

06

Aberdeen Development Capital PLC

Interim Report
For the six months ended 30 November 2006

Chairman's Statement

For the six months ended 30 November 2006

Background

The results for the six months to 30th November, 2006 reveal the impact of the full provision made against the carrying value of the largest investment, Transrent Holdings Limited, as detailed in the Company's trading statement of 5th January, 2007, offset in part by the gains made on several full and partial exits. As a result, the net asset value per Ordinary share has fallen from 44.4 pence to 31.1 pence over the six months.

Dividend

The Board is pleased to report that two interim dividend declarations have been made in the year to date, each at a rate of 0.625 pence per Ordinary share.

Transrent

The Company first invested in Transrent, a trailer rental business, in 2000. There followed several years of excellent growth in both turnover and profitability. In line with other shareholders our strategy had been to exit the investment during 2005 by way of either an IPO or trade sale. However the Spring of that year saw the start of what remains to this day a substantial deterioration in the company's market place with a resulting over-capacity of trailers and subsequently a huge discounting in rental prices by competitors, primarily owned by banks, who have been better able than Transrent to withstand the subsequent losses throughout the industry.

Despite an enormous effort over the last few months to effect some form of refinancing, restructuring or other corporate action which would have secured the company's long-term viability, it was not ultimately possible to complete a deal to the satisfaction of all of the many interested parties and the company's directors therefore had no alternative but to have the company placed into administration on 11th January, 2007.

The total loss to the Company amounts to some 14.3 pence per Ordinary Share of which some 1.6 pence is represented by accrued income from Transrent relating to prior years. As intimated in the recent trading statement the Board has now begun to review the strategic options available to the Company in collaboration with its advisers and shareholders, and we will report on the outcome of this review as soon as is practicable.

Portfolio Activity

The Company has benefited from two full and one partial exit in the year to date.

The investment in TMI Foods was sold to a trade buyer, realising proceeds of £1.5 million, compared with an original cost of £0.5 million. This investment produced an IRR of 47.3%.

During the period, a refinancing took place at Plaxton which enabled our Loan Stock of £0.72 million to be repaid in full and a small amount of equity to be sold at a significant uplift to cost, whilst still leaving us with a meaningful equity stake in the company.

Immediately post the period end Equity Insurance Group (formerly Cox Insurance) was sold to a trade buyer and the Company has received proceeds of £2.2 million compared with an original cost and carrying value of £1 million producing an IRR of 58.6%. The portfolio valuation in the Interim Statement reflects the final sale proceeds.

One new private equity investment of £0.45 million has been made, in November, as part of the £13 million management buy-out of Enpure, which operates as a process engineering business in the water sector, and which was formerly a subsidiary of Anglian Water Group PLC.

A number of follow-on investments have been made in the year to date and as previously we have made the occasional use of surplus cash to purchase gilts and certificates of deposit.

Conclusion

After many years of successful trading it gives the Board no pleasure to have to report a further deterioration in the Company's fortunes. Investing in private equity does, of course, carry its risks and performance can therefore be volatile but there is no doubt that this has been a particularly bad run. The Board believes that there is upside potential within the portfolios and is currently conducting a review of options aimed at maximising value for shareholders. We will advise all shareholders of the outcome of the review as soon as it is completed.

29 January 2007

John R Milligan
Chairman

Consolidated Income Statement (unaudited)

For the six months ended 30 November 2006

	Note	Six months ended 30 November 2006		
		Revenue £'000	Capital £'000	Total £'000
Interest income	3	563	–	563
Investment income	3	273	–	273
Other income	3	85	–	85
		921	–	921
Gains/(losses) on held at fair value investments		–	(3,654)	(3,654)
Expenses				
Management fees		(82)	(168)	(250)
Other operating expenses	4	(785)	(99)	(884)
Profit/(loss) before finance costs and tax		54	(3,921)	(3,867)
Finance costs				
Zero dividend preference shares		–	(594)	(594)
Profit/(loss) before taxation		54	(4,515)	(4,461)
Taxation		(42)	35	(7)
Profit/(loss) after taxation		12	(4,480)	(4,468)
Return per share (pence):				
Earnings per Ordinary share (basic)	5	0.03	(12.13)	(12.10)

The total column of this statement represents the Income Statement 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.

Six months ended
30 November 2005

Year ended
31 May 2006

Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
465	–	465	821	–	821
512	–	512	691	–	691
23	–	23	30	–	30
1,000	–	1,000	1,542	–	1,542
–	(875)	(875)	–	(1,180)	(1,180)
(92)	(187)	(279)	(184)	(373)	(557)
(140)	26	(114)	(364)	34	(330)
768	(1,036)	(268)	994	(1,519)	(525)
–	(681)	(681)	–	(1,254)	(1,254)
768	(1,717)	(949)	994	(2,773)	(1,779)
–	–	–	(87)	67	(20)
768	(1,717)	(949)	907	(2,706)	(1,799)
2.08	(4.65)	(2.57)	2.46	(7.33)	(4.87)

Consolidated Balance Sheet (unaudited)

	Note	At	At	At
		30 November 2006	30 November 2005	31 May 2006
		£'000	£'000	£'000
Non-current assets				
Held-at-fair-value investments		24,618	32,633	30,331
Current assets				
Cash and cash equivalents		5,077	1,505	3,333
Other receivables		1,096	1,738	1,491
		6,173	3,243	4,824
Current liabilities				
Other payables		(175)	(187)	(204)
Net current assets		5,998	3,056	4,620
Total asset less current liabilities		30,616	35,689	34,951
Non-current liabilities				
Zero dividend preference shares - due after one year		(19,138)	(17,971)	(18,544)
Total net assets		11,478	17,718	16,407
Equity				
Called up Ordinary share capital		3,692	3,692	3,692
Share premium account		13,940	13,940	13,940
Special reserve		3,021	3,021	3,021
Capital reserve – realised		(9,154)	(9,675)	(9,606)
Capital reserve – unrealised		(812)	5,178	4,120
Revenue reserve		791	1,562	1,240
Total shareholders' funds		11,478	17,718	16,407
Equity shareholders' funds		11,478	17,718	16,407
Net asset value per Ordinary share - basic (pence)	5	31.09	47.99	44.44

Consolidated Statement of Changes in Equity (unaudited)

For six months ended	Share capital	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
30 November 2006	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 1 June 2006	3,692	13,940	3,021	(9,606)	4,120	1,240	16,407
Dividends paid and declared (note 6)	–	–	–	–	–	(461)	(461)
Net loss on ordinary activities after taxation	–	–	–	452	(4,932)	12	(4,468)
Net assets at 30 November 2006	3,692	13,940	3,021	(9,154)	(812)	791	11,478

For six months ended	Share capital	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
30 November 2005	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 31 May 2005	3,692	13,940	3,021	(6,937)	4,157	1,616	19,489
Dividends paid and declared (note 6)	–	–	–	–	–	(822)	(822)
Net loss on ordinary activities after taxation	–	–	–	(2,738)	1,021	768	(949)
Net assets at 30 November 2005	3,692	13,940	3,021	(9,675)	5,178	1,562	17,718

For year ended 31 May 2006	Share capital	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 31 May 2005	3,692	13,940	3,021	(6,937)	4,157	1,616	19,489
Dividends paid and declared (note 6)	–	–	–	–	–	(1,283)	(1,283)
Net loss on ordinary activities after taxation	–	–	–	(2,669)	(37)	907	(1,799)
Net assets at 31 May 2006	3,692	13,940	3,021	(9,606)	4,120	1,240	16,407

Consolidated Cash Flow Statement (unaudited)

For the six months ended 30 November 2006

	Six months ended 30 November 2006	Six months ended 30 November 2005	Year ended 31 May 2006
	£'000	£'000	£'000
Operating activities			
Loss before tax	(4,461)	(949)	(1,779)
Add Zero dividend preference shares	594	681	1,254
Losses on investments held at fair value through profit and loss	3,654	875	1,180
Purchases of investments held at fair value through profit and loss	(3,394)	(1,500)	(1,955)
Sales of investments held at fair value through profit and loss	5,453	6,456	9,128
Decrease/(increase) in other receivables	395	(200)	(247)
Decrease in other payables	(36)	(598)	(589)
Net cash inflow from operating activities before interest and corporation tax	2,205	4,765	6,992
Corporation tax received	–	1	63
Net cash inflow from operating activities	2,205	4,766	7,055
Financing activities			
Dividends paid on Ordinary Shares	(461)	(822)	(1,283)
Placing proceeds	–	4,294	4,294
Payment to shareholders re Zeros 2005	–	(16,470)	(16,470)
Net cash outflow from financing activities	(461)	(12,998)	(13,459)
Net increase/(decrease) in cash and cash equivalents	1,744	(8,232)	(6,404)
Cash and cash equivalents at start of period	3,333	9,737	9,737
Cash and cash equivalents at end of period	5,077	1,505	3,333

Notes to the Financial Statements (unaudited)

1. Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of Section 842 of the Income and Corporation Taxes Act 1988 ("S842").

2. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The Group's financial statements have been prepared in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Group and by the Company are set out below. The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

(a) Basis of preparation

The financial statements are prepared under the historical cost convention, except for the measurement at fair value of investments and derivative instruments. The financial statements have been prepared on a going concern basis.

(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 and 2012 PLC.

(c) Associated undertakings

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint 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 therefore in accordance with paragraph 1 of IAS 28 Investments in Associates ("IAS 28") equity accounting is not required.

(d) Presentation of Consolidated Income Statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC ("the Association of Investment Companies"), supplementary information which analyses the Consolidated Income Statement between items of a revenue and capital nature has been presented alongside the Consolidated Income Statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, 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 section 842 of the Income and Corporation Taxes Act 1988.

(e) Valuation of Investments

Subsidiary and main company investments are all held at fair value through the income statement. 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 the Directors at fair value having regard to the Guidance Notes issued by the British Venture Capital Association on the principles for the Valuation of Venture Capital Portfolios. 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 any transactions in the security. Realisable value in the short term could differ materially from the amount which these investments are included in the accounts.

(f) *Movements in fair value*

Changes in the fair value of all held-at-fair-value assets are taken to the Consolidated Income Statement. On disposal, realised gains and losses are also recognised in the Consolidated Income Statement.

(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 the payment is established. Fixed returns on non-equity shares are recognised on a time apportioned basis so as to reflect the effective yield on shares. 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 on a time apportioned basis so as to reflect the effective yield on the debt security. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, then the amount of cash dividend is recognised as income. Any excess in value of the shares received over the amounts of the cash is recognised in capital reserves.

(h) *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 changes in value.

(i) *Expenses and interest payable*

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue column in the income statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are charged to capital.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- 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 Income Statement. 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.

(j) *Taxation*

The charge for taxation is based on the net revenue for the period. Deferred taxation is provided for using the full provision method on all temporary differences, calculated at the rate at which it is anticipated the temporary differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which deferred tax can be offset.

(k) *Dividends payable*

Dividends are recognised from the date in which they are declared ex-dividend.

(l) *Foreign currency translation*

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Sterling at the rate ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

3. **Income**

The breakdown of income was as follows:

	Six months to 30 November 2006 £'000	Six months to 30 November 2005 £'000	Year ended 31 May 2006 £'000
Income from investments			
Franked investment income	273	512	691
UK unfranked investment income	491	396	713
	<hr/> 764	<hr/> 908	<hr/> 1404
Other income			
Deposit interest	72	69	108
Other income	85	23	30
	<hr/> 921	<hr/> 1,000	<hr/> 1,542

4. **Other operating expenses**

During the period other operating expenses allocated to revenue included a provision of £631,000 (2005 - £Nil) in respect of income previously recognised, which is not anticipated to be recovered.

5. **Earnings per share and net asset value per ordinary share**

	Six months to 30 November 2006	Six months to 30 November 2005	Year ended 31 May 2006
Net revenue attributable to ordinary shareholders	£12,000	£768,000	£907,000
Net capital losses attributable to ordinary shareholders	£(4,480,000)	£(1,717,000)	£(2,706,000)
Equity shareholders funds	£11,478,000	£17,718,000	£16,407,000
The actual number of ordinary shares in issue at the end of the period on which the earnings and net asset value were calculated, was:	36,919,225	36,919,225	36,919,225
Revenue earnings per ordinary share	0.03p	2.08p	2.46p
Capital earnings per ordinary share	(12.13)p	(4.65)p	(7.33)p
	<hr/> (12.10)p	<hr/> (2.57)p	<hr/> (4.87)p
Total earnings per ordinary share			
Net asset value per ordinary share	31.09p	47.99p	44.44p

6. Interim dividends

Ordinary dividends on equity shares deducted from reserves are analysed below:	Six months to 30 November 2006 £'000	Six months to 30 November 2005 £'000	Year ended 31 May 2006 £'000
<i>Ordinary dividends on equity shares:</i>			
Fourth interim dividend for year ended 31 May 2005 - 1.6p	–	591	591
First interim dividend for year ended 31 May 2006 - 0.625p	–	231	231
Second interim dividend for year ended 31 May 2006 - 0.625p	–	–	231
Third interim dividend for year ended 31 May 2006 - 0.625p	–	–	230
Fourth interim dividend for year ended 31 May 2006 - 0.625p	231	–	–
First interim dividend for year ended 31 May 2007 - 0.625p	230	–	–
	461	822	1,283

7. Interim report

The financial information for the six months ended 30 November 2006 and 30 November 2005 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 May 2006 has been abridged from published accounts that have been delivered to the Registrar of Companies on which the report of the auditors was unqualified. The Interim Report has been prepared on the same basis as the Annual Report.

8. Transaction costs

During the period transaction costs were incurred on purchases and sales of investments as follows:

	Six months to 30 November 2006 £'000	Six months to 30 November 2005 £'000	Six months to 31 May 2006 £'000
Purchases	–	–	–
Sales	5	–	61
	5	–	61

29 January 2007

Aberdeen Asset Management PLC
Secretaries

Independent Review Report to Aberdeen Development Capital PLC

We have been instructed by the company to review the financial information for the six months ended 30 November 2006 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority and the requirements of IAS 34 which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

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

Review conclusion

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

29 January 2007

Deloitte & Touche LLP
Chartered Accountants
Glasgow, United Kingdom

Twenty Largest Investments

	Cost of Investment £	Directors' Valuation £
Tennants Consolidated	1,043,721	2,656,224
Pilgrim Systems	1,500,000	2,500,050
Norson Group	1,100,075	2,360,625
EIG (Investments)	1,002,666	2,016,074
Transys Projects	500,000	1,582,162
Cash Bases	1,250,000	1,429,171
FFC (UK)	1,250,000	1,350,000
TLA Holdings	145,500	1,143,354
ABZ Group	550,000	954,739
PLM Dollar Group	700,000	932,891
IFC Holdings	501,244	879,990
Plaxton	20,812	688,721
RMS Europe	522,529	622,505
Palgrave Brown	500,000	595,465
Feather Diesel Holdings	560,000	560,000
Enpure	449,683	449,683
Homelux Nenplas	422,775	422,775
Brookhouse Holdings	400,000	400,000
Astraeus	392,426	392,426
PSCA International	307,919	387,593
Top twenty investments	13,118,850	22,324,448

Financial Calendar

January 2007	Announcement of unaudited interim results
February 2007	Interim Report posted to shareholders
July 2007	Preliminary announcement of results for the year ending 31 May 2007
August 2007	Annual Accounts posted to shareholders
September 2007	Annual General Meeting

Information about the Manager

The Company's investment manager is Aberdeen Asset Managers Limited ("AAM"), a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 31 December 2006 managed a combined £75 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds.

It has its headquarters in Aberdeen with offices in Birmingham, Edinburgh, Fort Lauderdale, Glasgow, Hong Kong, Inverness, Jersey, Leeds, London, Luxembourg, Manchester, Philadelphia, Singapore and Sydney.

The Group now manages over 30 investment companies and other closed-end funds representing £5.3 billion under management.

Corporate Information

Directors

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

Manager

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