

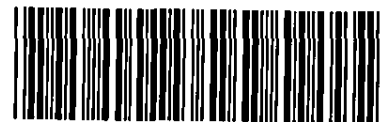
11

# Aberdeen Development Capital PLC

Annual Report  
Year ended 31 May 2011

SC098542

THURSDAY



\*SQ400Z4D\*

SCT

10/11/2011

1

COMPANIES HOUSE

# Contents

---

- 1 Financial Highlights
- 1 Financial Calendar

## Annual Report

- 2 Corporate Summary
- 4 Chairman's Statement
- 6 Manager's Review
- 7 Results
- 8 Performance
- 10 Largest Investments
- 11 Classification of Investments
- 12 Information about the Manager
- 12 The Investment Process

## Directors' Reports and Financial Statements

- 13 Your Board of Directors
- 14 Directors' Report
- 17 Statement of Corporate Governance
- 21 Statement of Directors' Responsibilities
- 22 Directors' Remuneration Report
- 23 Independent Auditor's Report
- 25 Consolidated Statement of Comprehensive Income
- 26 Balance Sheets
- 27 Statements of Changes in Equity
- 28 Cash Flow Statements
- 29 Notes to the Financial Statements

## Annual General Meeting

- 42 Glossary of Terms and Definitions
- 43 Notice of Meeting
- 46 Your Company's Capital History
- 47 Corporate Information

## Financial Highlights

	2011	2010
Net asset value total return	(1.4)p	(1.8)p
Share price total return	0.8p	(4.6)p
Dividend per share <sup>A</sup>	–	0.50p

<sup>A</sup> The figure for dividends reflects the years in which they were earned (see note 8 on page 33)

## Financial Calendar

29 July 2011	Final results announcement
September 2011	Interim Management Statement announcement
26 October 2011	Annual General Meeting at 12.30pm at 10 Queen's Terrace, Aberdeen
January 2012	Half-yearly results announcement
March 2012	Interim Management Statement announcement

# Corporate Summary

---

## The Group

Aberdeen Development Capital PLC ("the Company"), incorporated in Scotland, registered number SC098542, is an investment trust company and its shares are listed on the London Stock Exchange. Subsidiaries ADC Zeros 2010 PLC and ADC Zeros 2012 PLC are investment companies whose Zero Dividend Preference ("ZDP") shares are listed on the London Stock Exchange. ADC Zeros 2010 PLC and ADC Zeros 2012 PLC prepare their own annual reports and these are available from the Company's registered office.

## Investment Objective

The aim is to conduct an orderly realisation of the assets of the Company, to be effected in a manner which maximises value for Ordinary shareholders.

## Investment Policy

The Company's assets were invested in a diversified portfolio of unlisted securities spread across a range of industries and regions within the United Kingdom. As is the nature of such an investment vehicle in a wind down phase, exposure to individual investments remaining increases as the portfolio assets are realised.

It is the investment 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 currently does not have any investments in other investment companies.

## Delivering the Investment Policy

The Directors are responsible for determining the investment policy and the investment objective of the Company. Day to day management of the Company's assets has been delegated to Aberdeen Asset Managers Limited ("AAM" or the "Manager"). The Manager invests in a diversified range of unlisted securities in accordance with the investment objective.

The Manager has responsibility for portfolio construction across all regional segments of the UK. Working closely with the relevant underlying desk in each case, portfolio construction is an interactive process.

Top-down investment factors are secondary in the Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights.

Market capitalisation is not a primary concern. The Company is permitted to invest up to 15% of its investments by value in any single stock (at the time of purchase), in accordance with the investment trust constraints of Sections 1158-1159 of the Corporation Tax Act 2010 ("s1158-1159 CTA 2010").

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 12. A comprehensive analysis of the Company's portfolio is disclosed on page 10 including a description of the largest investments by value.

The Board is responsible for determining the gearing strategy for the Company. Gearing is used through the issue of ZDP shares in subsidiary companies, ADC Zeros 2010 PLC and ADC Zeros 2012 PLC to leverage the Company's portfolio in order to enhance returns. At the year end there was gearing of 183.4% (of the Group's net assets).

## Benchmark

As a result of the Company being in a realisation phase, the Board believes there is no perfect benchmark measuring performance of a split-capital investment trust divesting an underlying portfolio of private equity assets.

## Investment Manager

The Company's investments are managed by Aberdeen Asset Managers Limited (authorised and regulated by the Financial Services Authority) under an Investment Management Agreement dated 4 June 1999 (amended on 24 February 2006 to reduce the notice period, and on 3 August 2007 to revise the management fee and performance fee arrangements). Please refer to Note 4 to the Financial Statements on page 31 for details of the management fee payable. The Directors review the terms of the investment management agreement on a regular basis and have confirmed that in their opinion the continuing appointment of Aberdeen Asset Managers Limited is in the interests of shareholders as a whole.

## Capital Structure

At 31 May 2011 the Group had a capital structure comprising voting capital of 35,719,225 Ordinary shares of 1p each and 7,491,110 ZDP shares in ADC Zeros 2010 PLC and 7,491,110 ZDP shares in ADC Zeros 2012 PLC. Both the Ordinary shares of the Company and the ZDP shares of the subsidiaries are listed on the London Stock Exchange. The Ordinary shares of the subsidiaries are unlisted and held entirely by Aberdeen Development Capital PLC.

## Total Assets and Net Asset Value

The Group had total assets of £6.5 million and a net asset value of 5.9 pence per Ordinary share at 31 May 2011. The net asset value per ZDP share on 31 May 2011 was 29.6 pence.

## Websites

[www.developmentcap.co.uk](http://www.developmentcap.co.uk)  
[www.aberdeen-asset.com](http://www.aberdeen-asset.com)

---

### Company Secretary

Aberdeen Asset Management PLC  
10 Queen's Terrace  
Aberdeen  
AB10 1YG

Email: [company.secretary@invtrusts.co.uk](mailto:company.secretary@invtrusts.co.uk)

### Customer Services

Freephone: 0500 00 00 40  
(open Monday – Friday, 9am – 5pm)

Email: [invtrusts@aberdeen-asset.com](mailto:invtrusts@aberdeen-asset.com)

### Risk

Managing a portfolio of shares necessarily involves certain risks, the more important of which are set out on page 14 and pages 39 to 41 of this Report.

As the volume of the Group's shares traded on the market is likely to be small, the shares may trade at a significant discount to the Net Asset Value.

The Group currently utilises gearing in the form of ZDP shares (see 'Capital Structure' above and Note 13 to the Financial Statements). Gearing has the effect of exacerbating market falls and market gains.

### Taxation Controls

Any change in the Company's tax status or in taxation legislation (including treatment of dividends or other investment income received by the Company) could affect the Company's ability to provide returns to shareholders or alter the post-tax returns to shareholders.

### AIC

Aberdeen Development Capital PLC is a member of the Association of Investment Companies.

### Duration

There is no fixed life on the Ordinary shares of the Group although the ZDP shares in ADC Zeros 2010 PLC and ADC Zeros 2012 PLC will be repaid under the Capital Return Scheme and Buy Back Programme approved by shareholders on 3 August 2007. Under the terms of the Scheme, returns of capital are expected to be made whenever the Group has sufficient liquid assets for the purpose. Following each return of capital, the capital entitlement of all ZDP shares are adjusted by deducting from the accrued capital entitlement of ZDP shares at the date on which the relevant return of capital is paid, thereafter the capital entitlement per ZDP share will continue to accrue at 6.5% per annum. The Scheme is supplemented by a buyback of shares programme, details of which can be found in the Notice of the Meeting on page 43. In April 2010 the life of the 2010 ZDP shares was extended until 30 April 2012. In the event that the accrued capital entitlement of 2010 ZDP shares and 2012 ZDP shares is reduced to nil, as a result of the Capital return scheme or otherwise, the directors of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC will be obliged to propose a resolution to put the Company into voluntary liquidation. In the event that the Group has not realised or it looks unlikely to realise all of its assets by 30 April 2012 then the Directors will seek to either sell the remaining assets to a third party or appoint a liquidator to manage the realisation of assets.

### Share Dealing/ISA Status

Ordinary shares in Aberdeen Development Capital PLC and ZDP shares in both ADC Zeros 2010 PLC and ADC Zeros 2012 PLC can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen Savings Scheme and are fully qualifying for inclusion within tax efficient tax wrappers.

# Chairman's Statement

---

## Background

In last year's statement I noted that the market conditions facing small and medium sized unlisted businesses were expected to continue to be challenging through the year under review and this has proved to be the case. Although none of the larger remaining portfolio companies were fully exited during the year, the Manager continues to seek ways of liquidating assets at optimal prices, and a number of partial disposals and an equity for debt swap have been completed, with several others under discussion.

Despite the continuing difficult market conditions, returns from investments and the repayment of VAT on management fees plus interest thereon has allowed for one return of capital to Zero dividend preference ("ZDP") shareholders during the year at a rate of 10p per share. To date ZDP shareholders have received 98.6p per share against their issue price of 100p per share and their final capital entitlement stood at 31.36p as at 31 May 2011. Ordinary shareholders have to date received a return of capital of 7.3p per share.

## Performance

The net asset value ("NAV") per Ordinary share fell during the year from 7.8p to 5.9p, of which 1.0p was attributable to the annual allocation of entitlement to holders of ZDP shares, and 2.8p due to downward revaluation of investments, both elements being partially offset by the repayment of VAT on management fees and interest thereon.

Given the trading environment for certain portfolio companies, their illiquidity and also the proximity of the ZDP shares repayment date in April 2012, the Board has written down the carrying value of a number of investments, details of which can be found in the Manager's Review section.

## Dividend

The Board has decided not to recommend a dividend to Ordinary shareholders in respect of the year ended 31 May 2011. The Board is mindful of the entitlement of the Ordinary shareholders to share in revenue surpluses generated, however it recognises the need to conserve cash to meet its primary objective of returning capital to ZDP shareholders as part of the winding up process of the Group. The Board has taken professional advice to ensure that it can continue to maintain its investment trust status, noting that company law requires an investment company to maintain a certain level of net assets cover over liabilities in order to be able to make distributions, a condition which the Company cannot fulfil at the current time.

## Portfolio Activity

In accordance with the investment objective, no new investments have been made during the year and there were no calls for follow-on investment.

As mentioned above no full exits have been achieved during the year, however, certain partial redemptions have occurred along with the restructuring of certain investment terms which should help realise shareholder value.

The most significant piece of portfolio activity has occurred subsequent to the Balance Sheet date, with portfolio company Cash Bases repaying in full their outstanding loan stock, amounting to some £1.068 million.

## Repayment of VAT on Management Fees

During the year the Company received a repayment of £484,000 from the Manager, representing the return of outstanding VAT charged on management fees for the periods 1990 to 1996 and 2001 to 2003. This sum has been allocated to the revenue and capital accounts in accordance with the accounting policy in place when the VAT was originally charged. The Company has also received £402,000 representing the simple interest due on the total repayment of VAT. This interest payment has been allocated to the revenue account.

As shareholders will be aware, we continue to investigate the recovery of VAT paid during the so-called "dead period" between 1996 and 2001, but it is still too early to give an indication of either the chances of success or the quantum that might be recovered. The Company has also challenged the basis on which interest has been paid, arguing with HM Revenue & Customs that it should be under a compound interest basis rather than simple interest basis. HM Revenue & Customs are currently resisting this argument and a resolution to this claim is unlikely within the foreseeable future.

## Annual General Meeting

The Annual General Meeting ("AGM") has been convened for Wednesday, 26th October 2011 at 10 Queen's Terrace, Aberdeen and the Board looks forward to meeting any shareholders who wish to attend. I would be grateful if you would confirm your attendance by completing the notice that accompanies the Annual Report and returning it together with an indication of any particular questions that you would like to ask.

Mr Gilbert, Mr Scott and I will be retiring by rotation at the AGM and your Board, having reviewed the proposed re-elections, and bearing in mind the wind-up nature of the Company, recommends that shareholders vote in favour of their reappointment.

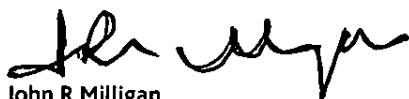
---

## Proposed Liquidation of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC

Having received over £1 million from investee company, Cash Bases Limited after the year end, the Group is now in a position to make a further capital return to ZDP shareholders, in accordance with the Board's policy of using surplus cash to fund returns under the Capital Return Scheme. However, there are currently insufficient distributable capital reserves within ADC Zeros 2010 PLC and ADC Zeros 2012 PLC to ensure that such a return would continue to be treated as capital in nature. Therefore, in order to avoid any future returns from being classed as income for tax purposes, it will be necessary to first place ADC Zeros 2010 PLC and ADC Zeros 2012 PLC into liquidation before any further returns of capital may be made and a resolution proposing this course of action will be put at separate class meetings of these companies to be convened in the coming weeks. Notwithstanding liquidation, the entitlement of the ZDP shares will continue to accrue at a compound daily rate of 6.5% per annum until 30 April 2012.

### The Future

Your Board and the Manager will continue in their attempts to realise optimum value for the remainder of the Group's investments with the primary objective being the repayment of ZDP shareholders' full entitlement by 30 April 2012, however, we are mindful that as the repayment date draws closer, exit prices are unlikely to match those which could be achieved under more favourable market conditions or under a going concern basis. Should the Group's assets not be realised by 30 April 2012, then the Board will be obliged to convene a general meeting of the Company on 30 April 2012 at which a special resolution will be proposed to wind up the Company voluntarily.



**John R Milligan**  
Chairman  
29 July 2011

# Manager's Review

## Background

The year under review proved to be another challenging one in which to progress the orderly realisation programme sought by shareholders in 2007. The paucity of available credit facilities in the market place has not only curtailed merger and acquisition activity as companies seek to position themselves for sale but also hampered trading activity in certain businesses. Consequently, exit opportunities have been limited and trading performance has been mixed although the management teams of a number of holdings have dealt well with the recessionary pressures.

## Net Asset Value Performance

Audited NAV per Ordinary share as at 31 May 2010 7.8p

### Major Downgrades:

Tennants Consolidated	(1.2)p
Pilgrim Systems	(0.7)p
	(1.9)p

Appropriation to Zero dividend preference shares (1.0)p

VAT Repayment (including interest) 2.5p

Other movements (1.5)p

**Audited NAV per Ordinary share as at 31 May 2011 5.9p**

## Investments

There were no new or follow-on investments during the year, however the book cost of PLM Dollar Group increased by £244,000 due to a revaluation of the business on the event of converting existing equity to debt, including the capitalisation of £130,000 of dividend arrears.

## Realisations

During the year there were a number of realisations from the unlisted portfolio.

Company	Proceeds £'000	Cost £'000	Gain/ (Loss) £'000
Cash Bases	195	166	29
Fispak	50	50	-
IFC Holdings	300	125	175
TLA Holdings <sup>A</sup>	-	145	(145)
<b>Total</b>	<b>545</b>	<b>486</b>	<b>59</b>

<sup>A</sup> Written down to £nil in prior year; liquidation process now complete.

## Changes in Carrying Values

In attributing carrying values to investments the Board has considered the illiquid nature of unlisted holdings and applied a discount on a case by case basis to arrive at a value which represents a best estimate of net realisable value. The Board has a policy of not increasing the value of a holding unless the failure to do so would result in a material understatement of the net assets of the Group. Provisions against the value of underperforming investments are normally applied at the year end or half year end, however, if there is an imminent risk of the underlying business failing then an immediate provision is made.

At the year end the Board has written down the value of investments in Ortak Jewellery, Tennants Consolidated and Whiteness Property Company to reflect their lack of liquidity, THL Midlands to reflect historically poor earnings and IFC Holdings, Pilgrim Systems and PLM Dollar Group to reflect the proximity of the ZDP shares repayment date compared to expected maturity.

## Valuation Principles

The portfolio is valued at fair value and in the absence of the requirement to realise assets before 30 April 2012 International Private Equity and Venture Capital Valuation Guidelines would normally be applied. However, the Board believes that these Guidelines based on usual methodologies relating to earnings, recent transactions, net assets or industry benchmarks are not particularly relevant in the current circumstances.

Where there is no relevant methodology the Board will apply a value based on an assessment of market value, taking into account factors such as trading, the size of the investment and its liquidity.

## Outlook

Although some progress has been made in recent months in terms of realising certain holdings such as Cash Bases, we expect uncertain market conditions to persist in the short term which will undoubtedly impact adversely on the ability to achieve exits unless more liquidity enters capital markets. However, we believe the sectors in which some investee companies operate will remain attractive to buyers and we will seek to realise value for shareholders where opportunities exist.



**Hugh Little**  
Aberdeen Asset Managers Limited  
Manager  
29 July 2011



# Results

## Financial Highlights

	31 May 2011	31 May 2010	% change
Total assets (see definition on page 42)	£6,540,000	£8,378,000	-21.9
Total equity shareholders' funds (net assets)	£2,104,000	£2,786,000	-24.5
Share price (mid market)	2.13p	1.85p	15.1
Net asset value per share	5.89p	7.80p	-24.5
Discount to net asset value	63.8%	76.3%	-
FTSE Small Cap Index (ex Investment Trusts)	2682.8	2248.6	19.3
Actual gearing	183.4%	167.5%	-
Potential gearing	210.8%	200.7%	-
Total expense ratio (see definition on page 42)	3.3%	2.9%	-

## Earnings

Total return per share	(1.4)p	(1.8)p
Revenue return per share	1.4p	0.3p
Proposed final dividend per share	-	0.5p
Revenue reserves (£'000)	470	153

## Performance (total return)

	1 year % return	3 year % return	5 year % return
Share price	48.0	-80.4	-85.3
Net asset value	-19.6	-59.6	-75.0
FTSE Small Cap Index (ex Investment Trusts)	23.1	8.5	-6.1

## Performance

---

Share Price Premium/(Discount) (%) to NAV  
Five years to 31 May 2011

Source: Morningstar

NAV Total Return and Share Price vs FTSE Small Cap Index (ex Investment Trusts)  
Five years to 31 May 2011 (figures rebased to 100 at 31 May 2006)

Source: Morningstar

## Ten Year Financial Record

	2002	2003	2004	2005 <sup>a</sup>	2006 <sup>b</sup>	2007	2008	2009	2010	2011
Total revenue (£'000)	2,884	2,532	2,474	2,918	1,542	1,904	1,060	521	396	576
<b>Per share</b>										
Net revenue return (p)	4.86	5.02	4.86	5.63	2.46	1.37	1.38	0.69	0.25	1.39
Net dividends paid (p)	5.20	5.20	5.20	5.20	3.48	2.50	2.50	1.39	0.25	0.50
Total return (p)	11.22	(3.40)	(2.38)	(1.77)	(4.87)	(11.38)	(3.43)	(6.16)	(1.79)	(1.41)
Net asset value per share (p)	74.34	65.74	58.16	52.79	44.44	30.56	19.69	10.13	7.80	5.89
Shareholders' funds (£'000)	50,836	49,530	48,756	19,489	16,407	11,283	7,033	3,620	2,786	2,104

<sup>a</sup> 2005 reflects a change to the accounting treatment of Zero dividend preference shares which were cancelled by the Company and reissued in ADC Zeros 2005 PLC. They were therefore treated as a creditor in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" and also International Financial Reporting Standards (IFRS). The Zero dividend preference shares of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC are treated in the same manner.

<sup>b</sup> The reduction in dividends paid in 2006 is in accordance with the projections contained within the Circular sent to shareholders relating to the refinancing of the Group in that financial year.

# Largest Investments

As at 31 May 2011

Company	Fair value £'000	Book cost £'000	Year-end	% of fully diluted equity held	Dividend per share p	Dividend cover	Net assets attributable by equity held £'000
<b>Tennants Consolidated</b>	1,547	1,044	31-Dec-10	2.2	25.16	4.9	3,451
Tennants Consolidated is engaged in the manufacture and sale of chemicals and chemical products.							
<b>Pilgrim Systems</b>	1,250	1,500	30-Sep-10	20.0	n/a	n/a	313
Pilgrim Systems is concerned with the origination, supply and support of specialised software packages predominantly for use within the legal profession.							
<b>Cash Bases</b>	1,082	1,082	31-Dec-10	18.8	n/a	n/a	475
Cash Bases is a leading designer and manufacturer of customised cash drawers and is based in Newhaven, Sussex. Since its formation in 1981 the company has created over 10,000 different product variations for its "blue-chip" customer base, which includes major retailers, banks, lottery operators and shipping companies in over 60 countries.							
<b>IFC Holdings</b>	800	376	31-Mar-11	20.6	n/a	n/a	1,009
IFC Holdings is concerned with the processing and distribution of canned fish products.							
<b>PLM Dollar Group</b>	700	944	30-Sep-10	-	n/a	n/a	n/a
PLM Dollar is one of the largest providers of on-shore helicopter services in the UK that has an operational pedigree stretching back over 30 years. The company provides a wide range of services including passenger and corporate contracts, fish transportation, path maintenance, filming, construction, tree lifting and erecting radio masts.							
<b>Enpure Holdings</b>	450	450	31-Mar-10	1.9	n/a	n/a	88
Enpure provides process engineering and project management services including design, installation and commissioning solutions on behalf of a wide range of clients.							
<b>THL Midlands</b>	150	1,235	31-Dec-10	13.8	n/a	n/a	(132)
THL Midlands (formerly Transys Holdings) supplies engineering services and equipment to the UK rail industry. Its activities are broadly split between turnkey projects which involve design, supply and fitting of specialist equipment and the provision of engineering and consultancy services. The business is based in Birmingham and employs approximately 40 members of staff.							
<b>Whiteness Property Company</b>	125	172	30-Nov-09	2.9	n/a	n/a	74
Whiteness Property Company is a property development opportunity located near Inverness.							
Other investments (8)	-	1,749					
<b>Total investments</b>	<b>6,104</b>	<b>8,552</b>					

# Classification of Investments

Based on valuation at 31 May 2011

Classification of investments by sector		
	2011 %	2010 %
Chemicals	25.3	26.2
<b>Basic Materials</b>	<b>25.3</b>	<b>26.2</b>
Industrial Engineering	2.5	3.7
Support Services	29.2	25.6
<b>General Industrials</b>	<b>31.7</b>	<b>29.3</b>
Food Producers & Processors	13.1	15.8
<b>Consumer Goods</b>	<b>13.1</b>	<b>15.8</b>
General Retailers	-	0.8
<b>Consumer Services</b>	<b>-</b>	<b>0.8</b>
Software & Computer Services	20.5	19.8
<b>Technology</b>	<b>20.5</b>	<b>19.8</b>
Gas, Water and Multiutilities	7.4	5.9
<b>Utilities</b>	<b>7.4</b>	<b>5.9</b>
Real Estate	2.0	2.2
<b>Financials</b>	<b>2.0</b>	<b>2.2</b>
<b>Total fixed asset investments</b>	<b>100.0</b>	<b>100.0</b>
Classification of investments by instrument held		
Equities	61.3	70.2
Fixed interest securities	38.7	29.8
	<b>100.0</b>	<b>100.0</b>

# Information about the Manager

---

The Company's investment manager is Aberdeen Asset Managers Limited ("AAM"). It is a subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 31 May 2011 have approximately £182.6 billion under management. It manages assets on behalf of a wide range of clients including 50 investment companies and other closed-ended funds, which have combined total assets of over £8.3 billion. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

The Manager has its headquarters in Aberdeen and its main investment centres in Bangkok, Budapest, Edinburgh, Glasgow, Hong Kong, Jersey, Kuala Lumpur, London, Paris, Philadelphia, Singapore, Sydney and Tokyo.

## The Investment Process

---

### Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive valuations 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 careful not to pay too high a price when making the investment. Subsequent to that investment we keep in close touch with the company, usually reserving the right to appoint a non-executive director or obtaining observer rights at board meetings. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest, however, risks associated with investing in smaller unlisted companies are much greater than for larger, listed companies.

### Risk Controls

We seek to minimise risk by our in-depth research. We manage and mitigate investment risk by:

- diversifying across a number of companies;
- diversifying across a number of economic sectors;
- actively and closely monitoring the progress of investee companies;
- seeking to appoint a non-executive director to the board of each private investee company, provided from the Manager's investment management team or from its pool of experienced independent directors;
- co-investing with other funds run by the Manager in larger deals, which tend to carry less risk;
- not investing in hostile public to private transactions; and
- retaining the services of a Manager that can provide the breadth and depth of resources required to meet the criteria stated above.

## Your Board

---

The Board of three Directors, all of whom are non-executive and the majority of whom are considered by the Board to be independent of the Manager, supervises the management of Aberdeen Development Capital PLC and looks after the interests of its shareholders.

**John R Milligan CBE**

**Chairman and Independent Non-Executive Director**

**Length of service:** 12 years

**Relevant experience and other directorships:** He was the founder and Chairman of PGS Atlantic Power. He is the Chairman of Court at Dundee University and is the past Chairman of the Scottish Welfare to Work Taskforce.

**Last re-elected to the Board:** 27 October 2010

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

**Other public company directorships:** None

**Employment by the Manager:** None

**Other connections with the Manager:** None

**Shared directorships with other Directors:** ADC Zeros 2010 PLC, ADC Zeros 2012 PLC

**Shareholding in Company:** 10,000 Ordinary shares

**Martin J Gilbert**

**Non-Executive Director**

**Length of service:** 25 years

**Relevant experience and other directorships:** He qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management. He was one of the founding directors, and is now chief executive of Aberdeen Asset Management PLC. He is chairman of FirstGroup PLC and a director of a number of other companies.

**Last re-elected to the Board:** 27 October 2010

**Committee membership:** Nomination committee

**Other public company directorships:** Aberdeen Asian Smaller Companies Investment Trust PLC, Aberdeen Asia – Pacific Income Fund Inc, Aberdeen Asia – Pacific Income Investment Company Limited, Aberdeen Football Club PLC, Aberdeen Global Income Fund Inc and Primary Health Properties PLC.

**Employment by the Manager:** Chief executive of Aberdeen Asset Management PLC

**Other connections with the Manager:** None

**Shared directorships with other Directors:** Aberdeen Football Club PLC, ADC Zeros 2010 PLC, ADC Zeros 2012 PLC

**Shareholding in Company:** 215,512 Ordinary shares

**Charles M Scott**

**Independent Non-Executive Director**

**Length of service:** 14 years

**Relevant experience and other directorships:** He qualified as a chartered accountant in 1967 and was a partner of Ernst & Young in Glasgow from 1975 to 1993. Since 1993 he has been a non-executive director of various businesses in Central Scotland including ten years as Vice Chair of Greater Glasgow Primary Care NHS Trust, twelve years concluding as Chair of Langside FE College and acted as a business development executive for Targeting Innovation Limited.

**Last re-elected to the Board:** 27 October 2010

**Committee membership:** Chairman of Audit Committee and member of Management Engagement and Nomination Committees

**Other public company directorships:** Ortus VCT PLC

**Employment by the Manager:** None

**Other connections with the Manager:** None

**Shared directorships with other Directors:** ADC Zeros 2010 PLC, ADC Zeros 2012 PLC

**Shareholding in Company:** 30,000 Ordinary shares

All the Directors are non-executive and, with the exception of Mr Gilbert, independent.

# Directors' Report

---

The Directors present their report and financial statements for the year to 31 May 2011.

## Business Review

A review of the Group's activities is given in the Corporate Summary on page 2, the Chairman's Statement on pages 4 and 5 and the Manager's Review on page 6. This includes a review of the business of the Group and its principal activities, likely future developments of the business, recommended dividend levels and details of the acquisition of its own shares. The major risks associated with the Group are detailed in note 19 to the Financial Statements. The Key Performance Indicators for the Group including NAV performance, share price performance and benchmark performance are detailed on page 7.

Details of the Directors are given in Your Board on page 13 and also further below in the Directors' Report.

The Group has made no political or charitable donations during the year and in common with most investment trusts, the Group has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

## Principal Activity

The Company was incorporated as a public limited company on 22 April 1986 and was listed on the London Stock Exchange on 8 September 1986. The Company's registration number is SC098542.

The business of the Company is that of an investment trust investing development capital in private companies in the UK and by the acquisition of companies or other entities investing development capital.

## Status

The Company is an investment company as defined by Section 833 of the Companies Act 2006 and is registered as a public limited company.

The Company has been provisionally approved by HM Revenue & Customs as an investment trust under Section 1158 of the Corporation Tax Act 2010 for the year ended 31 May 2010. The Company has subsequently conducted its affairs so as to enable it to continue to qualify for such approval.

The Company is a qualifying trust for the purposes of Individual Savings Accounts and it is the Directors' intention that the Company should continue to be a qualifying trust.

## Results and Dividends

Details of the Group's results and dividends are shown on page 7 of this Report.

## Investment Objective and Policies

The Board's objective is to conduct an orderly realisation of the Group's assets in a manner which maximises value for shareholders, in accordance with proposals approved

by shareholders on 3 August 2007. It is intended that the mechanism for returning surplus cash to shareholders over time be through a combination of ad hoc returns of capital and buying back shares through the market.

The Company's investment policy is set out in full on page 2.

## Risks and Uncertainties

The Board has adopted a matrix of the key risks that affect its business. The principal risks are as follows:

- **Market risk:** Investments in smaller unlisted companies carry substantially greater risk, in terms of price and liquidity, than investments in larger companies or in companies listed on the Official List. In addition, many of the businesses in which the Company invests may be exposed to the risk of political change, exchange controls, tax or other regulations that may affect their value and marketability. A fall in the value of its portfolio will have an adverse effect on shareholders' funds, which will be exacerbated by the gearing effect of the ZDP shares. It is not the aim of the Board to eliminate entirely the risk of capital loss, rather it is its aim to seek capital growth so that the gearing effect will multiply the gains for Ordinary shareholders. The aim is to ensure that the future capital entitlement of the ZDP shares can always be met.
- **Capital structure risk:** The Company's capital structure and its accounting policies mean that the capital accrual on the ZDP shares and 67% of the management fee are charged to the capital account rather than the revenue account. While this enables a higher dividend payment than would otherwise be the case, it means that total assets have to rise in order to maintain the level of Ordinary shareholders' funds in existence at the period end.
- **Income/dividend risk:** The investment objective of the Company, to conduct an orderly realisation of the assets of the Company, to be effected in manner which maximises returns for shareholders means that less income will be generated from the portfolio which in turn will affect the level of dividend which may be distributed to shareholders.
- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 of the Corporation Tax Act 2010 could result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations such as the UKLA listing rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers such as the Manager could also lead to reputational damage or loss.
- **Operational risk:** this is covered within the investment process on page 12 and the internal control section within the Statement of Corporate Governance on pages 19 and 20.



Further details on other risks relating to the Company's investment activities, including market, price and liquidity risks are provided in note 19 to the accounts.

### Resources

The Company has no employees. The management of the Company has been delegated to Aberdeen Asset Managers Limited. Details of the Management Agreement are provided on page 2.

### Environmental Policy

As an investment trust, the Company has no direct social or environmental responsibilities. Its focus is on ensuring that its portfolio is properly managed and invested. The Company has, however, adopted an environmental policy, details of which are set out in the Corporate Governance Report.

### Directors

The current Directors of the Company are shown on page 13 along with brief biographical details. Having served on the Board for more than nine years, both Mr Milligan and Mr Scott submit themselves for annual re-election in accordance with the principles of the Combined Code. As a non-independent Director, Mr Gilbert offers himself for re-election annually.

The Directors at 31 May 2011 and their beneficial interests in the Ordinary shares of the Company and alterations since the balance sheet date are as follows:

	31 May 2011 Ordinary	31 May 2010 Ordinary
J R Milligan	10,000	10,000
M J Gilbert	215,512	215,512
C M Scott	30,000	30,000

The Company has not been notified of any changes in Directors' holdings between 31 May 2011 and 29 July 2011.

None of the Directors have had any interest in the Group's ZDP shares at any time during the year.

Mr Gilbert is a director of Aberdeen Asset Managers Limited which acts as the Company's investment manager and is also a director of Aberdeen Asset Management PLC, the Secretary of the Company and the holding company of Aberdeen Asset Managers Limited.

No Director has a service contract with the Company.

### Corporate Governance

The Statement of Corporate Governance is shown on pages 17 to 20.

### Financial Statements

The Directors' responsibilities regarding the financial statements are set out on page 21. The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

### Directors' & Officers' Insurance

Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

### Going Concern

The Group, of which the Company is the ultimate parent undertaking, has a split capital structure with a planned life due to expire on 30 April 2012. The ZDP shareholders are entitled to receive a final capital entitlement of 31.36p per share, which is equivalent to an annual redemption yield of 6.5% based on their issue price of 100p and adjusted for returns of capital under the Capital Return Scheme approved by shareholders on 3 August 2007. Ordinary shareholders are entitled to the remaining assets of the Group following repayment of the capital entitlement to ZDP shareholders.

Due to the illiquid nature of the remaining investments held, the Directors cannot be certain that sufficient cash will be generated from realisations to repay the ZDP shares in full and will explore options of selling the portfolio to a third party or appoint a liquidator to assist this process. These financial statements have therefore been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the Company's net assets to a net realisable value.

As noted in the annual reports of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC a special resolution shall be proposed at separate class meetings of these companies to wind up the companies voluntarily thus enabling them to continue making further returns of capital. There are no plans to wind up Aberdeen Development Capital PLC and unlisted subsidiaries ADC (Glasgow) Limited and ADC Fund Limited Partnership before 30 April 2012.

Meanwhile, the Group and Company will continue to be managed in the same way as present ie. to realise assets to repay in full the ZDP shareholders of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC, and thereafter to maximise value for Ordinary shareholders.

## Directors' Report continued

The Directors believe that the Group and Company has adequate resources to continue in operational existence until 30 April 2012. In arriving at this conclusion, the Directors have considered the fixed life and final capital entitlement of the ZDP shares in ADC Zeros 2010 PLC and ADC Zeros 2012 PLC. The cost of appointing a liquidator and taking associated legal advice has been estimated at around £200,000 excluding VAT.

### Substantial Interests

On 29 July 2011 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 shares held	% held
Midas Capital Partners	6,390,000	17.9
Henderson Asset Management Limited	4,500,000	12.6
Sarah E Mooney	4,232,634	11.8
Clients of Aberdeen Asset Managers Limited	3,659,878	10.2
Dartmoor Investment Trust	2,524,033	7.1
Clients of Charles Stanley	1,991,287	5.6
Aberdeen Asset Managers Savings Plan (non-discretionary)	1,455,753	4.1

### 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. The Directors do not consider any creditors to represent trade creditors.

### Recommendation

Your Directors believe that the adoption of the Resolutions to be proposed at the Annual General Meeting is in the best interest of the Company and its shareholders as a whole and accordingly recommend you to vote in favour of the Resolutions.

### Accountability and Audit

Each Director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and he or she has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and shall be interpreted in accordance with the provisions of Section

418 of the Companies Act 2006. Additionally there are no important events since the year end which have not been disclosed elsewhere in this Report.

### Section 992 Companies Act 2006

The following further information is disclosed in accordance with Section 992 of the Companies Act 2006:

- The Company's capital structure and voting rights are summarised on page 2 and note 14;
- Details of the substantial shareholders in the Company are listed on page 16;
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are summarised on page 15;
- Amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares require a special resolution to be passed by shareholders;
- There are; no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid;
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

### Directors' Conflicts of Interests

The Board confirms that, as at the date of this Report, the Directors do not have any conflicts of interest which might require to be approved by the Board or otherwise recorded in the Company's Register of Conflicts.

### Independent Auditor

Deloitte LLP, have indicated their willingness to continue in office and a resolution to re-appoint Deloitte LLP as auditor will be proposed at the forthcoming Annual General Meeting, along with a resolution to authorise the Directors to fix their remuneration.

10 Queen's Terrace  
Aberdeen AB10 1YG  
29 July 2011

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

# Statement of Corporate Governance

The Company is committed to high standards of corporate governance and the Board is accordingly 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") published in June 2008, which is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk). The Association of Investment Companies ("AIC") has also published a Code of Corporate Governance for Investment Trusts® ("AIC Code"), which was updated in March 2009 (and is available on the AIC's website: [www.theaic.co.uk](http://www.theaic.co.uk)), and which complements the Combined Code and represents a framework of best practice for investment companies.

The new UK Corporate Governance Code issued last year will not apply to this year end reporting period.

## The Board

The Board currently consists of three non-executive Directors and one alternate Director. All Directors, with the exception of Mr Gilbert are considered by the Board to be independent of the Manager and free of any material relationship with the Investment Manager. Mr Gilbert is an employee of the Manager and as such is not considered to be independent. 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 stewardship of the Company. 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. Given the size and composition of the Board it is not felt necessary to separate the roles of the Chairman and Senior Independent Director.

Mr Milligan was independent of the Manager at the time of his appointment as a Director in October 1998 and as Chairman in January 2006. Mr Milligan has been identified as the senior independent non-executive Director, to whom any concerns can be conveyed by the other Directors.

The biographies of the Directors appear on page 13 of this annual report and indicate the range of Directors' investment, commercial and professional experience.

The Board met four times during the year ended 31 May 2011. In addition, the Audit Committee and Management Engagement Committee each met twice and the Nomination Committee once. Between these formal meetings there is regular contact with the Investment Manager.

Directors have attended Board and Committee meetings during the year ended 31 May 2011 as follows (with their eligibility to attend the relevant meeting in brackets).

Director	Board Meetings	Committee Meetings
J R Milligan (Chairman)	3 (4)	5 (5)
M J Gilbert (inc alternate)*	4 (4)	1 (1)
C M Scott	4 (4)	5 (5)

\*Mr Gilbert is not a member of the Audit or Management Engagement Committees

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including the Manager's review and discussion documents regarding specific matters. Directors have made further enquiries where necessary.

The Board and Committees have undertaken their annual performance evaluation, using questionnaires and discussion to ensure that members have devoted sufficient time and contributed adequately to the work of the Board and Committees. The Chairman has been evaluated by his fellow Directors.

The Board sets the Group's values and objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Group ranging from analysis of investment performance through to annual budgeting and quarterly forecasting and variance analysis;
- Companies Act requirements such as the approval of the interim and annual financial statements and approval of any interim dividends;
- major changes relating to the Group's structure, including share buybacks and share issues;
- Board appointments and related matters;
- appointment and removal of the Manager and terms and conditions of the management and administration agreements;
- terms of reference and membership of Board Committees; and
- Stock Exchange, UK Listing Authority and Financial Services Authority matters, such as approval of all circulars, listing particulars and releases concerning matters decided by the Board.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Group's expense.

The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives, who are responsible to the Board:

- For ensuring that Board procedures are complied with;
- Under the discretion of the Chairman, for ensuring good information flows with the Board and its committees; and
- For advising on corporate governance matters.

# Statement of Corporate Governance continued

An induction meeting will be arranged by the Manager on the appointment of any new Director, covering details about the Group, the Manager, legal responsibilities and investment trust industry matters. Directors are provided on regular basis with key information on the Group's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

The Chairman of the Group is a non-executive Director. A senior non-executive Director has not been appointed, as required by provision A3.3 of the Combined Code, as the Board considers that each of the Directors has different qualities and areas of expertise on which they may lead. Consequently, no individual has unfettered powers of decision.

## External Agencies

The Board has contractually delegated to external agencies, including the Manager and other service providers, certain services: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers reports from the Manager on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

## Board Committees

Separate Audit and Management Engagement Committees have been established, along with a Nomination Committee. Given the nature of the Company the Board as a whole fulfils the role of the Remuneration Committee.

## Nomination Committee

A Nomination Committee has been established with written terms of reference and currently consists of the entire Board and whose Chairman is Mr Milligan. One meeting was held during the year ending 31 May 2011. At its meeting in July 2010, the Nomination Committee recommended to the Board the nomination of Mr Gilbert, Mr Milligan and Mr Scott at the October 2011 Annual General Meeting. Neither Mr Gilbert, Mr Milligan nor Mr Scott took part in the discussion of their nomination.

The Committee makes recommendations to the Board on the following matters:

- The identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board;
- Succession planning;
- The re-appointment of any non-executive Director at the conclusion of their specified term of office;
- The re-election by shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;

- The continuation in office of any Director at any time; and
- The appointment of any Director to another office, such as Chairman of the Audit Committee, and including the position of Chairman.

At its meeting on 28 July 2010, the Nomination Committee recommended to the Board, the nomination for re-election of Mr Gilbert, Mr Milligan and Mr Scott for the following reasons:

- Mr Gilbert, who has been a Director since 1986, brings to the Board a wide range of skills and experience and a particular knowledge of the investment industry; and
- Mr Milligan, who has been a Director since 1998 and Chairman since January 2006, has many years of entrepreneurial, general management and company directorship experience. He brings to his role a valuable set of skills and experience; and
- Mr Scott who has been a Director since 1997 and Chairman of the Audit Committee from that date, has many years of technical, general business and company directorship experience. He brings to his role a valuable set of skills and experience.

## Audit Committee

An Audit Committee has been established with written terms of reference and comprising all of the independent Directors. The Chairman of the Audit Committee is Mr Scott. Two meetings were held during the year. The terms of reference of the Committee, which are available on request, are reviewed and re-assessed for their adequacy at each meeting.

The terms of reference of the Audit Committee include:

- The review of the effectiveness of the internal control environment of the Group including receiving reports from internal and external auditor on a regular basis;
- The review of the interim and annual reports and financial statements;
- The review of the terms of appointment of the auditor together with their remuneration as well as any non-audit services provided by the auditor;
- The review of the scope and results of the audit and the independence and objectivity of the auditor;
- The review of the auditor's management letter and management response; and
- Meetings with representatives of the Manager.

At each meeting, the Audit Committee examines the annual or interim report and financial statements, reviews the Group's internal controls and reviews the scope of the audit and the auditor's management report to the Board.

The Group has in place a policy for controlling the provision of non-audit services by the auditor, in order to safeguard their independence and objectivity. Non-audit work which might compromise independence is prohibited.

In addition, it should be noted that the auditor, Deloitte LLP, in normal circumstances would rotate the partner responsible for the Company's audit every five years, this now being the sixth year of the current partner's tenure. As reported the Company is realising its investment portfolio and expects to wind up the company within the next twelve months. Therefore the Board feel that the quality of their audit would be enhanced by retaining the knowledge of the partner in respect of the affairs of the company during this final period. We have therefore requested that the partner remain in situ for the next financial year and the auditor, having established appropriate safeguards, has agreed to our request.

### Management Engagement Committee

A Management Engagement Committee has been established comprising the independent Directors. The Chairman of the Committee is the Chairman of the Group. It meets twice a year to review the management contract with Aberdeen Asset Managers Limited, details of which are shown on page 2.

### Remuneration Committee and Directors' Remuneration

Where an investment trust has only non-executive Directors, the Combined Code principles relating to Director's remuneration do not apply.

The determination of the Directors' fees is a matter dealt with by the whole Board. The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Group. The Group's policy on remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on page 22.

### Directors' Terms of Appointment

All non-executive Directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment. The Articles of Association state that Directors must offer themselves for re-election at least once every three years. Any Director who reaches the age of 70 is subject to annual re-election. In addition, Mr Gilbert is subject to annual re-election in view of his position as chief executive of Aberdeen Asset Management PLC, the parent company of the Manager.

### Policy on Tenure

The Board's policy on tenure is that the Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she makes and therefore the length of service will be determined on a case by case basis. Furthermore, in light of the winding down of the Company, the Board does not think it would be in the

best interests of Shareholders to introduce a new Director or Directors, with the associated learning curve involved building up knowledge of the Company, its environment and portfolio, merely to satisfy guidance on limiting length of service to nine years or less.

### Communication with Shareholders

The Group places a great deal of importance on communication with its shareholders. As required under the Combined Code, the Annual Report is posted to shareholders at least twenty business days before the Annual General Meeting.

The Notice of the Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors Remuneration Report on page 22 and in the Directors' Report on page 16. A separate resolution is proposed for each substantive issue.

The Board is conscious that the Annual General Meeting is an event at which all shareholders are encouraged to attend and participate. Shareholders have the opportunity to put questions at the meeting and the results of proxy voting are relayed to shareholders after each resolution has been voted on by a show of hands.

Participants in the Savings Plan, whose shares are held in the nominee names of the plan administrator, are given the opportunity to vote by means of a Letter of Direction enclosed with the Annual Report. The Letter of Direction is forwarded to the administrator of the Savings Plan, who will complete a proxy on behalf of the participants and forward it to the Company's registrar for inclusion in the voting figures. Those participants who attend the Annual General Meeting are given the opportunity to speak when invited by the Chairman.

Shareholders also have direct access to the Group via the free shareholder information telephone service run by the Manager, and Group and the Manager respond to letters from shareholders. In order to ensure that Directors develop an understanding of the views of shareholders, correspondence between the Manager or the Chairman and shareholders is copied to the Board. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

### Accountability and Audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 21 and the Statement of Going Concern is included in the Directors' Report on page 15. The Board is satisfied that the members of the Audit Committee have received recent and relevant financial experience.

### Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The Directors confirm that there is an ongoing process for

## Statement of Corporate Governance continued

identifying, evaluating and managing significant risks faced by the Group, which has been in place for the full year under review and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Board and accords with the Turnbull guidance.

The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Group and the policies and procedures by which these risks are managed.

The Directors have delegated the investment management of the Group's assets to the Manager within overall guidelines and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by the Internal Audit function of the Manager which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified and documented through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the Turnbull guidance and includes financial, regulatory, market operational and reputational risk. This enables the internal audit risk assessment model to identify those functions for review. Any weaknesses identified are reported to the Group and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

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 Group'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. The Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence;
- as a matter of course the compliance department of the Manager 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 at the Manager, has decided to place reliance on the Manager's systems and internal audit procedures; and

- twice a year, at its Board meetings, the Board carries out an assessment of internal controls by considering reports from the Manager, including its internal audit and compliance functions and taking account of events since the relevant period end. The results of the assessment are then reported to the Board at the next Board meeting.

In addition, the Manager ensures that clearly documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations.

The Head of Internal Audit of the Manager reports six monthly to the Audit Committee of the Group and has direct access to the Directors at any time.

The internal control systems are designed to meet the Group's particular needs and 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 goals and, by their nature, can provide reasonable but not absolute assurance against material misstatement or loss.

### Exercise of Voting Powers

The Directors believe that the exercise of voting rights at Company meetings lies at the heart of the regulation and promotion of corporate governance. The Board has therefore given discretionary voting powers to the Manager.

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

### Socially Responsible Investment Policy

The Directors are aware of their duty to act in the interests of the Group. They acknowledge that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and the Directors, therefore ensure that they take regular account of the social, environment and ethical factors that may affect the performance or value of the Group's investments.

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

29 July 2011

# Statement of Directors' Responsibilities

---

The Directors are responsible for preparing the Annual Report 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and

hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For Aberdeen Development Capital PLC

**John R Milligan**

Chairman

29 July 2011



# Directors' Remuneration Report

This Report is prepared in accordance with the requirements of Sections 420 to 422 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 23 and 24.

## 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.

## Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs.

No element of the Directors' remuneration is performance related.

## Service Contracts

None of the Directors operate under a service contract with the Company and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. The Company's Articles of Association provide that the number of Directors nearest to, but not greater than, one third of the Board shall retire by rotation. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election, thereafter one third of the Directors who have been longest in office shall retire from office but, if there is only one Director who is subject to retire by rotation, he shall retire. There is no requirement for the Directors to be re-elected every three years. Consideration will be given to altering the Articles of Association in due course to make them comply with the Combined Code on this subject. However, this is unlikely to be undertaken until the Company requires a general redrafting of the Articles.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

## Total Shareholder Return

The graph below illustrates the total shareholder return for a holding in the Company's Ordinary shares as compared to the FTSE Small Cap Index (excluding Investment Trusts) for the five years until 31 May 2011 (rebased to 100 at

31 May 2006). The Company considers the FTSE Small Cap Index (excluding Investment Trusts) to be the most appropriate index against which to measure the Company's performance.

Source: Morningstar

## Directors' Emoluments for the Year (audited)

Director	2011 £	2010 £
J R Milligan <sup>A</sup>	21,000	21,000
M J Gilbert	—	—
C M Scott	20,000	20,000
	<b>41,000</b>	<b>41,000</b>

<sup>A</sup> Appointed Chairman 1 January 2006

The amounts paid by the Company to the Directors were for services as non-executive directors.

## Sums paid to Third Parties (audited information)

None of the fees disclosed above (2010 - £Nil) was payable to third parties in respect of making available the services of Directors.

No Director has received any taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 May 2011.

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

29 July 2011



# Independent Auditor's Report to the Members of Aberdeen Development Capital PLC

---

We have audited the financial statements of Aberdeen Development Capital PLC for the year ended 31 May 2011 which comprise the Consolidated Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of Directors and auditor

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

## 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

# Independent Auditor's Report to the Members of Aberdeen Development Capital PLC continued

---

- the Parent Company 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 in pages 15 and 16, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



**David Claxton ACA** (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Glasgow, United Kingdom  
29 July 2011

# Consolidated Statement of Comprehensive Income

For the year ended 31 May 2011

	Notes	Year ended 31 May 2011			Year ended 31 May 2010		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest income	3	535	130	665	319	-	319
Dividend income	3	37	-	37	73	-	73
Other income	3	4	-	4	4	-	4
		576	130	706	396	-	396
Losses on held at fair value investments	10	-	(1,001)	(1,001)	-	(230)	(230)
<b>Expenses</b>							
Management fees	4	(20)	(40)	(60)	(33)	(67)	(100)
Other operating expenses	5	(203)	-	(203)	(291)	(97)	(388)
VAT recovered on investment management fees	4	230	254	484	95	193	288
<b>Profit/(loss) before finance costs and taxation</b>		<b>583</b>	<b>(657)</b>	<b>(74)</b>	<b>167</b>	<b>(201)</b>	<b>(34)</b>
<b>Finance costs</b>							
Zero dividend preference shares	6,13	-	(342)	(342)	-	(526)	(526)
<b>Profit/(loss) before taxation</b>		<b>583</b>	<b>(999)</b>	<b>(416)</b>	<b>167</b>	<b>(727)</b>	<b>(560)</b>
Taxation	7	(87)	-	(87)	(78)	-	(78)
<b>Profit/(loss) for the year attributable to equity shareholders</b>	15	<b>496</b>	<b>(999)</b>	<b>(503)</b>	<b>89</b>	<b>(727)</b>	<b>(638)</b>
<b>Earnings per Ordinary share (pence)</b>	9	<b>1.39</b>	<b>(2.80)</b>	<b>(1.41)</b>	<b>0.25</b>	<b>(2.04)</b>	<b>(1.79)</b>

The Group does not have any income or expense that is not included in profit/(loss) for the year, and therefore the "Profit/(loss) for the year" is also the "Total comprehensive income for the year" as defined in IAS 1 (revised).

All of the profit/(loss) and total comprehensive income is attributable to the equity holders of Aberdeen Development Capital PLC. There are no minority interests.

The total column of this statement represents the Statement of Comprehensive Income of the Group, prepared in accordance with IFRS. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

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

# Balance Sheets

As at 31 May 2011

	Notes	31 May 2011		31 May 2010	
		Group £'000	Company £'000	Group £'000	Company £'000
<b>Non-current assets</b>					
Investments at fair value through profit or loss	10	6,104	4,154	7,590	5,390
Subsidiary undertaking	10	-	-	-	8
		6,104	4,154	7,590	5,398
<b>Current assets</b>					
Cash and cash equivalents		577	292	925	544
Loans and receivables	12	27	6,306	31	6,587
		604	6,598	956	7,131
<b>Current liabilities</b>					
Financial liabilities measured at amortised cost	13	(168)	(4,009)	(168)	(4,023)
Zero dividend preference shares	13	(4,436)	(4,436)	-	-
<b>Total current liabilities</b>		<b>(4,604)</b>	<b>(8,445)</b>	<b>(168)</b>	<b>(4,023)</b>
<b>Net current (liabilities)/assets</b>		<b>(4,000)</b>	<b>(1,847)</b>	<b>788</b>	<b>3,108</b>
<b>Total assets less current liabilities</b>		<b>2,104</b>	<b>2,307</b>	<b>8,378</b>	<b>8,506</b>
<b>Non-current liabilities</b>					
Zero dividend preference shares	13	-	-	(5,592)	-
Amounts due to subsidiary	13	-	-	-	(5,592)
<b>Net assets</b>		<b>2,104</b>	<b>2,307</b>	<b>2,786</b>	<b>2,914</b>
<b>Equity</b>					
Share capital	14	357	357	357	357
Special reserve	15	17,395	17,395	17,395	17,395
Capital redemption reserve	15	12	12	12	12
Capital reserve - realised	15	(13,682)	(13,997)	(13,926)	(14,020)
Capital reserve - unrealised	15	(2,448)	(2,462)	(1,205)	(1,430)
Revenue reserve	15	470	1,002	153	600
<b>Equity shareholders' funds</b>		<b>2,104</b>	<b>2,307</b>	<b>2,786</b>	<b>2,914</b>
<b>Net asset value per share (pence)</b>	16	<b>5.89</b>	<b>6.46</b>	<b>7.80</b>	<b>8.16</b>

The financial statements were approved by the Board of Directors on 29 July 2011 and were signed on its behalf by:

John R Milligan  
Chairman

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



# Statements of Changes in Equity

## Group

	Share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 31 May 2011</b>							
Net assets at 31 May 2010	357	17,395	12	(13,926)	(1,205)	153	2,786
Dividend paid (note 8)	-	-	-	-	-	(179)	(179)
Net gain/(loss) on ordinary activities after taxation	-	-	-	244	(1,243)	496	(503)
<b>Net assets at 31 May 2011</b>	<b>357</b>	<b>17,395</b>	<b>12</b>	<b>(13,682)</b>	<b>(2,448)</b>	<b>470</b>	<b>2,104</b>
<b>For the year ended 31 May 2010</b>							
Net assets at 31 May 2009	357	17,502	12	(13,494)	(910)	153	3,620
Return of capital to Ordinary shareholders	-	(107)	-	-	-	-	(107)
Dividend paid (note 8)	-	-	-	-	-	(89)	(89)
Net (loss)/gain on ordinary activities after taxation	-	-	-	(432)	(295)	89	(638)
<b>Net assets at 31 May 2010</b>	<b>357</b>	<b>17,395</b>	<b>12</b>	<b>(13,926)</b>	<b>(1,205)</b>	<b>153</b>	<b>2,786</b>

## Company

	Share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 31 May 2011</b>							
Net assets at 31 May 2010	357	17,395	12	(14,020)	(1,430)	600	2,914
Dividend paid (note 8)	-	-	-	-	-	(179)	(179)
Net gain/(loss) on ordinary activities after taxation	-	-	-	23	(1,032)	581	(428)
<b>Net assets at 31 May 2011</b>	<b>357</b>	<b>17,395</b>	<b>12</b>	<b>(13,997)</b>	<b>(2,462)</b>	<b>1,002</b>	<b>2,307</b>
<b>For the year ended 31 May 2010</b>							
Net assets at 31 May 2009	357	17,502	12	(13,845)	(866)	470	3,630
Return of capital to Ordinary shareholders	-	(107)	-	-	-	-	(107)
Dividend paid (note 8)	-	-	-	-	-	(89)	(89)
Net (loss)/gain on ordinary activities after taxation	-	-	-	(175)	(564)	219	(520)
<b>Net assets at 31 May 2010</b>	<b>357</b>	<b>17,395</b>	<b>12</b>	<b>(14,020)</b>	<b>(1,430)</b>	<b>600</b>	<b>2,914</b>

# Cash Flow Statements

For the year ended 31 May 2011

	Year ended 31 May 2011		Year ended 31 May 2010	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Operating activities</b>				
Loss before tax	(416)	(428)	(560)	(520)
Bad debt expense	-	-	87	12
ZDP shares finance cost	342	-	526	-
Amounts due to subsidiary undertaking	-	342	-	526
Losses on investments held at fair value through profit and loss	1,001	903	230	263
Purchases of investments held at fair value through profit and loss	(244)	-	(49)	(49)
Sales of investments held at fair value through profit and loss	729	615	2,878	2,868
Decrease in other receivables	4	7	291	285
Decrease in other payables	(15)	(14)	(129)	(62)
<b>Net cash inflow from operating activities before interest and corporation tax</b>	<b>1,401</b>	<b>1,425</b>	<b>3,274</b>	<b>3,323</b>
Corporation tax paid	(72)	-	(86)	-
<b>Net cash inflow from operating activities</b>	<b>1,329</b>	<b>1,425</b>	<b>3,188</b>	<b>3,323</b>
<b>Financing activities</b>				
Dividend paid on Ordinary shares	(179)	(179)	(89)	(89)
Return of capital on Ordinary shares	-	-	(107)	(107)
Return of capital on ZDP shares	(1,498)	(1,498)	(3,386)	(3,386)
<b>Net cash outflow from financing activities</b>	<b>(1,677)</b>	<b>(1,677)</b>	<b>(3,582)</b>	<b>(3,582)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(348)</b>	<b>(252)</b>	<b>(394)</b>	<b>(259)</b>
Cash and cash equivalents at start of year	925	544	1,319	803
<b>Cash and cash equivalents at end of year</b>	<b>577</b>	<b>292</b>	<b>925</b>	<b>544</b>
<b>Cash and cash equivalents at end of year are represented by:</b>				
Cash at bank	577	292	925	544

# Notes to the Financial Statements

For the year ended 31 May 2011

## 1 Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158-1159 of the Corporation Tax Act 2010 ("s1158-1159" CTA 2010).

## 2 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group therefore complies with Article 4 of the EU IAS regulation.

### (a) Basis of preparation

The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the Company's net assets to a net realisable value. The financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such were committed at the Balance Sheet date.

The financial statements are prepared under the historical cost convention, except for the measurement at fair value of investments and in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates which requires management to exercise its judgement in the process of applying the accounting policies. Actual results may differ from these estimates. It is in the area of valuation in investments where management are required to exercise judgement in the adoption of critical estimates and judgements which can impact the carrying values of investments.

At the date of authorisation of these financial statements, various Standards, amendments to Standards and Interpretations which have not been applied to these financial statements, were in issue but were not yet effective. These have not been applied to these financial statements. The following are the Standards and amendments to existing Standards which are relevant but not yet effective. Other Standards, Interpretations and amendments to Standards which are not yet effective and not relevant have not been included.

- IFRS 7 – Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 July 2011)
- IFRS 9 – Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013)
- IAS 24 – Related Party Transactions (effective for accounting periods beginning on or after 1 January 2011)

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

### (b) Group accounts

The Group accounts consolidate the accounts, on an acquisition accounting basis, of the Company and its subsidiaries ADC Fund Limited Partnership, ADC (Glasgow) Limited, ADC Zeros 2010 PLC and ADC Zeros 2012 PLC.

### (c) Associated undertaking

An associate is an entity over which the Group is in a position to exercise significant influence, but does not control or jointly control, through participation in the financial and operating policy decisions of the entity. The Group's associates are accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39") as investments designated at fair value through profit and loss, and in accordance with paragraph 1 of IAS 28 'Investments in Associates' ("IAS 28") equity accounting is not required.

### (d) Presentation of Consolidated Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income. In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, net revenue is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Sections 1158-1159 of the Corporation Tax Act 2010.

## Notes to the Financial Statements continued

---

**(e) Valuation of investments**

Subsidiary and main Company investments are all held at fair value through the Consolidated Statement of Comprehensive Income.

Listed investments are measured initially at cost, and are recognised at trade date.

For financial assets acquired, the cost is the fair value of the consideration. Subsequent to initial recognition, all listed investments are measured at their quoted bid prices without deduction for the estimated future selling costs.

Unlisted investments are valued by Directors at fair value having regard to the International Private Equity and Venture Capital Valuations Guidelines. They are valued at cost unless subsequent financings or other circumstances indicate a different valuation is appropriate. When a valuation is undertaken consideration is given to the most recent information available, including the latest trading figures, performance against forecast, management's view of prospects and the price of transactions in the security.

Realisable value in the short term could differ materially from the amount which these investments are included in the accounts.

**(f) Movements in fair value**

Changes in the fair value of all held at fair value assets are taken to the Consolidated Statement of Comprehensive Income.

On disposal, realised gains and losses are also recognised in the Consolidated Statement of Comprehensive Income.

**(g) Income**

Dividends receivable on equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised when it is reasonably certain that they will be receivable. Other returns on non-equity shares are recognised when the right to the return is established.

The fixed return on a debt security is recognised when it is reasonably certain that they will be receivable. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of cash dividend is recognised as income. Any excess in the value of shares received over the amounts of the cash is recognised in capital reserves.

**(h) Expenses and interest payable**

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are charged to capital; and
- where a connection with the maintenance or enhancement of the value of the investments can be demonstrated certain expenses are reported in the capital column of the Consolidated Statement of Comprehensive Income. These are investment management fee, performance fee and overdraft interest and have been allocated 67% to capital and 33% to revenue in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

**(i) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value.

**(j) Taxation**

The charge for taxation is based on the taxable profits for the period. Deferred taxation is accounted for using the balance sheet liability method based on the percentage which was substantially enacted at the Balance Sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which temporary differences can be utilised. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Consolidated Statement of Comprehensive Income is the "marginal basis".

**(k) Dividends payable**

Dividends are recognised on the date on which they are paid.



	2011	2010
	£'000	£'000
<b>3 Income</b>		
<b>Income from investments</b>		
Franked investment income	37	73
UK unfranked investment income	254	314
	291	387
<b>Other income</b>		
Deposit interest	9	5
Interest on VAT recovered	402	–
Other income	4	4
	415	9
<b>Total income comprises:</b>		
Dividends	37	73
Interest	665	319
Other income	4	4
	706	396
<b>Income from investments</b>		
Unlisted UK	291	387
	291	387

	Year ended 31 May 2011			Year ended 31 May 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>4 Investment management fee</b>						
Investment management fee	20	40	60	33	67	100

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of management services. This contract may be terminated subject to twelve months prior notice of termination by either party. Management fees are payable monthly in arrears, and are based on a fixed annual amount of £60,000 (£100,000 per annum for the year ended 31 May 2010). The basic fee shall be reduced by the amount of any management fees or priority share payable to the Manager by ADC Zeros 2010 PLC, ADC Zeros 2012 PLC and ADC Fund Limited Partnership. The balance due to AAM at the year end was £3,000 (2010 - £6,000). ADC Fund Limited Partnership has a priority profit share agreement with Aberdeen GP Limited, a subsidiary of AAM. The fee is payable quarterly in arrears and is based on an annual amount of 1.47% of the gross asset value of the Limited Partnership. The balance due to Aberdeen GP Limited at the year end was £7,000 (2010 - £8,000).

An incentive fee of 20 per cent. is payable to the Manager if (i) the amount by which the aggregate returns of capital per Ordinary share of the Company paid on or before 31 December 2012 exceed 35 pence multiplied by the number of Ordinary shares in issue at the time of the relevant return of capital; and (ii) the amount by which the repurchase price of any Ordinary share under the Buy Back Programme exceeds the targeted return, being 35 pence less any return of capital paid in respect of the Capital Return Scheme up to a maximum of 35 pence, multiplied by the number of Ordinary shares bought back on the relevant occasion.

On 5 November 2007, the European Court of Justice ruled that management fees on investment trusts should be exempt from VAT.

## Notes to the Financial Statements continued

The VAT charged on the investment management fees has been refunded in stages. An amount of £271,000 relating to the period 1 January 2004 to 31 August 2007 was recognised in the financial statements for the year ended 31 May 2009 and an amount of £288,000 relating to the period 1 January 2001 to 31 December 2003 was recognised in the financial statements for the year ended 31 May 2010. Further amounts of £386,000 representing all VAT charged on investment management fees for the period 1 January 1990 to 4 December 1996 and £98,000 for the period 1 January 2001 to 31 December 2003 have been received and reflected in the current year's financial statements. The refunds have 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 Company has not been charged VAT on its investment management fees from 1 September 2007.

	Year ended 31 May 2011			Year ended 31 May 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>5 Other expenses</b>						
Directors' fees	41	–	41	41	–	41
Auditor's remuneration:						
- audit (including £14,000 (2010 - £14,000) relating to the parent undertaking)	25	–	25	25	–	25
- tax compliance	8	–	8	6	–	6
- tax advisory	8	–	8	–	–	–
Other	121	–	121	219	97	316
	<b>203</b>	<b>–</b>	<b>203</b>	<b>291</b>	<b>97</b>	<b>388</b>

During the year ended 31 May 2010 other expenses allocated to revenue included a write-off of £75,000 in respect of income previously recognised, which was not anticipated to be recovered. In addition, other expenses allocated to capital in the year ended 31 May 2010 include a write-off of £12,000 in respect of a debtor previously recognised, which was not anticipated to be recovered and an adjustment of £85,000 in respect of the discharge of a guarantee provided to a former investment.

The emoluments of the Chairman, who was also the highest paid Director, were £21,000 (2010 - £21,000). No pension contributions were made in respect of any of the Directors. The Company does not have any employees.

	Year ended 31 May 2011			Year ended 31 May 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>6 Finance costs</b>						
Finance costs attributable to ZDP shares	–	342	342	–	526	526

	Year ended 31 May 2011			Year ended 31 May 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>7 Tax on ordinary activities</b>						
<b>a) Analysis of charge for the year</b>						
UK Corporation tax on profits for the year	87	–	87	78	–	78
Corporation tax charge	<b>87</b>	<b>–</b>	<b>87</b>	<b>78</b>	<b>–</b>	<b>78</b>

	2011 £'000	2010 £'000
<b>b) Factors affecting tax charge for the year</b>		
Loss on ordinary activities before tax	(416)	(560)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27.67% (2010 - 28%)	(115)	(157)
Effects of:		
Franked investment income	(10)	(20)
Non-taxable losses on investments	277	64
Excess management expenses utilised	(112)	-
Other non-taxable income and expenses	50	195
Prior year adjustment	(3)	(4)
<b>Current tax charge for the year (note 7(a))</b>	<b>87</b>	<b>78</b>

#### Provision for deferred taxation

No provision for deferred taxation has been made due to the fact that the Group has approximately £4,239,000 (2010 - £4,659,000) of excess management expenses. This is because the Group is not expected to generate taxable income in the future in excess of the deductible expenses of that future period, and, accordingly, it is unlikely that the Group will be able to reduce future tax liabilities through the use of existing surplus expenses.

A company qualifying as an investment trust company under Sections 1158-1159 of the Corporation Tax Act 2010 is exempt from taxation on capital gains. In the opinion of the Directors, the Company has conducted and intends to conduct its affairs so as to enable it to retain investment trust approval. Given the Company's status as an investment trust no provision has been made for the deferred tax on any capital gains and losses arising on the revaluation and disposal of investments.

	Year ended 31 May 2011 £'000	Year ended 31 May 2010 £'000
<b>8 Dividends and other appropriations to shareholders</b>		
Ordinary dividends on equity shares deducted from reserves are analysed below:		
Fourth interim dividend 2009 of 0.25p	-	89
Final dividend 2010 of 0.50p	179	-
	<b>179</b>	<b>89</b>

No final dividend will be proposed for the year ended 31 May 2011 as Section 832(3)(a) of the Companies Act 2006 prevents an investment company from paying a dividend when its assets are less than 1.5 times its liabilities.

#### 9 Return per Ordinary share

The earnings per Ordinary share is based on the net loss after taxation of £503,000 (2010 - £638,000) and 35,719,225 (2010 - 35,719,225) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The return per Ordinary share detailed above can be further analysed between revenue and capital as follows:

	Year ended 31 May 2011			Year ended 31 May 2010		
	Revenue	Capital	Total	Revenue	Capital	Total
Net profit/(loss) £'000	496	(999)	(503)	89	(727)	(638)
Return per Ordinary share (pence)	1.39	(2.80)	(1.41)	0.25	(2.04)	(1.79)

## Notes to the Financial Statements continued

### 10 Investments held at fair value through profit and loss

#### a) Group

	Year ended 31 May 2011		Year ended 31 May 2010	
	Unlisted £'000	Total £'000	Unlisted £'000	Total £'000
Opening book cost	8,795	8,795	11,559	11,559
Opening unrealised depreciation	(1,205)	(1,205)	(910)	(910)
Opening valuation	7,590	7,590	10,649	10,649
Movements in the year:				
Purchases at cost	244	244	49	49
Sales – proceeds	(729)	(729)	(2,878)	(2,878)
– realised gains on sales	242	242	65	65
Increase in unrealised depreciation	(1,243)	(1,243)	(295)	(295)
<b>Closing valuation</b>	<b>6,104</b>	<b>6,104</b>	<b>7,590</b>	<b>7,590</b>
Closing book cost	8,552	8,552	8,795	8,795
Closing unrealised depreciation	(2,448)	(2,448)	(1,205)	(1,205)
	<b>6,104</b>	<b>6,104</b>	<b>7,590</b>	<b>7,590</b>
<b>Losses on held at fair value investments</b>				
Realised gains on sales of investments	242	242	65	65
Increase in unrealised depreciation	(1,243)	(1,243)	(295)	(295)
	<b>(1,001)</b>	<b>(1,001)</b>	<b>(230)</b>	<b>(230)</b>

**b) Company**

	Year ended 31 May 2011			Year ended 31 May 2010		
	Unlisted £'000	Subsidiary undertaking £'000	Total £'000	Unlisted £'000	Subsidiary undertaking £'000	Total £'000
Opening book cost	6,595	233	6,828	9,113	233	9,346
Opening unrealised (depreciation)/ appreciation	(1,205)	(225)	(1,430)	(914)	48	(866)
Opening valuation	5,390	8	5,398	8,199	281	8,480
Movements in the year:						
Purchases at cost	-	-	-	49	-	49
Sales – proceeds	(615)	-	(615)	(2,868)	-	(2,868)
– realised gains on sales	129	-	129	301	-	301
Increase in unrealised depreciation	(750)	(8)	(758)	(291)	(273)	(564)
<b>Closing valuation</b>	<b>4,154</b>	<b>-</b>	<b>4,154</b>	<b>5,390</b>	<b>8</b>	<b>5,398</b>
Closing book cost	6,109	233	6,342	6,595	233	6,828
Closing unrealised depreciation	(1,955)	(233)	(2,188)	(1,205)	(225)	(1,430)
	<b>4,154</b>	<b>-</b>	<b>4,154</b>	<b>5,390</b>	<b>8</b>	<b>5,398</b>

**Losses on held at fair value investments**

Realised gains on sales of investments	129	-	129	301	-	301
Increase in unrealised depreciation	(750)	(8)	(758)	(291)	(273)	(564)
	<b>(621)</b>	<b>(8)</b>	<b>(629)</b>	<b>10</b>	<b>(273)</b>	<b>(263)</b>

**c) Transaction costs**

	Year ended 31 May 2011		Year ended 31 May 2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Sales	-	-	-	-
Purchases	-	-	-	-
	-	-	-	-

**d) Subsidiaries**

The details of the Group's subsidiaries are as follows:

Subsidiary Name	Country of Incorporation	Principal activity	Percentage of Ordinary shares held by the Group
ADC (Glasgow) Limited	Scotland	Investment company	100%^
ADC Fund Limited Partnership	Scotland	Investment company	100%
ADC Zeros 2010 PLC	Scotland	Investment company	100%
ADC Zeros 2012 PLC	Scotland	Investment company	100%

^ held indirectly through ADC Fund Limited Partnership

# Notes to the Financial Statements continued

## 11 Significant holdings

Information about investments required by Section 409 of the Companies Act 2006, all of which are incorporated and operate in England and Scotland.

- a) As at 31 May 2011, Aberdeen Development Capital PLC held in excess of 20% in any class of the following investee companies share capital (capital and reserves and profit/(loss) figures derived from investee companies' latest audited financial statements):

Name	Class of share	% of class held	% of equity held	Capital and reserves £'000	Post tax profit/(loss) £'000
Cash Bases Limited	'B' Ords	63	19	2,524	705
	Prefs	63			
	SLS	63			
Enpure Holdings Limited	'A' Ords	2	2	4,648	(40)
	SLS	45			
Fispak Limited	SLS	100	–	n/a	n/a
IFC Holdings Limited	Ords	21	21	4,898	546
Pilgrim Systems Limited	CCPPO	100	20	1,567	443
PLM Dollar Group Limited	SLS	56	–	4,308	505
THL Midlands Limited	'B' Ords	19	14	(954)	(561)
	Prefs	19			
	SLS	26			

- b) Other interests of 10% or more of any class of the following investee companies share capital:

Name	Class of share	% of class held
Ortak Jewellery Limited	'A' Ords	12
PSCA International Limited	SLS	12
Unique Communications Limited	'B' Ords	13
	'A' Prefs	13
	'B' Prefs	13
	Prefs	13
	SLS	13

**SLS** Secured Loan Stock

**CCPPO** Cumulative Convertible Participating Preferred Ordinary

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
<b>12 Loans and receivables</b>				
Prepayments and accrued income	6	6	13	13
Tax recoverable	21	4	18	4
Amounts due from subsidiary undertakings	-	6,296	-	6,570
	<b>27</b>	<b>6,306</b>	<b>31</b>	<b>6,587</b>

Included within amounts due from subsidiary undertakings is an impairment of £274,000 relating to the carrying value of the investment held in ADC Fund Limited Partnership. The impairment recognised represents the difference between the carrying amount of this receivable and the value of net assets held with ADC Fund Limited Partnership.

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
<b>13 Other payables</b>				
Amounts due to subsidiary undertakings	-	8,387	-	3,951
Other creditors	65	58	80	72
Tax creditor	103	-	88	-
Zero dividend preference shares	4,436	-	-	-
	<b>4,604</b>	<b>8,445</b>	<b>168</b>	<b>4,023</b>

#### Zero dividend preference shares

The ZDP shares of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC were issued on 30 June 2005 at 100 pence per share and are due to redeem on 30 April 2012 at 31.36 pence each, following five returns of capital totalling 98.6 pence per share; an effective rate of 6.5% per annum. In April 2010, shareholders approved a proposal to postpone the scheduled redemption date of the 2010 ZDP shares until 30 April 2012 to coincide with the redemption of the 2012 ZDP shares. On 11 March 2011 a return of 10 pence per share was made to ZDP shareholders of both ADC Zeros 2010 PLC and ADC Zeros 2012 PLC. There were 7,491,110 Zero dividend preference shares in issue at 31 May 2011 for each of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC (2010 - 7,491,110). The entitlement due in respect of the ZDP shares at the year end was £4,436,000 (2010 - £5,592,000).

	Number of ZDP shares		Amount due to ZDP shareholders (£'000)	
	2011	2010	2011	2010
At 31 May 2010	14,982,220	14,982,220	5,592	4,226
Return of capital to ZDP shares	-	-	(1,498)	(3,386)
ZDP shares finance cost	-	-	342	526
Transfer from non-current liabilities	-	-	-	4,226
<b>At 31 May 2011</b>	<b>14,982,220</b>	<b>14,982,220</b>	<b>4,436</b>	<b>5,592</b>

	2011 £'000	2010 £'000
<b>14 Called-up share capital</b>		
<b>Authorised:</b>		
82,543,362 (2010 - 82,543,362) Ordinary shares of 1p each	<b>825</b>	<b>825</b>
<b>Allotted, called up and fully paid:</b>		
35,719,225 (2010 - 35,719,225) Ordinary shares of 1p each	<b>357</b>	<b>357</b>

#### Voting rights

In accordance with the Articles of Association of the Company, on a show of hands, every member (or duly appointed proxy) present at a general meeting of the Company has one vote; and, on a poll, every member present in person or by proxy shall have one vote for every £4 nominal amount of Ordinary shares held.

# Notes to the Financial Statements continued

## 15 Share capital and reserves

Group	Share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000
At 31 May 2010	357	17,395	12	(13,926)	(1,205)	153
Net gain on realisation of investments	-	-	-	242	-	-
Increase in unrealised depreciation	-	-	-	-	(1,243)	-
ZDP finance costs	-	-	-	(342)	-	-
Costs charged to capital	-	-	-	(40)	-	-
VAT recovered	-	-	-	254	-	-
Capitalised income	-	-	-	130	-	-
Dividends paid	-	-	-	-	-	(179)
Retained earnings	-	-	-	-	-	496
<b>At 31 May 2011</b>	<b>357</b>	<b>17,395</b>	<b>12</b>	<b>(13,682)</b>	<b>(2,448)</b>	<b>470</b>

Company	Share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000
At 31 May 2010	357	17,395	12	(14,020)	(1,430)	600
Net gain on realisation of investments	-	-	-	129	-	-
Increase in unrealised depreciation	-	-	-	-	(1,032)	-
ZDP finance costs	-	-	-	(342)	-	-
Costs charged to capital	-	-	-	(18)	-	-
VAT recovered	-	-	-	254	-	-
Dividends paid	-	-	-	-	-	(179)
Retained earnings	-	-	-	-	-	581
<b>At 31 May 2011</b>	<b>357</b>	<b>17,395</b>	<b>12</b>	<b>(13,997)</b>	<b>(2,462)</b>	<b>1,002</b>

### Company revenue reserve

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The amount of Company revenue before appropriation dealt with in the accounts of the Group is £581,000 (2010 - £219,000).



---

**16 Net asset value per share**

The net asset value per Ordinary share is based on a net asset value of £2,104,000 (31 May 2010 - £2,786,000) and on 35,719,225 (31 May 2010 - 35,719,225) Ordinary shares, being the number of Ordinary shares in issue at the year end.

**17 Contingent assets and guarantees**

There are a number of deferred considerations from previous sales transactions where the amount and timing of receipt remain uncertain and the Group has taken no account of any such receipt in the financial statements.

On 19 November 2010 the Company entered into a guarantee with London South Eastern Railways ("LSER") on behalf of portfolio company THL Midlands to ensure they can fulfil any liabilities falling under the terms of a contract with LSER to supply certain products and services. The maximum exposure to the Company of the guarantee is £66,000 and has a termination date of 30 June 2012.

**18 Related party disclosure**

The transactions with Aberdeen Asset Managers Limited and the year end balances are disclosed in note 4 of the financial statements.

**19 Financial instruments**

The Group's financial instruments comprise securities and other investments, cash balances 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 may not enter into derivative transactions in the form of forward foreign currency contracts, futures and options without the written permission of Directors. No derivative transactions were entered into during the year.

The main risks arising from the Group's financial instruments are (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movement; (ii) interest rate risk; and (iii) liquidity risk. In line with the Company's investment objective, the portfolio comprises UK securities and, therefore, has no exposure to foreign currency risk.

The Manager's policies for managing these risk are summarised below and have been applied throughout the year. The numerical disclosures below exclude short-term debtors and creditors, which are included in the Balance Sheet at fair value.

**(i) Market price risk**

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective as set out on page 2. Adherence to investment guidelines and to investment and borrowing powers set out in the management agreement mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out on page 6 in the Manager's Review and the Largest Investments table on page 10.

## Notes to the Financial Statements continued

### (ii) Interest rate risk

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

31 May 2011			
	Fixed interest £'000	Floating rate £'000	Non-interest bearing £'000
<b>Sterling</b>			
Unlisted	2,365	-	3,739
Cash	-	577	-
	<b>2,365</b>	<b>577</b>	<b>3,739</b>

31 May 2010			
	Fixed interest £'000	Floating rate £'000	Non-interest bearing £'000
<b>Sterling</b>			
Unlisted	2,055	200	5,335
Cash	-	925	-
	<b>2,055</b>	<b>1,125</b>	<b>5,335</b>

The unlisted fixed interest assets have a weighted average life of 3.47 years (2010 - 1.53 years) and a weighted average interest rate of 5.93% (2010 - 7.38%). The floating rate interest assets are linked to base rates set by the Bank of England.

It is the Directors' opinion that the carrying amounts of these financial assets represent the maximum credit exposure at the Balance Sheet date.

### Maturity profile

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

At 31 May 2011	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
<b>Fixed interest</b>							
Unlisted	1,515	150	-	-	700	-	2,365
	<b>1,515</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>700</b>	<b>-</b>	<b>2,365</b>
<b>At 31 May 2010</b>	<b>Within 1 year £'000</b>	<b>Within 1-2 years £'000</b>	<b>Within 2-3 years £'000</b>	<b>Within 3-4 years £'000</b>	<b>Within 4-5 years £'000</b>	<b>More than 5 years £'000</b>	<b>Total £'000</b>
<b>Fixed interest</b>							
Unlisted	100	1,677	278	-	-	-	2,055
	<b>100</b>	<b>1,677</b>	<b>278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,055</b>

**(iii) Liquidity risk**

Due to their nature, unlisted investments may not be readily realisable; cash is held to mitigate this liquidity risk.

Credit risk and interest rate risk is minimised by acquiring high quality treasury stocks or other bonds which have a relatively short time to maturity, when sufficient funds are available.

The Company, generally, does not hold significant cash balances as this is returned to shareholders via either the capital repayment scheme or share buyback programme. Any cash held is with reputable banks with high external credit ratings.

**(iv) Price risk sensitivity**

As the Company does not hold any listed investments, the Board does not believe the Company is at risk of possible changes in market prices.

**20 Fair value hierarchy**

The Company adopted the amendments to IFRS 7 'Financial Instruments: Disclosures' effective from 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance.

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

The following table summarises by level within the fair value hierarchy the Group's financial assets and liabilities at fair value:

	Level 1	Level 2	Level 3	Total
At 31 May 2011	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss	–	–	6,104	6,104
At 31 May 2010				
Financial assets at fair value through profit or loss	–	–	7,590	7,590

**21 Subsequent events**

Subsequent to the year end over £1 million was received from investee company Cash Bases Limited relating to the redemption of loan stock. The proceeds will be used to fund further returns of capital.

## Glossary of Terms and Definitions

---

<b>Actual Gearing</b>	Total assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds.
<b>Asset Cover</b>	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.
<b>Discount</b>	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.
<b>Dividend Cover</b>	Earnings per share divided by dividends per share expressed as a ratio.
<b>Dividend Yield</b>	The annual dividend expressed as a percentage of the share price.
<b>Net Asset Value</b>	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.
<b>Potential Gearing</b>	Total Assets including all debt being used for investment purposes divided by shareholders' funds.
<b>Premium</b>	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.
<b>Price/Earnings Ratio</b>	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.
<b>Prior Charges</b>	The name given to all borrowings including debentures, long 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.
<b>Redemption Yield</b>	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
<b>Total Assets</b>	Total assets less current liabilities (before deducting prior charges as defined above).
<b>Total Expense Ratio</b>	Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.
<b>Total Return</b>	Total return involves reinvesting the net dividend in the month that the share price goes ex dividend. 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.
<b>Winding-up Date</b>	The date specified in the Articles of Association for winding up a company.

# Notice of Meeting

---

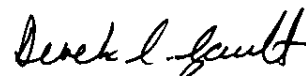
Notice is hereby given that the twenty fifth Annual General Meeting of Aberdeen Development Capital PLC will be held at 10 Queen's Terrace, Aberdeen AB10 1YG, on Wednesday 26 October 2011 at 12.30pm to consider the following resolutions:

## As Ordinary Business

To consider and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions:

1. To receive the report of the Directors and the accounts for the year ended 31 May 2011, together with the Auditor's Report thereon.
2. To receive and adopt the Directors' Remuneration Report.
3. To re-elect Mr Gilbert as a Director of the Company.
4. To re-elect Mr Milligan as a Director of the Company.
5. To re-elect Mr Scott as a Director of the Company.
6. To re-appoint Deloitte LLP as auditor and to authorise the Directors to determine their remuneration.

10 Queen's Terrace  
Aberdeen AB10 1YG  
29 July 2011



By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

## Notice of Meeting continued

---

### Notes:

- (i) Information about the meeting is available from the Company's website, [www.developmentcap.co.uk](http://www.developmentcap.co.uk).
- (ii) A member entitled to attend, speak and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A reply-paid form of proxy is enclosed.
- (iii) Forms of proxy and the 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 address noted on the form of proxy so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting. The return of a completed proxy form or other instrument of proxy will not prevent you attending the meeting and voting in person if you wish to do so. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every Ordinary share of which they are a holder. As a member, you have the right to put questions at the meeting relating to the business being dealt with at the meeting.
- (iv) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than 48 hours (excluding non-working days) before the time fixed for the meeting (or in the event that the meeting be adjourned on the register of members 48 hours (excluding non-working days) before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than 48 hours (excluding non-working days) before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
- (v) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual which can be viewed at [www.euroclear.com/CREST](http://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.
- (vi) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (vii) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (viii) 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.
- (ix) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection at the Company's registered office and for 15 minutes prior to, and at, the meeting.
- (x) The Register of Directors' Interests kept by the Company in accordance with Section 809 of the Companies Act 2006 will be open for inspection at the meeting.
- (xi) 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: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a

---

website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not 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.

- (xii) As at 29 July 2011, the latest practicable date prior to publication of this document, the Company had 35,719,225 Ordinary shares in issue with a total of 35,719,225 voting rights.
- (xiii) Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.
- (xiv) There are special arrangements for holders of shares through the Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.
- (xv) Under Section 319A of the Compliance Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
  - a. answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - b. the answer has already been given on a website in the form of an answer to a question; or
  - c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xvi) Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
- (xvii) Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note (xi) above, may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (i) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (ii) the resolution must not be defamatory of any person, frivolous or vexatious; and (iii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.

Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note (xi) below, may, subject to certain conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (i) the matter of business must not be defamatory of any person, frivolous or vexatious; and (ii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; (c) must be accompanied by a statement setting out the grounds for the request; (d) must be authenticated by the person or persons making it; and (e) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.

In order to be able to exercise the members' right to require: (i) circulation of a resolution to be proposed at the Meeting (see note (xi)); or (ii) a matter of business to be dealt with at the Meeting (see note (xi)), the relevant request must be made by: (a) a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or (b) at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

Tel: 0871 664 0300

(Calls to the above number cost 10 pence per minute plus network extras)

Tel International: (+ 44 208 639 3399)

e-mail [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

# Capital Structure

---

35,719,225	<b>Issued Share Capital</b> Ordinary shares of 1p
	<b>Capital History</b>
5 September 1986	Issue of 12,000,000 Ordinary shares of 10p in North of Scotland Investment Company plc (now Aberdeen Development Capital PLC)
8 September 1986	Dealings commence in Ordinary shares
4 December 1987	Issue of 4,889,031 Ordinary shares of 10p
3 June 1988	Issue of 2,676,808 Ordinary shares of 10p
28 November 1988	Issue of 1,898,620 Ordinary shares of 10p
6 June 1990	Issue of 7,533,462 Ordinary shares of 10p Change of name to Abtrust Scotland Investment Company PLC
10 April 1991	Issue of 4,517,543 Ordinary shares of 10p
25 April 1994	1 for 5 Rights issue of 6,703,092 units (each unit comprising 5 new Ordinary shares of 10p and 1 warrant) and a 1 for 5 bonus issue of warrants
30 September 1995	Issue of 1,120 Ordinary shares of 10p resulting from the exercise of 1,120 warrants
30 September 1996	Issue of 500 Ordinary shares of 10p resulting from the exercise of 500 warrants
30 September 1997	Issue of 8,528 Ordinary shares of 10p resulting from the exercise of 8,528 warrants
30 September 1998	Issue of 1,600 Ordinary shares of 10p resulting from the exercise of 1,600 warrants
1 July 1999	Conversion into a split-capital investment trust with revised capital being 55% Ordinary shares of 10p and 45% Zero dividend preference shares of 10p Purchase for cancellation of entire outstanding warrants Change of name to Aberdeen Development Capital PLC
29 October 1999	Formation of subsidiaries, ADC Fund Limited Partnership and ADC (Glasgow) Limited
23 August 2004	Formation of subsidiary, ADC Zeros 2005 PLC, issue of 50,000 Ordinary shares of £1 and 30,206,638 ZDP shares of 0.0001p
22 November 2004	Dealings commence in ZDP shares of ADC Zeros 2005 PLC
19 May 2005	Formation of subsidiaries, ADC Zeros 2010 PLC and ADC Zeros 2012 PLC
29 June 2005	ADC Zeros 2005 PLC placed in voluntary liquidation
30 June 2005	Dealings commence in the ZDP units of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC
Year to 31 May 2008	During the year to 31 May 2008 a total of 1,200,000 Ordinary shares were purchased in the market and cancelled. 892,858 ZDP units purchased in the market and cancelled Return of capital of 5p per Ordinary share and 102p per ZDP unit
Year to 31 May 2009	366,032 ZDP units purchased in the market and cancelled
	Return of capital of 2p per Ordinary share and 30p per ZDP unit
Year to 31 May 2010	Return of capital of 0.3p per Ordinary share and 45.2p per ZDP unit
Year to 31 May 2011	Return of capital of 20p per ZDP unit



# Corporate Information

---

## Directors

John R Milligan, Chairman  
Martin J Gilbert (alternate Hugh W M Little)  
Charles M Scott

## Manager

Aberdeen Asset Managers Limited  
10 Queen's Terrace  
Aberdeen AB10 1YG

## Customer Services Department and Share Plan/ISA enquiries

Aberdeen Investment Trust Administration  
Block C, Western House  
Lynchwood Business Park  
Peterborough PE2 6BP

Freephone: 0500 00 00 40  
(open Monday – Friday, 9am – 5pm)  
Email: [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com)

## Secretaries and Registered Office

Aberdeen Asset Management PLC  
10 Queen's Terrace  
Aberdeen AB10 1YG  
Email: [company.secretaries@invtrusts.co.uk](mailto:company.secretaries@invtrusts.co.uk)  
Registered Number: SC098542

## Website

[www.developmentcap.co.uk](http://www.developmentcap.co.uk)

## Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel: 0871 664 0300  
(Calls cost 10p per minute plus network extras,  
lines are open 8.30am – 5.30pm Mon-Fri)  
email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
website: [www.capitaregistrars.com](http://www.capitaregistrars.com)

## Stockbrokers

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

## Independent Auditor

Deloitte LLP  
Lomond House  
9 George Square  
Glasgow G2 1QQ

## Bankers

Lloyds Banking Group  
25 Gresham Street  
London EC2V 3HN

## Custodian Bankers

State Street Bank and Trust Company  
One Canada Square  
London E14 5AF

## Solicitors

Dickson Minto  
16 Charlotte Square  
Edinburgh EH2 4DF

**Aberdeen Asset Managers Limited**

10 Queen's Terrace, Aberdeen AB10 1YG

Tel 01224 631999 Fax 01224 647010

Bow Bells House, 1 Bread Street, London EC4M 9HH

Tel 020 7463 6000 Fax 020 7463 6001

40 Princes Street, Edinburgh EH2 2BY

Tel 0131 528 4000 Fax 0131 528 4400

Authorised and Regulated by The Financial Services Authority

Member of the Aberdeen Asset Management PLC Group of Companies