

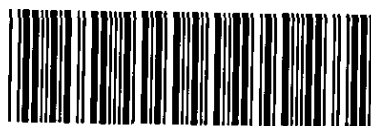
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Aberdeen Development Capital PLC

Annual Report
Year ended 31 May 2010

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Aberdeen

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Aberdeen Development Capital PLC, please forward this document, together with the accompanying documents immediately to the purchaser, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Financial Highlights

| | 2010 | 2009 |
|---------------------------------|--------|--------|
| Net asset value total return | (1.8)p | (6.2)p |
| Share price total return | (4.6)p | (9.6)p |
| Dividend per share [^] | 0.50p | 1.00p |

[^] The figure for dividends reflects the years in which they were earned (see note 8 on page 35)

Financial Calendar

| | |
|-----------------|--|
| 30 July 2010 | Announcement of results for year ended 31 May 2010 |
| September 2010 | Announcement of Interim Management Statement |
| 27 October 2010 | Annual General Meeting at 12 noon |
| 29 October 2010 | Final dividend payable for the year ended 31 May 2010 |
| January 2011 | Announcement of half yearly report for the six months ended 30 November 2010 |
| March 2011 | Announcement of Interim Management Statement |

Corporate Summary

The Group

Aberdeen Development Capital PLC ("the Company"), incorporated in Scotland, registered number SC 98542, is an investment trust 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 are invested in a diversified portfolio of unlisted securities spread across a range of industries within the United Kingdom.

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") (formerly Section 842 of the Income and Corporation Taxes Act 1988).

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 13. A comprehensive analysis of the Company's portfolio is disclosed on page 11 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 167.5% (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 the Directors' Report on pages 15 to 18 and note 4 to the Financial Statements on page 33 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 2010 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 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 £8.4 million and a net asset value of 7.8 pence per Ordinary share at 31 May 2010. The net asset value per ZDP share on 31 May 2010 was 37.3 pence.

Websites

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

Company Secretary

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

Email: company.secretary@invtrusts.co.uk

Customer Services

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

Email: invtrusts@aberdeen-asset.com

Risks and Uncertainties

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.

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 notes 14 and 15 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 for 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 45. 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.

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

The year ended 31 May 2010 has been characterised by a low level of portfolio activity, driven by the continuing challenging market conditions facing small and medium sized businesses. However, towards the year end there were encouraging signs of an improvement in market sentiment which has allowed three successful realisations to take place.

As a result of the lack of corporate activity during the economic downturn, the Group was not in a position to repay the Zero dividend preference ("ZDP") shares of ADC Zeros 2010 PLC which were due for final redemption on 30 April 2010. Shareholders meetings were therefore convened with the purpose of seeking an extension to the life of the 2010 ZDPs until 30 April 2012, as outlined in the Circular to shareholders of 2 March 2010, and this proposal was duly approved by all shareholder classes at EGM's held earlier this year.

Despite the difficult market conditions, it is pleasing to note that two returns of capital to shareholders were possible during the year. Firstly on 16 June 2009 a total of £0.5 million was returned to shareholders, with ZDP shareholders receiving 2.6p per share and Ordinary shareholders receiving 0.3p per share, and then on 28 May 2010, £3 million was returned to shareholders with ZDP shareholders receiving 20p per share. To date ZDP shareholders have received 88.6p per share against their issue price of 100p and their final entitlement at 30 April 2012 now stands at 42.11p. Ordinary shareholders have to date received 7.3p per share.

Performance

The net asset value per Ordinary share ("NAV") fell from 10.1p to 7.8p, of which some 1.5p was attributable to the annual allocation of entitlement to holders of ZDP shares.

Given the tough trading environment for certain portfolio companies, the illiquidity of a number of holdings, and also the proximity of the Zero repayment date in 2012, the Board has written down the carrying value of a number of portfolio investments, details of which can be found in the Manager's Report.

Dividend

In last year's report I advised that due to the diminishing number of yielding investments in the portfolio as the better quality assets are realised, the frequency of dividends would be reduced from a quarterly basis to a final dividend payable subject to approval by Ordinary shareholders at the Annual General Meeting. In recommending a final dividend of 0.5 pence per share, the Board is mindful both of the entitlement of Ordinary shareholders to share in any revenue surpluses, but also of the need to conserve cash to meet the primary objective of returning capital to shareholders as part of the ongoing winding up of the Company.

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.

The most significant realisation during the year was that of Norson Holdings, which occurred in April. The Company acquired an interest in Norson Holdings, the hydraulics division of former investee company Norson Group, as part of the successful sale of that company in 2007, at a book cost of £79,000. Having traded profitably for the last three years, Norson Holdings has been acquired by EnerMech Limited, an Aberdeen based company which provides mechanical engineering products and services to the energy industry. Under the terms of the sale ADC received cash of £1.604 million, with the prospect of receiving up to a further £91,000 in deferred consideration proceeds upon satisfactory conclusion of certain warranties over the next twelve months. The disposal represented an uplift of £604,000 to carrying value, some 1.69p per Ordinary share. In line with the Company's policy no deferred consideration proceeds will be recognised in the accounts until received. Over the lifetime of the investment, an internal rate of return ("IRR") of 195.6% was generated.

In May, two further successful exits were achieved; holdings in Homelux Nenplas and Oliver Kay Holdings being acquired by a consortium of existing shareholders. The holding in Homelux Nenplas generated proceeds of £560,000 compared with cost and a previous carrying value of £316,000 whilst the disposal of Oliver Kay Holdings generated proceeds of £550,000 compared with cost and a previous carrying value of £497,000. The respective IRRs of the investments over their lifetime were 23.5% and 13.8%.

Further small redemptions were received during the year as well as a small amount of final liquidation proceeds, which are noted in the Manager's Report.

Unsurprisingly, perhaps, given the strength and depth of the economic downturn, performance has been mixed throughout the remaining investments within the portfolio. Whilst a number, such as Tennants Consolidated, Cash Bases and Enpure, continue to perform creditably, others, such as THL Midlands, have yet to see a return to former levels of trading, and, disappointingly, one investment, the Scottish housebuilder TLA Holdings, fell into administration.

VAT Recovery

The Company accepted the Manager's offer to refund 100% of VAT charged on investment management fees for the period 1 January 2004 to 31 August 2007 and the amounts recoverable by the Manager from HMRC in respect of prior periods. As a result £559,000 has now been received in respect of the period 1 January 2001 to 31 August 2007 and this has been recognised within the financial statements and allocated to revenue and capital in accordance with the underlying accounting policy. A claim in respect of the period 1 January 1990 to 3 December 1996 remains to be settled between the Manager and HMRC and once agreement is reached this will be recognised in the financial statements and allocated to revenue and capital, again in accordance with the underlying accounting policy, during the period in which the VAT was paid.

No account has been taken for any interest due on the above amount or claims for the earlier period, which are still to be agreed with HMRC.

Annual General Meeting

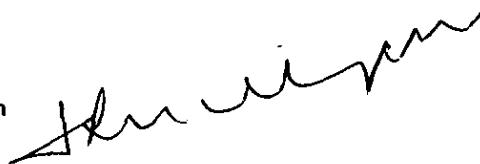
The Annual General Meeting ("AGM") has been convened for Wednesday, 27th October 2010 at 10 Queen's Terrace, Aberdeen and the Board looks forward to meeting any shareholders who wish to attend. I would be grateful if you would confirm your attendance by completing the notice that accompanies the Annual 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.

The Future

The Board's primary objective is to maximise the value of remaining investments in order to return as much cash as possible to shareholders. The exact amount and timing will of course be uncertain, due largely to the illiquid nature of the investments and the continuing fragile economic climate, but the extension to the life of the 2010 ZDP shares should enhance prospects for returns.

John R Milligan
Chairman
30 July 2010



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 restricted and trading performance has been mixed although the management teams of a number of holdings have dealt with the recessionary pressures commendably.

Net Asset Value Performance

Audited NAV per Ordinary share as at 31 May 2009 10.1p

Major Uplifts

| | | |
|-----------------|------|------|
| Norson Holdings | 3.5p | |
| Homelux Nenplas | 0.7p | 4.2p |

Major Downgrades

| | | |
|--|--------|--------|
| Pilgrim Systems | (0.7)p | |
| Tennants Consolidated | (1.3)p | |
| THL Midlands (formerly Transys Holdings) | (2.2)p | |
| TLA Holdings | (1.1)p | (5.3)p |
| Appropriation to Zero dividend preference shares | (1.5)p | |
| Return of capital to Ordinary shareholders | (0.3)p | |
| VAT Repayment | 0.8p | |
| Other movements | (0.2)p | |

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

Investments

There were no new or follow-on investments during the year, however £49,000 loan stock interest due from THL Midlands was rolled over into loan stock.

Realisations

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

| Company | Proceeds £'000 | Cost £'000 | Gain/ (Loss) £'000 |
|--|-------------------|---------------|--------------------------|
| Cash Bases | 31 | 2 | 29 |
| Fispak | 55 | 55 | - |
| Homelux Nenplas | 560 | 316 | 244 |
| Norson Holdings | 1,604 | 79 | 1,525 |
| Oliver Kay Holdings | 550 | 497 | 53 |
| Riverdale Publishing ^A | - | 617 | (617) |
| Scottish Equity Partnership ^A | 10 | 246 | (236) |
| Tuscan Energy Group ^A | - | 1,000 | (1,000) |
| Total | 2,810 | 2,812 | (2) |

^A Investments written down to £nil in prior years; 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.

Valuation Principles

The unlisted portfolio is valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

| Methodology | Category |
|-------------------------------|-----------|
| Earnings Multiple | Primary |
| Price of Recent Investment | Primary |
| Net Assets | Primary |
| Industry Valuation Benchmarks | Secondary |

Earnings multiple – this methodology is likely to be appropriate for an investment in an established business with an identifiable stream of continuing earnings that can be considered to be maintainable. A multiple is applied to the earnings of the business being valued in order to derive a value for the business. In this case a discount used in the investment's valuation is typically 25%-50% of the listed equivalent rating to reflect a lack of marketability.

Price of recent investment – this methodology is considered where there has been a recent investment in the company, to base the valuation on the price of that investment. Where the investment being valued was itself made recently, its cost will generally provide a good indication of value. The length of period for which it would remain appropriate to use this methodology for a particular investment will depend on the specific circumstances of the case, but a period of one year is often applied in practice.

Net assets – this methodology is likely to be considered appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings. The methodology may also be appropriate for a business that is not making an adequate return on assets and for which greater value can be realised by liquidating the business and selling its assets. It may therefore be appropriate, in certain circumstances, for valuing investments in loss-making companies and companies making only marginal levels of profits.

Industry valuation benchmarks – a number of industries have industry-specific valuation benchmarks, including the information technology sector and service sectors where long-term contracts are a key feature and use multiples of revenue as a valuation benchmark. These industry norms are often based on the assumption that investors are willing to pay for turnover or market share, and that the normal profitability of businesses in the industry does not vary much.

The portfolio is valued at fair value and in the absence of the requirement to realise assets over the next two years 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 realising particular holdings 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, the Managers 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
30 July 2010

Results

Financial Highlights

| | 31 May 2010 | 31 May 2009 | % change |
|---|-------------|--------------------------|----------|
| Total assets (see definition on page 44) | £8,378,000 | £12,072,000 ^A | (30.6) |
| Total equity shareholders' funds (Net Assets) | £2,786,000 | £3,620,000 | (23.0) |
| Share price (mid market) | 1.85p | 6.75p | (72.6) |
| Net Asset Value per share | 7.80p | 10.13p | (23.0) |
| Discount to Net Asset Value | 76.3% | 33.4% | |
| FTSE Small Cap Index (ex Investment Trusts) | 2249.0 | 2290.9 | (1.8) |
| Actual gearing (see definition on page 44) | 167.5% | 197.0% | |
| Potential gearing (see definition on page 44) | 200.7% | 233.5% | |
| Total expense ratio (see definition on page 44) | 2.9% | 2.2% | |

Earnings

| | | |
|--------------------------|--------|--------|
| Total return per share | (1.8)p | (6.2)p |
| Revenue return per share | 0.3p | 0.7p |
| Revenue reserves (£'000) | 153 | 153 |

^A restated to exclude 2010 ZDP shares entitlement which was classed as a current liability, their life having been extended from 30 April 2010 to 30 April 2012 during the year.

Performance (total return)

| | 1 year % return | 3 year % return | 5 year % return |
|---|--------------------|--------------------|--------------------|
| Share price | (70.2) | (87.0) | (91.9) |
| Net Asset Value | (18.8) | (57.7) | (71.9) |
| FTSE Small Cap Index (ex Investment Trusts) | 20.9 | (38.8) | (6.7) |

Dividends

| Dividend 2010 | Rate | xd Date | Record Date | Payment Date |
|---------------------|-------|-------------------|----------------|-----------------|
| Proposed final 2010 | 0.50p | 29 September 2010 | 1 October 2010 | 29 October 2010 |

| Dividend 2009 | Rate | xd Date | Record Date | Payment Date |
|---------------------|--------------|-----------------|-----------------|------------------|
| First interim paid | 0.25p | 15 October 2008 | 17 October 2008 | 14 November 2008 |
| Second interim paid | 0.25p | 14 January 2009 | 16 January 2009 | 13 February 2009 |
| Third interim paid | 0.25p | 8 April 2009 | 14 April 2009 | 13 May 2009 |
| Fourth interim paid | 0.25p | 1 July 2009 | 3 July 2009 | 31 July 2009 |
| Total | 1.00p | | | |

Performance

Share Price Premium/(Discount) (%) to NAV
Five years to 31 May 2010

Source: Morningstar

NAV Total Return and Share Price vs FTSE Small Cap Index (ex Investment Trusts)
Five years to 31 May 2010 (figures rebased to 100 at 31 May 2005)

Source: Morningstar

Performance continued

Ten Year Financial Record

| | 2001 | 2002 | 2003 | 2004 | 2005 ^A | 2006 ^B | 2007 | 2008 | 2009 | 2010 |
|-----------------------------|--------|--------|--------|--------|-------------------|-------------------|---------|--------|--------|--------|
| Total revenue (£'000) | 2,940 | 2,884 | 2,532 | 2,474 | 2,918 | 1,542 | 1,904 | 1,060 | 521 | 396 |
| Per share | | | | | | | | | | |
| Net revenue return (p) | 5.41 | 4.86 | 5.02 | 4.86 | 5.63 | 2.46 | 1.37 | 1.38 | 0.69 | 0.25 |
| Net dividends paid (p) | 5.20 | 5.20 | 5.20 | 5.20 | 5.20 | 3.48 | 2.50 | 2.50 | 1.39 | 0.25 |
| Total return (p) | 18.24 | 11.22 | (3.40) | (2.38) | (1.77) | (4.87) | (11.38) | (3.43) | (6.16) | (1.79) |
| Net asset value (p) | 68.23 | 74.34 | 65.74 | 58.16 | 52.79 | 44.44 | 30.56 | 19.69 | 10.13 | 7.80 |
| Shareholders' funds (£'000) | 46,884 | 50,836 | 49,530 | 48,756 | 19,489 | 16,407 | 11,283 | 7,033 | 3,620 | 2,786 |

^A 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.

^B 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 2010

| 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 |
|--|---------------------|-----------------------|-----------|--------------------------------------|----------------------------|-------------------|--|
| Tennants Consolidated | 1,985 | 1,044 | 31-Dec-09 | 2.2 | 23.7 | 3.2 | 3,119 |
| Tennants Consolidated is engaged in the manufacture and sale of chemicals and chemical products. | | | | | | | |
| Pilgrim Systems | 1,500 | 1,500 | 30-Sep-09 | 20.0 | n/a | n/a | 225 |
| Pilgrim Systems is concerned with the origination, supply and support of specialised software packages predominantly for use within the legal profession. | | | | | | | |
| Cash Bases | 1,248 | 1,248 | 31-Dec-08 | 18.8 | n/a | n/a | 384 |
| 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. | | | | | | | |
| IFC Holdings | 1,200 | 501 | 31-Mar-09 | 25.8 | n/a | n/a | 1,200 |
| IFC Holdings is concerned with the processing and distribution of canned fish products. | | | | | | | |
| PLM Dollar Group | 700 | 700 | 30-Sep-08 | 19.7 | n/a | n/a | 760 |
| 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. | | | | | | | |
| Empure Holdings | 450 | 450 | 31-Mar-09 | 1.9 | n/a | n/a | 102 |
| Empure provides process engineering and project management services including design, installation and commissioning solutions on behalf of a wide range of clients. | | | | | | | |
| THL Midlands | 278 | 1,235 | 31-Dec-09 | 13.8 | n/a | n/a | (54) |
| 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. | | | | | | | |
| Whiteness Property Company | 167 | 172 | 30-Nov-08 | 2.9 | n/a | n/a | 84 |
| Whiteness Property Company is a property development opportunity located near Inverness. | | | | | | | |
| Ortak Jewellery | 62 | 125 | 31-Jan-10 | 12.5 | n/a | n/a | 253 |
| Ortak Jewellery is concerned with the production and retail of jewellery and other giftware. | | | | | | | |
| Other investments (8) | - | 1,820 | | | | | |
| Total investments | 7,590 | 8,795 | | | | | |

Classification of Investments

Based on valuation at 31 May 2010

Classification of investments by sector

| | 2010 % | 2009 % |
|--------------------------------------|--------------|--------------|
| Chemicals | 26.2 | 22.9 |
| Basic Materials | 26.2 | 22.9 |
| Construction & Materials | – | 6.7 |
| Industrial Engineering | 3.7 | 9.4 |
| Support Services | 25.6 | 21.7 |
| General Industrials | 29.3 | 37.8 |
| Food Producers & Processors | 15.8 | 15.9 |
| Consumer Goods | 15.8 | 15.9 |
| General Retailers | 0.8 | 1.2 |
| Consumer Services | 0.8 | 1.2 |
| Software & Computer Services | 19.8 | 16.4 |
| Technology | 19.8 | 16.4 |
| Gas, Water and Multiutilities | 5.9 | 4.2 |
| Utilities | 5.9 | 4.2 |
| Real Estate | 2.2 | 1.6 |
| Financials | 2.2 | 1.6 |
| Total fixed asset investments | 100.0 | 100.0 |

Classification of investments by instrument held

| | | |
|---------------------------|--------------|--------------|
| Equities | 70.2 | 77.7 |
| Fixed interest securities | 29.8 | 22.3 |
| | 100.0 | 100.0 |

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 2010 have approximately £167.3 billion under management. It manages assets on behalf of a wide range of clients including 31 investment trusts and other closed-ended funds, which have combined total assets of over £6.8 billion.

The Manager has its headquarters in Aberdeen and invests globally, operating from 31 offices in 26 countries. Its investment teams are generally based in the markets or regions in which they invest; in the UK its main investment centres are in London and Edinburgh.

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: 11 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: 24 September 2009

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: 24 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: 24 September 2009

Committee membership: Nomination Committee

Other public company directorships: Chaucer Holdings PLC, Primary Health Properties PLC and Aberdeen Asian Smaller Companies Investment Trust PLC.

Employment by the Manager: Chief Executive of Aberdeen Asset Management PLC

Other connections with the Manager: None

Shared directorships with other Directors: 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: 13 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: 24 September 2009

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

Other public company directorships: Gateway 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 2010.

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 to 5 and the Manager's Review on pages 6 and 7. 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 capital returns. The major risks associated with the Group are detailed in note 20 to the Financial Statements. The Key Performance Indicators for the Group including NAV performance, share price performance and benchmark performance are detailed on page 8. Other risks include:

- **Discount volatility:** The Group's share price can trade at a discount to its underlying net asset value. The Group operates a share buyback programme which is reviewed on a continuing basis.
- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. Breaches of regulations, such as Sections 1158-1159 of the Corporation Tax Act 2010 (formerly Section 842 of the Income and Corporation Taxes Act 1988), the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

Details of the Directors are given in Your Board on page 14 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 SC98542.

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 the HM Revenue & Customs as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 (superseded on 1 April 2010 by Section 1158 of the Corporation Tax Act 2010) for the year ended 31 May 2009.

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 8 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.

Share Capital

The issued Ordinary share capital of the Company at 31 May 2010 amounted to 35,719,225 Ordinary shares.

Purchases of shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its shareholders taken as a whole. Purchases will be made in the market for cash at prices below prevailing Net Asset Value per share. Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of this authority must not exceed 105 per cent. of the average of the middle market quotations for the share over the five business days immediately preceding the date of purchase. The minimum price that may be paid is the nominal value of the relevant share. In making purchases, the Company will only deal with member firms of the London Stock Exchange. Shares which are purchased will be cancelled. Purchases of shares by the Group will be made from distributable reserves and will normally be paid out of cash balances held by the Group from time to time. As any purchases will be made at prices that represent a discount to NAV, the NAV of the remaining shares in issue should increase as a result of any such purchase.

Directors' Report continued

Shares will not be purchased by the Company in the period of 60 days immediately preceding the notification of the Group's interim financial results and the 60 days immediately preceding the announcement of the annual financial results or, if shorter, the period from the end of the Group's relevant financial period up to and including the time of the relevant announcement.

Directors

The current Directors of the Company are shown on page 14 along with brief biographical details. Having served on the Board for more than nine years, both Mr J R Milligan and Mr C M Scott submit themselves for annual re-election in accordance with the principles of the Combined Code. As a non-independent Director, Mr M J Gilbert offers himself for re-election annually.

The Directors at 31 May 2010 and their beneficial interests in the Ordinary shares of the Company and alterations since the Balance Sheet date are as follows:

| | 31 May 2010 Ordinary shares | 31 May 2009 Ordinary shares |
|--------------|--------------------------------|--------------------------------|
| 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 Director's holdings between 31 May 2010 and 30 July 2010.

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 19 to 22.

Financial Statements

The Directors' responsibilities regarding the financial statements are set out on page 23. 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.

Risk Management

The major risks associated with the Group's businesses are market risk, liquidity risk and credit risk. The Group has established a comprehensive framework for managing these risks, which evolves as the Group's business activities change in response to market, credit and other developments. The Group's policies for managing each of these risks and its exposure thereto are detailed in note 20 to the financial statements.

Going Concern

As explained in the Chairman's Statement, the Company has announced its intention to conduct an orderly realisation of its investment portfolio following the Balance Sheet date. These 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.

In March and April 2010 separate class and general meetings were held for the Company, ADC Zeros 2010 PLC and ADC Zeros 2012 PLC at which proposals to extend the life of the ZDP shares of ADC Zeros 2010 PLC until 30 April 2012 were passed.

Substantial Interests

On 30 July 2010 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 |
| Merseyside Superannuation Fund | 5,197,042 | 14.5 |
| New Star Asset Management Limited | 4,500,000 | 12.6 |
| Clients of Aberdeen Asset Managers Limited | 3,665,543 | 10.3 |
| Dartmoor Investment Trust | 2,524,033 | 7.1 |
| Jupiter Asset Management Limited | 2,424,927 | 6.8 |
| Aberdeen Asset Managers Savings Plan (non-discretionary) | 1,537,271 | 4.3 |
| Aberdeen City Council Pension Fund | 1,512,500 | 4.2 |

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.

Business at the Annual General Meeting

Resolution 8, which is a special resolution, will be proposed to authorise the Directors to call general meetings of the Company (other than Annual General Meetings), on a minimum 14 clear days' notice as permitted by the Companies Act 2006 and as amended by the Companies (Shareholders' Rights) Regulations 2009. The approval will be effective until the Company's next Annual General Meeting. The Board will only call general meetings on 14 clear days notice where they consider it in the best interests of shareholders to do so and the relevant matter requires to be dealt with expediently.

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.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, loans and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The main risks that the Company faces arising from its financial instruments are disclosed in note 20 to the financial statements.

Accountability and Audit

Each Director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and he 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 auditors are aware of that information. Additionally there are no important events since the year end.

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 15;
- 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 16;
- 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.

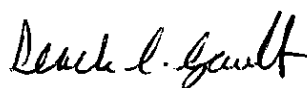
Directors' Report continued

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 Auditors

Deloitte LLP, have indicated their willingness to continue in office and a resolution to re-appoint Deloitte LLP as auditors 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
30 July 2010

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. 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), and which complements the Combined Code and represents a framework of best practice for investment companies.

The exceptions to compliance with the Combined Code, which are explained more fully under the headings of "The Board" and "Remuneration Committee and Directors' Remuneration" were as follows:

- a senior independent director has not been appointed due to the small size of the Board;
- there is no separate internal audit function.

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.

Mr J R 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 14 of this annual report and indicate the range of Directors' investment, commercial and professional experience.

The Board met six times during the year ended 31 May 2010. In addition, the Audit Committee and Management Engagement Committee each met twice. Between these formal meetings there is regular contact with the Investment Manager.

| Director | Attendance | |
|--|----------------|--------------------|
| | Board Meetings | Committee Meetings |
| J R Milligan (Chairman) | 6 | 4 |
| M J Gilbert (inc alternate) ^A | 5 | — |
| C M Scott | 6 | 4 |

^A Mr Gilbert is not a member of the Audit or Management Engagement Committees. Alternate director is Mr H W M Little.

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 the 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.

Statement of Corporate Governance continued

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.

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 whole Board. The Chairman of the Committee is the Chairman of the Group. One meeting was held during the year ending 31 May 2010. At its meeting in July 2009, the Nomination Committee recommended to the Board the nomination of Mr Gilbert, Mr Milligan and Mr Scott at the September 2009 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;
- Mr Milligan, who 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 auditors on a regular basis;
- The review of the interim and annual reports and financial statements;
- The review of the terms of appointment of the auditors together with their remuneration as well as any non-audit services provided by the auditors;

- The review of the scope and results of the audit and the independence and objectivity of the auditors;
- The review of the auditors 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 auditors management report to the Board.

The Group has in place a policy for controlling the provision of non-audit services by the auditors, 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 auditors, Deloitte LLP, in normal circumstances would rotate the partner responsible for the Company's audit every five years, this being the fifth 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 two years. 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 two financial years and the auditors, having established appropriate safeguards, have 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 24.

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 in 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 24 and in the Directors' Report on page 17. 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 responds 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.

Statement of Corporate Governance continued

Accountability and Audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 23 and the Statement of Going Concern is included in the Directors' Report on page 16. 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 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 FRC 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 FRC 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 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.

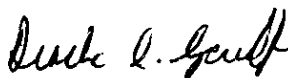
The internal control systems are designed to meet the Group's particular needs and risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business goals and, by their nature, can provide reasonable but not absolute 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.

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
30 July 2010

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.

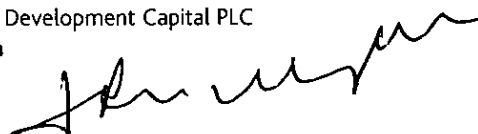
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Milligan
Chairman
30 July 2010



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 auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 25 and 26.

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.

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 2010. 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.

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.

Directors' Emoluments (audited information)

| Director | 2010 £ | 2009 £ |
|---------------------------|---------------|---------------|
| J R Milligan ^A | 21,000 | 23,083 |
| M J Gilbert | – | – |
| C M Scott | 20,000 | 17,917 |
| | 41,000 | 41,000 |

^A 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 (2009 - £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 2010.

By order of the Board
Aberdeen Asset Management PLC
Secretaries

30 July 2010

Independent Auditors' 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 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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.

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 2010 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 qualified, 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.

Independent Auditors' Report to the Members of Aberdeen Development Capital PLC *continued*

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
- 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 on page 16 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.



David Claxton ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Glasgow, United Kingdom

30 July 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2010

| | Notes | Year ended 31 May 2010 | | | Year ended 31 May 2009 | | |
|--|-----------|---------------------------|------------------|----------------|---------------------------|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Interest income | 3 | 319 | – | 319 | 370 | – | 370 |
| Dividend income | 3 | 73 | – | 73 | 149 | – | 149 |
| Other income | 3 | 4 | – | 4 | 2 | – | 2 |
| | | 396 | – | 396 | 521 | – | 521 |
| Losses on held at fair value investments | 10 | – | (230) | (230) | – | (2,130) | (2,130) |
| Expenses | | | | | | | |
| Management fees | 4 | (33) | (67) | (100) | (33) | (67) | (100) |
| Other operating expenses | 5 | (291) | (97) | (388) | (226) | – | (226) |
| VAT recovered on investment management fees | 18 | 95 | 193 | 288 | 89 | 182 | 271 |
| Profit/(loss) before finance costs and taxation | | 167 | (201) | (34) | 351 | (2,015) | (1,664) |
| Finance costs | | | | | | | |
| Zero dividend preference shares | 6,14 | – | (526) | (526) | – | (431) | (431) |
| Profit/(loss) before taxation | | 167 | (727) | (560) | 351 | (2,446) | (2,095) |
| Taxation | 7 | (78) | – | (78) | (106) | – | (106) |
| Profit/(loss) for the year | 16 | 89 | (727) | (638) | 245 | (2,446) | (2,201) |
| Earnings per Ordinary share - basic (pence) | 9 | 0.25 | (2.04) | (1.79) | 0.69 | (6.85) | (6.16) |

The Company 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.

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

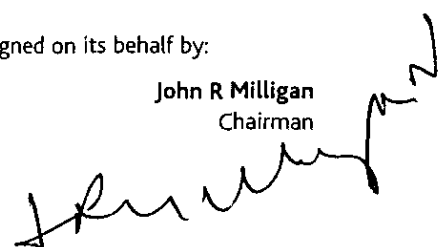
Balance Sheets

As at 31 May 2010

| | | 31 May 2010 | | 31 May 2009 | |
|---|-------|----------------|------------------|----------------|------------------|
| | Notes | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Non-current assets | | | | | |
| Investments at fair value through profit or loss | 10 | 7,590 | 5,390 | 10,649 | 8,199 |
| Subsidiary undertaking | 10 | – | 8 | – | 281 |
| | | 7,590 | 5,398 | 10,649 | 8,480 |
| Current assets | | | | | |
| Cash and cash equivalents | | 925 | 544 | 1,319 | 803 |
| Loans and receivables | 12 | 31 | 6,587 | 409 | 6,884 |
| | | 956 | 7,131 | 1,728 | 7,687 |
| Current liabilities | | | | | |
| Financial liabilities measured at amortised cost | | (168) | (4,023) | (305) | (8,311) |
| Zero dividend preference shares | 14 | – | – | (4,226) | – |
| Total current liabilities | 13 | (168) | (4,023) | (4,531) | (8,311) |
| Net current assets/(liabilities) | | 788 | 3,108 | (2,803) | (624) |
| Total assets less current liabilities | | 8,378 | 8,506 | 7,846 | 7,856 |
| Non-current liabilities | | | | | |
| Zero dividend preference shares | 14 | (5,592) | – | (4,226) | – |
| Amounts due to subsidiary | 14 | – | (5,592) | – | (4,226) |
| Total net assets | | 2,786 | 2,914 | 3,620 | 3,630 |
| Equity | | | | | |
| Share capital | 15 | 357 | 357 | 357 | 357 |
| Special reserve | 16 | 17,395 | 17,395 | 17,502 | 17,502 |
| Capital redemption reserve | 16 | 12 | 12 | 12 | 12 |
| Capital reserve - realised | 16 | (13,926) | (14,020) | (13,494) | (13,845) |
| Capital reserve - unrealised | 16 | (1,205) | (1,430) | (910) | (866) |
| Revenue reserve | 16 | 153 | 600 | 153 | 470 |
| Total shareholders' funds | | 2,786 | 2,914 | 3,620 | 3,630 |
| Equity shareholders' funds | | 2,786 | 2,914 | 3,620 | 3,630 |
| Net asset value per Ordinary share - basic (pence) | 17 | 7.80 | 8.16 | 10.13 | 10.16 |

The financial statements were approved by the Board of Directors on 30 July 2010 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 |
|---|---------------------------|-----------------------------|---|---|---|-----------------------------|----------------|
| For the year ended 31 May 2010 | | | | | | | |
| 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) |
| Net assets at 31 May 2010 | 357 | 17,395 | 12 | (13,926) | (1,205) | 153 | 2,786 |
| For the year ended 31 May 2009 | | | | | | | |
| Net assets at 31 May 2008 | 357 | 18,216 | 12 | (7,302) | (4,656) | 406 | 7,033 |
| Return of capital to Ordinary shareholders | - | (714) | - | - | - | - | (714) |
| Dividend paid (note 8) | - | - | - | - | - | (498) | (498) |
| Net (loss)/gain on ordinary activities after taxation | - | - | - | (6,192) | 3,746 | 245 | (2,201) |
| Net assets at 31 May 2009 | 357 | 17,502 | 12 | (13,494) | (910) | 153 | 3,620 |

Company

| | Share capital £'000 | Special reserve £'000 | Capital redemption reserve £'000 | Capital reserve realised £'000 | Capital reserve unrealised £'000 | Revenue reserve £'000 | Total £'000 |
|---|---------------------------|-----------------------------|---|---|---|-----------------------------|----------------|
| For the year ended 31 May 2010 | | | | | | | |
| 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) |
| Net assets at 31 May 2010 | 357 | 17,395 | 12 | (14,020) | (1,430) | 600 | 2,914 |
| For the year ended 31 May 2009 | | | | | | | |
| Net assets at 31 May 2008 | 357 | 18,216 | 12 | (8,335) | (3,686) | 612 | 7,176 |
| Return of capital to Ordinary shareholders | - | (714) | - | - | - | - | (714) |
| Dividend paid (note 8) | - | - | - | - | - | (498) | (498) |
| Net (loss)/gain on ordinary activities after taxation | - | - | - | (5,510) | 2,820 | 356 | (2,334) |
| Net assets at 31 May 2009 | 357 | 17,502 | 12 | (13,845) | (866) | 470 | 3,630 |

Cash Flow Statements

For the year ended 31 May 2010

| | Year ended 31 May 2010 | | Year ended 31 May 2009 | |
|--|---------------------------|------------------|---------------------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Operating activities | | | | |
| Loss before tax | (560) | (520) | (2,095) | (2,334) |
| Bad debt expense | 87 | 12 | – | – |
| ZDP shares finance cost | 526 | – | 431 | – |
| Amounts due to subsidiary undertaking | – | 526 | – | 431 |
| Losses on investments held at fair value through profit and loss | 230 | 263 | 2,130 | 2,402 |
| Purchases of investments held at fair value through profit and loss | (49) | (49) | – | – |
| Sales of investments held at fair value through profit and loss | 2,878 | 2,868 | 2,777 | 2,631 |
| Decrease/(increase) in other receivables | 291 | 285 | (105) | (125) |
| (Decrease)/increase in other payables | (129) | (62) | (14) | 162 |
| Net cash inflow from operating activities before interest and corporation tax | 3,274 | 3,323 | 3,124 | 3,167 |
| Corporation tax paid | (86) | – | (168) | – |
| Corporation tax refunded | – | – | 5 | – |
| Net cash inflow from operating activities | 3,188 | 3,323 | 2,961 | 3,167 |
| Financial activities | | | | |
| Dividends paid on Ordinary shares | (89) | (89) | (498) | (498) |
| Return of capital on Ordinary shares | (107) | (107) | (714) | (714) |
| Return of capital on ZDP shares | (3,386) | (3,386) | (2,307) | (2,307) |
| Repurchase of ZDP shares | – | – | (286) | (286) |
| Net cash used in financing activities | (3,582) | (3,582) | (3,805) | (3,805) |
| Net decrease in cash and cash equivalents | (394) | (259) | (844) | (638) |
| Cash and cash equivalents at start of year | 1,319 | 803 | 2,163 | 1,441 |
| Cash and cash equivalents at end of year | 925 | 544 | 1,319 | 803 |
| Cash and cash equivalents at end of year are represented by: | | | | |
| Cash at bank | 925 | 544 | 1,319 | 803 |

Notes to the Financial Statements

For the year ended 31 May 2010

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") (formerly Section 842 of the Income and Corporation Taxes Act 1988).

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 Group adopted the amendments to IFRS 7 'Financial Instruments: Disclosures' effective from 1 January 2009. The disclosures required by this standard are given in notes 20 and 21.

(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. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(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, the 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.

(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.

Notes to the Financial Statements continued

(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 from the date on which they are declared ex-dividend.

| | 2010 £'000 | 2009 £'000 |
|--------------------------------|---------------|---------------|
| 3 Income | | |
| Income from investments | | |
| Franked investment income | 73 | 149 |
| UK unfranked investment income | 314 | 257 |
| | 387 | 406 |
| Other income | | |
| Deposit interest | 5 | 113 |
| Other income | 4 | 2 |
| | 9 | 115 |
| Total income comprises: | | |
| Dividends | 73 | 149 |
| Interest | 319 | 370 |
| Other income | 4 | 2 |
| | 396 | 521 |
| Income from investments | | |
| Unlisted UK | 387 | 406 |
| | 387 | 406 |

| | Year ended 31 May 2010 | | | Year ended 31 May 2009 | | |
|------------------------------------|------------------------|------------------|----------------|------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 4 Investment management fee | | | | | | |
| Investment management fee | 33 | 67 | 100 | 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 £100,000 (£60,000 per annum from 1 June 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 £6,000 (2009 - £8,000). 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 £8,000 (2009 - £9,000).

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.

Notes to the Financial Statements continued

| | Year ended 31 May 2010 | | | Year ended 31 May 2009 | | |
|---|------------------------|------------------|----------------|------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 5 Other expenses | | | | | | |
| Directors' fees | 41 | – | 41 | 41 | – | 41 |
| Auditors' remuneration: | | | | | | |
| - audit (including £14,000 (2009 - £14,000) relating to the parent undertaking) | 25 | – | 25 | 21 | – | 21 |
| - for other services | – | – | – | 4 | – | 4 |
| - tax compliance | 6 | – | 6 | 16 | – | 16 |
| Other | 219 | 97 | 316 | 144 | – | 144 |
| | 291 | 97 | 388 | 226 | – | 226 |

During the year ended 31 May 2010 other expenses allocated to revenue included a write-off of £75,000 (2009 - £21,000) in respect of income previously recognised, which is not anticipated to be recovered. In addition, other expenses allocated to capital include a write-off of £12,000 (2009 - £nil) in respect of a debtor previously recognised, which is not anticipated to be recovered and an adjustment of £85,000 (2009 - £nil) in respect of the discharge of a guarantee provided to Riverdale Publishing.

The emoluments of the Chairman, who was also the highest paid Director, were £21,000 (2009 - £23,083). No pension contributions were made in respect of any of the Directors. The Company does not have any employees.

| | Year ended 31 May 2010 | | | Year ended 31 May 2009 | | |
|--|------------------------|------------------|----------------|------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 6 Finance costs | | | | | | |
| Finance costs attributable to ZDP shares | – | 526 | 526 | – | 431 | 431 |
| | – | 526 | 526 | – | 431 | 431 |

| | Year ended 31 May 2010 | | | Year ended 31 May 2009 | | |
|--|------------------------|------------------|----------------|------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 7 Tax on ordinary activities | | | | | | |
| a) Analysis of charge for the year | | | | | | |
| UK corporation tax on profits for the year | 78 | – | 78 | 106 | – | 106 |
| Corporation tax charge | 78 | – | 78 | 106 | – | 106 |

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| b) Factors affecting tax charge for the year | | |
| Loss on ordinary activities before tax | (560) | (2,095) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%) | (157) | (587) |
| Effects of: | | |
| Franked investment income | (20) | (42) |
| Non-taxable gains and losses on investments | 64 | 596 |
| Other non-taxable income and expenses | 195 | 125 |
| Prior year adjustment | (4) | 14 |
| Current tax charge for the year (note 7(a)) | 78 | 106 |

Provision for deferred taxation

No provision for deferred taxation has been made due to the fact that the Group has approximately £4,659,000 (2009 - £4,668,000) of excess management expenses, and £215,000 (2009 - £130,000) of expenses from settlement of a guarantee. 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 2010 £'000 | Year ended 31 May 2009 £'000 |
|--|------------------------------------|------------------------------------|
| 8 Dividends and other appropriations to shareholders | | |
| Ordinary dividends on equity shares deducted from reserves are analysed below: | | |
| Fourth interim dividend 2009 of 0.25p (2008 - 0.625p) | 89 | 231 |
| First interim dividend 2009 of 0.25p | - | 89 |
| Second interim dividend 2009 of 0.25p | - | 89 |
| Third interim dividend 2009 of 0.25p | - | 89 |
| | 89 | 498 |

The proposed final dividend for 2010 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The table below sets out the final dividend proposed in respect of the financial year, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £219,000.

| | Year ended 31 May 2010 £'000 | Year ended 31 May 2009 £'000 |
|--|------------------------------------|------------------------------------|
| Proposed final dividend for 2010 - 0.5p (2009 - nil) | 178 | - |

9 Return per Ordinary share

The earnings per Ordinary share is based on the net loss after taxation of £638,000 (2009 - £2,201,000) and on a weighted average number of Ordinary shares of 35,719,225 (2009 - 35,719,225) Ordinary shares, being the 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 2010 | | | Year ended 31 May 2009 | | |
|-----------------------------------|------------------------|---------|--------|------------------------|---------|---------|
| | Revenue | Capital | Total | Revenue | Capital | Total |
| Net profit/(loss) £'000 | 89 | (727) | (638) | 245 | (2,446) | (2,201) |
| Return per Ordinary share (pence) | 0.25 | (2.04) | (1.79) | 0.69 | (6.85) | (6.16) |

Notes to the Financial Statements continued

10 Investments held at fair value through profit and loss

a) Group

| | Year ended 31 May 2010 | | Year ended 31 May 2009 | |
|---|------------------------|----------------|------------------------|----------------|
| | Unlisted £'000 | Total £'000 | Unlisted £'000 | Total £'000 |
| Opening book cost | 11,559 | 11,559 | 19,583 | 19,583 |
| Opening unrealised depreciation | (910) | (910) | (4,656) | (4,656) |
| Opening valuation | 10,649 | 10,649 | 14,927 | 14,927 |
| Movements in the year: | | | | |
| Purchases at cost | 49 | 49 | - | - |
| Sales – proceeds | (2,878) | (2,878) | (2,148) | (2,148) |
| – realised gains/(losses) on sales | 65 | 65 | (5,876) | (5,876) |
| (Increase)/decrease in unrealised depreciation | (295) | (295) | 3,746 | 3,746 |
| Closing valuation | 7,590 | 7,590 | 10,649 | 10,649 |
| Closing book cost | 8,795 | 8,795 | 11,559 | 11,559 |
| Closing unrealised depreciation | (1,205) | (1,205) | (910) | (910) |
| | 7,590 | 7,590 | 10,649 | 10,649 |
| Losses on held at fair value investments | | | | |
| Realised gains/(losses) on sales of investments | 65 | 65 | (5,876) | (5,876) |
| (Increase)/decrease in unrealised depreciation | (295) | (295) | 3,746 | 3,746 |
| | (230) | (230) | (2,130) | (2,130) |

b) Company

| | Year ended 31 May 2010 | | | Year ended 31 May 2009 | | |
|--|------------------------|------------------------------------|----------------|------------------------|------------------------------------|----------------|
| | Unlisted £'000 | Subsidiary undertaking £'000 | Total £'000 | Unlisted £'000 | Subsidiary undertaking £'000 | Total £'000 |
| Opening book cost | 9,113 | 233 | 9,346 | 16,337 | 233 | 16,570 |
| Opening unrealised (depreciation)/ appreciation | (914) | 48 | (866) | (4,993) | 1,307 | (3,686) |
| Opening valuation | 8,199 | 281 | 8,480 | 11,344 | 1,540 | 12,884 |
| Movements in the year: | | | | | | |
| Purchases at cost | 49 | – | 49 | – | – | – |
| Sales – proceeds | (2,868) | – | (2,868) | (2,002) | – | (2,002) |
| – realised gains/(losses) on sales | 301 | – | 301 | (5,222) | – | (5,222) |
| (Increase)/decrease in unrealised depreciation | (291) | (273) | (564) | 4,079 | (1,259) | 2,820 |
| Closing valuation | 5,390 | 8 | 5,398 | 8,199 | 281 | 8,480 |
| Closing book cost | 6,595 | 233 | 6,828 | 9,113 | 233 | 9,346 |
| Closing unrealised (depreciation)/ appreciation | (1,205) | (225) | (1,430) | (914) | 48 | (866) |
| | 5,390 | 8 | 5,398 | 8,199 | 281 | 8,480 |

**Losses on held at fair value
investments**

| | | | | | | |
|--|-----------|--------------|--------------|----------------|----------------|----------------|
| Realised gains/(losses) on sales of investments | 301 | – | 301 | (5,222) | – | (5,222) |
| (Increase)/decrease in unrealised depreciation | (291) | (273) | (564) | 4,079 | (1,259) | 2,820 |
| | 10 | (273) | (263) | (1,143) | (1,259) | (2,402) |

c) Transaction costs

| | Year ended 31 May 2010 | | Year ended 31 May 2009 | |
|-----------|------------------------|------------------|------------------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Sales | – | – | – | – |
| Purchases | – | – | – | – |
| | – | – | – | – |

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% ^A |
| ADC Fund Limited Partnership | Scotland | Investment company | 100% |
| ADC Zeros 2010 PLC | Scotland | Investment company | 100% |
| ADC Zeros 2012 PLC | Scotland | Investment company | 100% |

^A 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 2010, Aberdeen Development Capital PLC held in excess of 20% in any class of the following investee companies share capital:

| 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 | 2,051 | (202) |
| | Prefs | 63 | | | |
| | SLS | 63 | | | |
| Enpure Holdings Limited | 'A' Ords | 2 | 2 | 5,349 | 1,209 |
| | SLS | 45 | | | |
| Fispak Limited | SLS | 100 | — | n/a | n/a |
| IFC Holdings Limited | Ords | 26 | 26 | 4,659 | 253 |
| Pilgrim Systems Limited | CCPPO | 100 | 20 | 1,124 | (142) |
| PLM Dollar Group Limited | CCPPO | 100 | 20 | 3,857 | 271 |
| | SLS | 100 | | | |
| TLA Holdings Limited | 'A' Ords | 73 | 34 | 2,006 | (35) |
| THL Midlands Limited | 'B' Ords | 19 | 14 | (394) | (698) |
| | 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 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| 12 Loans and receivables | | | | |
| Prepayments and accrued income | 13 | 13 | 112 | 27 |
| Tax recoverable | 18 | 4 | 14 | 4 |
| VAT recoverable | - | - | 271 | 271 |
| Other debtors | - | - | 12 | 12 |
| Amounts due from subsidiary undertakings | - | 6,570 | - | 6,570 |
| | 31 | 6,587 | 409 | 6,884 |

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| 13 Current liabilities | | | | |
| Amounts due to subsidiary undertakings | - | 3,951 | - | 8,113 |
| Other creditors | 80 | 72 | 209 | 198 |
| Tax creditor | 88 | - | 96 | - |
| Zero dividend preference shares | - | - | 4,226 | - |
| | 168 | 4,023 | 4,531 | 8,311 |

14 Non-current liabilities

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 42.11 pence each, following four returns of capital totalling 88.6 pence per share; an effective rate of 6.5% per annum. During the year, due to a lack of sufficient cash it was apparent that the redemption due for 2010 ZDP shares would not be met and accordingly a proposal was put to shareholders to postpone the redemption date until 30 April 2012, to coincide with the redemption of 2012 ZDP shares. The proposal was passed by shareholders at meetings convened on 25 March 2010 and 6 April 2010. On 16 June 2009 and 28 May 2010 returns of 2.6 pence and 20 pence per share respectively were made to holders of both ADC Zeros 2010 PLC and ADC Zeros 2012 PLC. There were 7,491,110 ZDP shares in issue at 31 May 2010 for each of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC (2009 – 7,491,110). The entitlement due in respect of the ZDP shares at the year end was £5,592,000 (2009 – £8,452,000).

| | Number of ZDP shares | | Amount due to ZDP shareholders (£'000) | |
|--|----------------------|-------------------|---|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| At 31 May 2009 | 14,982,220 | 15,714,284 | 4,226 | 10,614 |
| Repurchase of ZDP shares | - | (732,064) | - | (286) |
| Return of capital to ZDP shares | - | - | (3,386) | (2,307) |
| ZDP shares finance cost | - | - | 526 | 431 |
| Transfer from/(to) current liabilities | - | - | 4,226 | (4,226) |
| At 31 May 2010 | 14,982,220 | 14,982,220 | 5,592 | 4,226 |

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| 15 Called-up share capital | | |
| Authorised: | | |
| 82,543,362 (2009 - 82,543,362) Ordinary shares of 1p each | 825 | 825 |
| Allotted, called up and fully paid: | | |
| 35,719,225 (2009 - 35,719,225) Ordinary shares of 1p each | 357 | 357 |

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

16 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 2009 | 357 | 17,502 | 12 | (13,494) | (910) | 153 |
| Return of capital to Ordinary shareholders | — | (107) | — | — | — | — |
| Net gain on realisation of investments | — | — | — | 65 | — | — |
| Increase in unrealised depreciation | — | — | — | — | (295) | — |
| ZDP finance costs | — | — | — | (526) | — | — |
| Costs charged to capital | — | — | — | (164) | — | — |
| VAT recovered | — | — | — | 193 | — | — |
| Dividends paid | — | — | — | — | — | (89) |
| Retained earnings | — | — | — | — | — | 89 |
| At 31 May 2010 | 357 | 17,395 | 12 | (13,926) | (1,205) | 153 |

| 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 2009 | 357 | 17,502 | 12 | (13,845) | (866) | 470 |
| Return of capital to Ordinary shareholders | — | (107) | — | — | — | — |
| Net gain on realisation of investments | — | — | — | 301 | — | — |
| Increase in unrealised depreciation | — | — | — | — | (564) | — |
| ZDP finance costs | — | — | — | (526) | — | — |
| Costs charged to capital | — | — | — | (143) | — | — |
| VAT recoverable | — | — | — | 193 | — | — |
| Dividends paid | — | — | — | — | — | (89) |
| Retained earnings | — | — | — | — | — | 219 |
| At 31 May 2010 | 357 | 17,395 | 12 | (14,020) | (1,430) | 600 |

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 £219,000 (2009 - £356,000).

17 Net asset value per share

The net asset value per Ordinary share is based on a net asset value of £2,786,000 (31 May 2009 - £3,620,000) and on 35,719,225 (31 May 2009 - 35,719,225) Ordinary shares, being the number of Ordinary shares in issue at the year end.

18 Contingent assets

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

The Manager has refunded £559,000 to the Group for VAT charged on investment management fees for the period 1 January 2001 to 31 August 2007. The sum of £271,000 was reflected in previous financial statements for the period 1 January 2004 to 31 August 2007 and the sum of £288,000 has been reflected in these financial statements for the period 1 January 2001 to 31 December 2003. These repayments have been allocated to capital and revenue in line with the accounting policy of the Group for the periods in which the VAT was charged. The reclaim for previous periods plus any interest due in respect of payments made to date and payable for previous periods, and the timescale for receipt remain uncertain and the Group has taken no account in these financial statements of any such repayment.

There are a number of other 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.

19 Related party disclosure

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

20 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 in the Managers' Review on pages 6 and 7 and the Largest Investments table on page 11.

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 2010 | | |
|-----------------|----------------------------|---------------------------|----------------------------------|
| | Fixed interest £'000 | Floating rate £'000 | Non-interest bearing £'000 |
| Sterling | | | |
| Unlisted | 2,055 | 200 | 5,335 |
| Cash | – | 925 | – |
| | 2,055 | 1,125 | 5,335 |

| | 31 May 2009 | | |
|-----------------|----------------------------|---------------------------|----------------------------------|
| | Fixed interest £'000 | Floating rate £'000 | Non-interest bearing £'000 |
| Sterling | | | |
| Unlisted | 3,467 | 200 | 6,982 |
| Cash | – | 1,319 | – |
| | 3,467 | 1,519 | 6,982 |

The unlisted fixed interest assets have a weighted average life of 1.53 years (2009 - 3.03 years) and a weighted average interest rate of 7.38% (2009 - 6.70%). 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 profile of the Company's financial assets at the Balance Sheet date was as follows:

| At 31 May 2010 | 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 |
|-----------------------|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|----------------|
| Fixed interest | | | | | | | |
| Unlisted | 100 | 1,677 | 278 | – | – | – | 2,055 |
| | 100 | 1,677 | 278 | – | – | – | 2,055 |

Within "more than 5 years" there is a figure of £nil (2009 - £417,000) in respect of preference and ordinary shares which bear fixed franked investment income and do not have a redemption date.

| At 31 May 2009 | 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 |
|-----------------------|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|----------------|
| Fixed interest | | | | | | | |
| Unlisted | 100 | 274 | 1,676 | 1,000 | – | 417 | 3,467 |
| | 100 | 274 | 1,676 | 1,000 | – | 417 | 3,467 |

(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.

21 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 of the inputs used in making measurements. The fair value hierarchy shall have the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or 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 at 31 May 2010:

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| Financial assets at fair value through profit or loss | – | – | 7,590 | 7,590 |

Glossary of Terms and Definitions

| | |
|-----------------------------|--|
| Actual Gearing | Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds. |
| Asset Cover | The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security. |
| Discount | The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share. |
| Dividend Cover | Earnings per share divided by dividends per share expressed as a ratio. |
| Dividend Yield | The annual dividend expressed as a percentage of the share price. |
| Net Asset Value | The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share. |
| Potential Gearing | Total Assets including all debt being used for investment purposes divided by shareholders' funds. |
| Premium | The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share. |
| Price/Earnings Ratio | The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential. |
| Prior Charges | The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment. |
| Redemption Yield | 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. |
| Total Assets | Total Assets less current liabilities (before deducting prior charges as defined above). |
| Total Expense Ratio | Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method. |
| Total Return | Total Return involves reinvesting the net dividend in the month that the share price goes up. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date. |
| Winding-up Date | The date specified in the Articles of Association for winding up a company. |

Notice of Meeting

Notice is hereby given that the twenty fourth Annual General Meeting of Aberdeen Development Capital PLC will be held at 10 Queen's Terrace, Aberdeen AB10 1YG, on Wednesday 27 October 2010 at 12 noon 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 2010, together with the Auditors Report thereon.
2. To receive and adopt the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 0.5 pence per Ordinary share.
4. To re-elect Mr Gilbert as a Director of the Company.
5. To re-elect Mr Milligan as a Director of the Company.
6. To re-elect Mr Scott as a Director of the Company.
7. To re-appoint Deloitte LLP as auditors and to authorise the Directors to determine their remuneration.

As Special Business

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

8. THAT a general meeting other than the Annual General Meeting may be called on not less than 14 days' notice.

10 Queen's Terrace
Aberdeen AB10 1YG
30 July 2010



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.
- (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 (excluding non-working days) hours 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. 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.

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- (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. Such requests must be made in writing and must state the members' full name and address and be sent to the Company's registered office. 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 30 July 2010, 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 Companies 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:
- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - 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).

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

Capital Structure

| | |
|-----------------------------|---|
| Issued Share Capital | |
| 35,719,225 | Ordinary shares of 1p |
| Capital History | |
| 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 |

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

Secretaries and Registered Office

Aberdeen Asset Management PLC
10 Queen's Terrace
Aberdeen AB10 1YG
Email: company.secretaries@invtrusts.co.uk
Registered Number: SC98542

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA
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
website: www.capitaregistrars.com

Audit Committee

Messrs Scott (Chairman) and Milligan

Management Engagement Committee

Messrs Milligan (Chairman) and Scott

Nomination Committee

Messrs Milligan (Chairman), Gilbert and Scott

Stockbrokers

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

Auditors

Deloitte LLP
Lomond House
9 George Square
Glasgow G2 1QQ

Bankers

Bank of Scotland
Corporate Banking (Scotland)
3-5 Albyn Place
Aberdeen AB10 1PY

Custodian Bankers

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

Solicitors

Dickson Minto
16 Charlotte Square
Edinburgh EH2 4DF

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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 Group of Companies

