportunities within guidelines agreed by the Board.

Prospects

Although expectations for economic growth over 2006 are higher than the level achieved in 2005, there are a number of factors that suggest a cautious outlook is warranted. These include the negative impact of rising commodity prices on both corporate profitability and inflation and it is now expected that UK interest rates will increase in the second half of 2006. Additionally, there are risks associated with the indebted status of the consumer and a slowdown in consumer spending, especially if there is a weakness in the housing market or an increase in the level of unemployment. Countering these influences are continuing growth in corporate profits, the low cost of debt, strong balance sheets and merger and acquisition activity.

Since the half year, world equity markets have traded down and this has been reflected in our daily capital NAV announced today of 692.83p. Notwithstanding this, our year to date performance remains ahead of the benchmark.

The manager will continue to focus the portfolio towards quality companies with good managements, positive cash flow and strong balance sheets, and where an above average and growing dividend is anticipated. We believe that this strategy will continue to deliver capital appreciation and increased dividend income to shareholders.

The Earl of Dalhousie
Chairman

15 June 2006

Distribution of Investments

At 30 April 2006

| | At 30 April 2006 | At 31 October 2005 (restated) | At 30 April 2005 (restated) |
|--|---------------------|-------------------------------------|-----------------------------------|
| | % | % | % |
| Basic materials | 2.3 | 2.3 | 2.0 |
| Consumer goods | 5.6 | 4.5 | 3.9 |
| Consumer services | 13.5 | 13.0 | 14.4 |
| Financials | 13.7 | 13.7 | 12.2 |
| Health care | 2.2 | 2.5 | 2.4 |
| Industrials | 40.4 | 35.9 | 38.4 |
| Oil and gas | 2.9 | 5.3 | 3.0 |
| Technology | 7.6 | 6.7 | 6.1 |
| Telecommunications | 0.4 | 0.4 | 0.2 |
| Total equities | 88.6 | 84.3 | 82.6 |
| Net current assets | 11.4 | 15.7 | 17.4 |
| Total assets less current liabilities | 100.0 | 100.0 | 100.0 |

Twenty Largest Investments

At 30 April 2006

| Company | Market value £'000 | Sector classification |
|--|-----------------------|--|
| Morgan Sindall | 4,057 | Construction and materials |
| SIG | 3,490 | Support services |
| Restaurant Group | 3,424 | Travel and leisure |
| Savills | 2,673 | Real estate |
| Chemring Group | 2,647 | Aerospace and defence |
| BSS | 2,646 | Support services |
| British Polythene | 2,514 | General industrials |
| Fenner | 2,511 | Industrial engineering |
| ICG | 2,398 | General financial |
| Chloride | 2,338 | Electronic and electrical equipment |
| Ten largest investments | 28,698 | 20.5% of total assets less current liabilities |
| White Young Green | 2,335 | Support services |
| Victrex | 2,326 | Chemicals |
| Venture Production | 2,309 | Oil and gas producers |
| Ultra Electronic | 2,258 | Aerospace and defence |
| Systems Union | 2,250 | Software and computer services |
| Robert Walters | 2,075 | Support services |
| Numis Corporation | 2,049 | General financial |
| Aveva Group | 2,017 | Software and computer services |
| Euro Motor Holdings | 1,999 | General retailers |
| Acal | 1,958 | Electronic and electrical equipment |
| Twenty largest investments | 50,274 | 35.9% of total assets less current liabilities |
| Other investments represented by 69 holdings | 73,635 | 52.7% of total assets less current liabilities |
| Total value of investments | 123,909 | 88.6% of total assets less current liabilities |
| Net current assets | 15,997 | 11.4% of total assets less current liabilities |
| Total assets less current liabilities | 139,906 | 100.0% of total assets less current liabilities |

Income Statement (unaudited)

Six months ended 30 April 2006

| | Revenue £'000 | Capital £'000 | Total £'000 |
|--|------------------|------------------|----------------|
| Realised gains on investments | – | 3,213 | 3,213 |
| Unrealised gains on investments | – | 22,782 | 22,782 |
| Income from investments | 1,402 | – | 1,402 |
| Interest on AAA rated Money Market funds | 166 | – | 166 |
| Interest on deposits | 19 | – | 19 |
| Interest on Treasury Bills | 223 | – | 223 |
| Investment management fee | (80) | (637) | (717) |
| Administrative expenses | (146) | – | (146) |
| Net return before finance costs and taxation | 1,584 | 25,358 | 26,942 |
| Finance costs | (153) | (459) | (612) |
| Return on ordinary activities before and after taxation | 1,431 | 24,899 | 26,330 |
| Return per Ordinary share (pence) | 8.80 | 153.00 | 161.80 |

The total column of this statement represents the profit and loss account of the Company.

No Statement of Total Recognised Gains and Losses has been prepared as all gains and losses have been reflected in the Income Statement.

The financial statements for the half year to 30 April 2005 and year to 31 October 2005 have been restated to reflect the changes to accounting policies as set out in the accompanying notes.

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

| Six months ended 30 April 2005 (restated) | | | Year ended 31 October 2005 (restated) | | |
|--|------------------|----------------|--|------------------|----------------|
| Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| – | 1,840 | 1,840 | – | 2,722 | 2,722 |
| – | 6,887 | 6,887 | – | 14,149 | 14,149 |
| 1,336 | – | 1,336 | 2,735 | – | 2,735 |
| 197 | – | 197 | 387 | – | 387 |
| 36 | – | 36 | 61 | – | 61 |
| 140 | – | 140 | 363 | – | 363 |
| (63) | (508) | (571) | (130) | (1,003) | (1,133) |
| (140) | – | (140) | (300) | – | (300) |
| 1,506 | 8,219 | 9,725 | 3,116 | 15,868 | 18,984 |
| (157) | (474) | (631) | (321) | (962) | (1,283) |
| 1,349 | 7,745 | 9,094 | 2,795 | 14,906 | 17,701 |
| 8.29 | 47.59 | 55.88 | 17.17 | 91.60 | 108.77 |

Balance Sheet (unaudited)

| | As at 30 April 2006 £'000 | As at 30 April 2005 (restated) £'000 | As at 31 October 2005 (restated) £'000 |
|--|---------------------------------|---|---|
| Fixed assets | | | |
| Investments at fair value through profit or loss | 123,909 | 88,800 | 97,265 |
| Current assets | | | |
| Debtors and prepayments | 868 | 1,225 | 933 |
| UK Treasury Bills | 10,892 | 6,944 | 9,188 |
| AAA Money Market funds | 5,205 | 9,145 | 8,005 |
| Cash and short term deposits | 439 | 2,687 | 1,225 |
| | 17,404 | 20,001 | 19,351 |
| Creditors: amounts falling due within one year | (1,407) | (1,335) | (1,254) |
| Net current assets | 15,997 | 18,666 | 18,097 |
| Total assets less current liabilities | 139,906 | 107,466 | 115,362 |
| Creditors: amounts falling due after more than one year | (14,851) | (14,842) | (14,847) |
| Net assets | 125,055 | 92,624 | 100,515 |
| Capital and reserves | | | |
| Called-up share capital – equity | 4,068 | 4,068 | 4,068 |
| Capital redemption reserve | 557 | 557 | 557 |
| Capital reserve – realised | 67,387 | 65,371 | 65,270 |
| Capital reserve – unrealised | 49,372 | 19,328 | 26,590 |
| Revenue reserve | 3,671 | 3,300 | 4,030 |
| Equity Shareholders' funds | 125,055 | 92,624 | 100,515 |
| Adjusted net asset value per Ordinary share (pence) | 767.53 | 568.19 | 616.71 |

Reconciliation of Movements in Shareholders' Funds (unaudited)

Six months ended 30 April 2006

| | Share capital £'000 | Capital redemption reserve £'000 | Capital reserve – realised £'000 | Capital reserve – unrealised £'000 | Revenue reserve £'000 | Total £'000 |
|---|------------------------|-------------------------------------|-------------------------------------|---------------------------------------|--------------------------|----------------|
| Balance at 31 October 2005 as originally reported | 4,068 | 557 | 65,270 | 26,632 | 2,240 | 98,767 |
| Restatements (see note 2) | – | – | – | (42) | 1,790 | 1,748 |
| Balance at 31 October 2005 as restated | 4,068 | 557 | 65,270 | 26,590 | 4,030 | 100,515 |
| Return on ordinary activities after taxation | – | – | 2,117 | 22,782 | 1,431 | 26,330 |
| Dividends paid | – | – | – | – | (1,790) | (1,790) |
| Balance at 30 April 2006 | 4,068 | 557 | 67,387 | 49,372 | 3,671 | 125,055 |

Six months ended 30 April 2005

| | Share capital £'000 | Capital redemption reserve £'000 | Capital reserve – realised £'000 | Capital reserve – unrealised £'000 | Revenue reserve £'000 | Total £'000 |
|---|------------------------|-------------------------------------|-------------------------------------|---------------------------------------|--------------------------|----------------|
| Balance at 31 October 2004 as originally reported | 4,068 | 557 | 64,513 | 12,538 | 1,951 | 83,627 |
| Restatements (see note 2) | – | – | – | (97) | 1,627 | 1,530 |
| Balance at 31 October 2004 as restated | 4,068 | 557 | 64,513 | 12,441 | 3,578 | 85,157 |
| Return on ordinary activities after taxation | – | – | 858 | 6,887 | 1,349 | 9,094 |
| Dividends paid | – | – | – | – | (1,627) | (1,627) |
| Balance at 30 April 2005 (restated) | 4,068 | 557 | 65,371 | 19,328 | 3,300 | 92,624 |

Year ended 31 October 2005

| | Share capital £'000 | Capital redemption reserve £'000 | Capital reserve – realised £'000 | Capital reserve – unrealised £'000 | Revenue reserve £'000 | Total £'000 |
|---|------------------------|-------------------------------------|-------------------------------------|---------------------------------------|--------------------------|----------------|
| Balance at 31 October 2004 as originally reported | 4,068 | 557 | 64,513 | 12,538 | 1,951 | 83,627 |
| Restatements (see note 2) | – | – | – | (97) | 1,627 | 1,530 |
| Balance at 31 October 2004 as restated | 4,068 | 557 | 64,513 | 12,441 | 3,578 | 85,157 |
| Return on ordinary activities after taxation | – | – | 757 | 14,149 | 2,795 | 17,701 |
| Dividends paid | – | – | – | – | (2,343) | (2,343) |
| Balance at 31 October 2005 (restated) | 4,068 | 557 | 65,270 | 26,590 | 4,030 | 100,515 |

Cash Flow Statement

| | Six months ended 30 April 2006 (unaudited) £'000 | Six months ended 30 April 2005 (unaudited) £'000 | Year ended 31 October 2005 (audited) £'000 |
|---|---|---|---|
| Net cash inflow from operating activities | 738 | 568 | 1,857 |
| Net cash outflow from servicing of finance | (628) | (628) | (1,257) |
| Net cash (outflow)/inflow from financial investment | (202) | 4,365 | 4,063 |
| Equity dividends paid | (1,790) | (1,627) | (2,343) |
| Net cash (outflow)/inflow before use of liquid resources and financing | (1,882) | 2,678 | 2,320 |
| Net cash inflow/(outflow) from management of liquid resources | 1,096 | (1,044) | (2,148) |
| (Decrease)/increase in cash | (786) | 1,634 | 172 |
| Reconciliation of net cash flow to movements in net funds | | | |
| (Decrease)/increase in cash as above | (786) | 1,634 | 172 |
| Net change in liquid resources | (1,096) | 1,044 | 2,148 |
| Change in net funds resulting from cash flows | (1,882) | 2,678 | 2,320 |
| Amortised Debenture Stock expenses | (4) | (5) | (10) |
| Movement in net funds in the period | (1,886) | 2,673 | 2,310 |
| Opening net funds | 3,571 | 1,261 | 1,261 |
| Closing net funds | 1,685 | 3,934 | 3,571 |
| Represented by: | | | |
| Cash and cash equivalents | 16,536 | 18,776 | 18,418 |
| Debt falling due after more than one year | (14,851) | (14,842) | (14,847) |
| | 1,685 | 3,934 | 3,571 |

Notes to the Financial Statements

1. Accounting policies

The accounts have been prepared under the historical cost convention, as modified to include the revaluation of investments and consistent with applicable UK Accounting Standards and with the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies" (issued January 2003 and revised in December 2005). They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The financial statements, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). The new Financial Reporting Standards, issued as part of the programme to converge UK GAAP with International Financial Reporting Standards (IFRS), were applicable for the six months ended 30 April 2006 and the financial statements for the six months ended 30 April 2005 and year ended 31 October 2005 have been restated (see note 2).

The main changes arising from the revisions to UK GAAP for Dunedin Smaller Companies Investment Trust are:

- the recognition of investments at fair value, which for listed investments is deemed to be bid market prices. Previously investments were valued at mid market prices.
- dividends to Shareholders declared after the balance sheet date are now shown in the period of payment rather than in the reporting period.

The same accounting policies used for the year ended 31 October 2005 have been applied with the following exceptions:

(a) Investments

Listed investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned and are initially measured at fair value. Transaction costs on purchases and sales are taken through the Income Statement as part of the cost or sales consideration, dealt within the capital column. Such costs are disclosed separately in note 4. Subsequent to initial recognition, investments are valued at fair value.

Gains and 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 – unrealised.

(b) Dividends payable

Under FRS 21 "Events after the Balance Sheet Date", dividends should only be accrued in the accounts if they are a liability at the Balance Sheet date. No provision has been made for the interim dividend for the period ended 30 April 2006. As the final dividend for the year is approved by the Shareholders at the AGM each year, the financial statements for the year ended 31 October 2005 and 2004 have been restated to remove the final dividends that were accrued at those dates.

The impact of these changes is shown in note 2.

2. Restatement for first time adoption of revised UK GAAP

| | As at 31 October 2005 (unaudited) £'000 | As at 30 April 2005 (unaudited) £'000 | As at 31 October 2004 (unaudited) £'000 |
|--|---|---|---|
| Reconciliation of Balance Sheets | | | |
| Net assets as previously reported | 98,767 | 91,999 | 83,627 |
| Restatement of investments at bid value | (42) | (91) | (97) |
| Reversal of provision for final/interim dividend | 1,790 | 716 | 1,627 |
| Restated net assets | 100,515 | 92,624 | 85,157 |

Notes to the Financial Statements - continued

| | Year ended 31 October 2005 (unaudited) £'000 | Six months ended 30 April 2005 (unaudited) £'000 |
|---|---|---|
| Reconciliation of the Income Statement | | |
| Total transfer to reserve per originally reported Statement of Total Return | 15,140 | 8,372 |
| Add 2005 dividends on Ordinary shares* | 2,506 | 716 |
| Change from mid to bid basis at 31 October 2004 | 97 | 97 |
| Change from mid to bid basis at 31 October 2005 | (42) | – |
| Change from mid to bid basis at 30 April 2005 | – | (91) |
| Restated return on ordinary activities after taxation per Income Statement | <u>17,701</u> | <u>9,094</u> |

* All dividends paid are now shown in Reconciliation of Movements in Shareholders' Funds.

Ordinary dividends on equity shares deducted from reserves are analysed below:

| | Six months ended 30 April 2006 (unaudited) £'000 | Six months ended 30 April 2005 (unaudited) £'000 | Year ended 31 October 2005 (unaudited) £'000 |
|-------------------------------|---|---|---|
| 2004 final dividend – 10.0p | – | 1,627 | 1,627 |
| 2005 interim dividend – 4.40p | – | – | 716 |
| 2005 final dividend – 11.0p | 1,790 | – | – |
| | <u>1,790</u> | <u>1,627</u> | <u>2,343</u> |

| | Six months ended 30 April 2006 | Six months ended 30 April 2005 (restated) | Year ended 31 October 2005 (restated) |
|----------------------------|-----------------------------------|---|---|
| 3. Return per share | p | p | p |
| Revenue return | 8.80 | 8.29 | 17.17 |
| Capital return | 153.00 | 47.59 | 91.60 |
| Total return | <u>161.80</u> | <u>55.88</u> | <u>108.77</u> |

The figures above are based on the following attributable assets:

| | Six months ended 30 April 2006 £'000 | Six months ended 30 April 2005 (restated) £'000 | Year ended 31 October 2005 (restated) £'000 |
|----------------|--|--|--|
| Revenue return | 1,431 | 1,349 | 2,795 |
| Capital return | 24,899 | 7,745 | 14,906 |
| Total return | <u>26,330</u> | <u>9,094</u> | <u>17,701</u> |

| | | | |
|---|-------------------|-------------------|-------------------|
| Weighted average number of shares in issue: | <u>16,273,719</u> | <u>16,273,719</u> | <u>16,273,719</u> |
|---|-------------------|-------------------|-------------------|

4. Transaction costs

During the period 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:

| | Six months ended 30 April 2006 £'000 | Six months ended 30 April 2005 £'000 | Year ended 31 October 2005 £'000 |
|-----------|--|--|--|
| Purchases | 45 | 48 | 130 |
| Sales | 4 | 24 | 42 |
| | 49 | 72 | 172 |

5. An interim dividend of 4.65p for the year to 31 October 2006 will be paid on 30 June 2006 to Shareholders on the register on 23 June 2006. The ex-dividend date is 21 June 2006.

6. Net asset value

Total Shareholders' funds has been calculated in accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments'. The analysis of total Shareholders' funds on the face of the balance sheet does not reflect the rights under the Articles of Association of the Ordinary Shareholders on a return of assets. These rights are reflected in the net asset value and the net asset value per share attributable to Ordinary Shareholders at the year end, adjusted to reflect the deduction of the Debenture Stock at par. A reconciliation between the two sets of figures is given below:

| | As at 30 April 2006 | As at 30 April 2005 (restated) | As at 31 October 2005 (restated) |
|--|------------------------|--------------------------------------|--|
| Total Shareholders' funds | £125,055,000 | £92,624,000 | £100,515,000 |
| Adjusted net assets | £124,906,000 | £92,466,000 | £100,362,000 |
| Number of equity shares in issue | 16,273,719 | 16,273,719 | 16,273,719 |
| Total Shareholders' funds | 768.45p | 569.16p | 617.65p |
| Less: unamortised Debenture Stock premium and issue expenses | (0.92p) | (0.97p) | (0.94p) |
| Adjusted net asset value per share | 767.53p | 568.19p | 616.71p |

7. The financial information for the six months ended 30 April 2006 and 30 April 2005 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 October 2005 has been extracted from the published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified. This information has been restated where applicable for subsequent changes to UK GAAP. The interim accounts have been prepared on the same basis as the annual accounts, with the exception of the policies in note 1.

Independent Review Report to Dunedin Smaller Companies Investment Trust plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 April 2006 which comprises the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied

in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Statements on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 April 2006.

KPMG Audit Plc
Chartered Accountants
Edinburgh

15 June 2006

How to Invest in Dunedin Smaller Companies Investment Trust plc

Aberdeen ('AAM') Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Dunedin Smaller Companies Investment Trust 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.

AAM offers both a Mini and Maxi stocks and shares ISA, through which shares in Dunedin Smaller Companies Investment Trust can be purchased.

Maxi ISA

An investment of up to £7,000 in Dunedin Smaller Companies Investment Trust can be made in the tax year 2006/2007.

Mini ISA

AAM offers a Mini ISA which will enable investors to invest up to £4,000 in the tax year 2006/2007.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA management charge is £24 + VAT, calculated monthly and deducted from income half yearly. Under current legislation, investments in ISAs can grow free of capital gains tax.

PEP Transfer

PEPs are an easy way to make medium and long term tax efficient investments in the stock markets. All capital gains are free of tax. Since 5 April 1999 no further subscriptions can be made into a PEP. You can however transfer existing PEPs to AAM. The minimum lump sum for a PEP transfer is £1,000 and is subject to a minimum per trust of £250.

Investment Trust Pension

The Investment Trust Pension allows you to include Dunedin Smaller Companies Investment Trust in your retirement planning. Contributions can be made monthly, yearly or by lump sums and there are low minimum Investment amounts.

Trust Information

If investors would like details of Dunedin Smaller Companies Investment Trust or information on the Share Plan or ISA please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP or e-mail at inv.trusts@aberdeen-asset.com. Details are also available on www.invtrusts.co.uk

Keeping you Informed

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

For internet users, detailed data on Dunedin Smaller Companies Investment Trust, including price, performance information and a monthly fact sheet is available from the Trust's website (www.dunedin-smaller.co.uk), the manager's website (www.invtrusts.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0500 00 00 40 for trust information.

Contact us:

Brochure request – 0500 00 40 00
Share Plan/ISA/PEP admin – 0500 00 00 40
Pension admin – 0800 137 079

Lloyds TSB Registrars also have a website (www.shareview.co.uk) which includes a page entitled 'Shareholder Services', which gives Shareholders an insight into their shareholding. The website also has information about how to register a change of name and what to do if you have lost your share certificate.

The above information 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

Corporate Information

Directors

The Earl of Dalhousie, Chairman

T J K Barnes

R M Entwistle

N M Yarrow

Company Website

www.dunedinsmaller.co.uk

Manager and Secretary

Edinburgh Fund Managers plc

website: aberdeen-asset.com

Registered Office

97 Haymarket Terrace

Edinburgh EH12 5HD

Registrars

Lloyds TSB Registrars

The Causeway

Worthing

West Sussex BN99 6DA

Telephone: 0870-601 5366

