

09

Shires Smaller Companies plc

Interim Report and Accounts
30 June 2009



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Objective

The objective of the Company is to provide a high and growing dividend and capital growth from a portfolio invested principally in the ordinary shares of smaller UK companies and UK fixed income securities.

Highlights and Financial Calendar

	30 June 2009	31 December 2008	% change
Equity Shareholders' funds (£'000)	18,623	19,375	-3.9
Net asset value per share	84.23p	87.63p	-3.9
Share price (mid-market)	76.00p	56.00p	+35.7
Discount to net asset value ^A	7.9%	32.3%	
Dividend yield	9.2%	27.0%	

^A Based on IFRS net asset value excluding dividend adjustment of 1.75p (31 December 2008 – 4.90p).

Performance (total return)

	Six months ended 30 June 2009	1 year ended 30 June 2009	3 years ended 30 June 2009	5 years ended 30 June 2009
Share price	+ 50.7%	- 39.3%	- 57.6%	- 39.2%
Net asset value per share	+ 4.1%	- 41.3%	- 57.3%	- 38.3%
FTSE SmallCap Index (ex IC's)	+ 26.4%	- 21.0%	- 36.9%	- 16.4%
FTSE All-Share Index	+ 0.8%	- 20.5%	- 18.1%	+ 16.3%
iBoxx Sterling Non-Gilts 1-15 yrs Index ^A	+ 1.0%	+ 0.5%	+ 2.6%	+ 15.7%

^A Source: iBoxx & Russell Mellon

All figures are for total return and assume re-investment of net dividends excluding transaction costs.

Financial Calendar

August 2009	Announcement of unaudited interim results for the six months ended 30 June 2009
September 2009	Half Yearly Report posted to shareholders
31 October 2009	Third interim dividend 2009 payable to shareholders
31 January 2010	Fourth interim dividend 2009 payable to shareholders
February/March 2010	Annual Report published and posted to shareholders

Interim Board Report

Background

Markets entered 2009 under a cloud of financial uncertainty which, coupled with concerns over the upcoming reporting season, resulted in a weak first quarter. In that first quarter the FTSE All Share index declined by 10.2% and the FTSE Small Cap index fell by 5.3%. Investor sentiment, however, turned as government and central banks embarked on a unilateral programme of improving liquidity through a reduction in bank base rates, and in the UK, a £125bn Quantitative Easing programme. These developments, along with some stabilisation in economic trends, stimulated investor risk appetite. Fear of default diminished and a plethora of rights issues recapitalised balance sheets. In the second quarter of 2009, equities recovered strongly although there was considerable divergence in returns with the FTSE All Share index up 9.5% while smaller companies were up 31%.

During the six months up to 30 June 2009, the FTSE Small Cap (ex IT) index rose by 26.4% although the FTSE All Share index rose by only 0.8% (both total return). Over the same period, UK corporate bonds, as measured by the iBoxx £ Non Gilts 1-15yrs index, reported a total return of 1%. The return from cash was only 0.4%. The divergence in returns between small and large companies was the reverse of last year's trend when the FTSE Small Cap(ex IT) index fell 37.5% in the second half of 2008. Smaller companies are leading the stock market recovery this year compared to last year when they significantly underperformed in the downturn.

Distribution of Assets and Gearing

The Company aims to invest 100% of its net assets in smaller companies while using gearing to invest in corporate bonds for higher yield. As markets fell we sought to raise cash, both to reduce gearing, and to meet the unexpected changes to the collateral conditions relating to our financing. To do this more cash was raised from equities than bonds, as the latter proved harder to liquidate in an environment where credit markets had virtually closed down. As part of this de-gearing, during the period under review, the Board repaid £5.36m of Zero Coupon Finance and £3m of the term loan. This had the desired effect of reducing the level of outstanding debt from £20.5m to £12m.

After the debt reduction was complete, the Manager began rebuilding the equity exposure by adding to existing holdings and introducing new companies such as Dignity, Greggs and Keller. At the beginning of the year, equities accounted for 70% of net assets but by the end of June, this had risen to almost 90%. The performance of the Company is therefore expected to improve as the balance invested in equities is restored. The table below shows how the distribution of assets changed over the last eighteen months and the re-balancing towards equities which has taken place this year.

	31.12.07	30.06.08	31.12.08	30.06.09
Equities ^A	64.5%	54.9%	46.1%	58.1%
Corp bonds & prefs ^A	35.5%	45.1%	53.9%	41.9%
Equities ^B	107.8%	96.1%	70.1%	87.1%

^A Figures above expressed as a percentage of gross assets

^B Figures above expressed as a percentage of net assets

Investment Returns

In the six months to end June 2009, the total return on net assets was 4.1%. As mentioned above the FTSE Small Cap (ex IT) rose by 26.4% on the same basis. The Company's portfolio is invested in a mixture of equities, corporate bonds and preference shares. The Company's equity portfolio produced a total return of 15.1%, a reasonable market return in most conditions but behind the index, whose performance was led by sharp recoveries, often on very thin volumes, in the worst afflicted share prices.

Corporate bonds and preference shares, as mentioned already, posted weaker returns during the period, with the Company's investments in these two areas returning -4.1% and -2.2% respectively during the period. Shareholders will be aware, however, that the fixed interest securities are an important source of income and generate additional high yield for investors. Towards the end of the period end, and since then, we have seen a relatively sharp recovery in the prices of a number of these holdings.

It is however pleasing to report a strong recovery in the share price. In the six months under review, the share price total return was 50.7% due to the significant narrowing in the discount from 32.3% to 7.9% over the period. The stockmarket recognised that the structure had been stabilised and that the Company would be able to offer a good, albeit lower, yield together with the prospect for capital growth.

Earnings and Dividends

In line with the statement made in March 2009 with the final results, the Company has declared and paid its first two interims dividends of 1.75p each. The Board anticipates paying the third and fourth interim dividends of 1.75p per share each, giving a total of 7.0p per share for the year to 31 December 2009. The dividend yield on the current share price of 92.5p is 7.6%.

The Manager continues to monitor revenue closely and we believe that 2009 will represent the worst period for dividend cuts in the cycle with stabilisation in 2010 and the possibility of modest dividend growth resuming in 2011. The Company has the benefit of revenue reserves of £1.5 million

(equivalent to 7p per share) which can be used in the current year to support the dividend policy. However, beyond 2009, dividend policy will depend to some extent on how the zero coupon finance, which matures in July 2010, and the term loan which is due for repayment in December 2010 are re-financed. The Board will be considering the different funding options available and will keep shareholders up to date with their plans.

Outlook

Recent economic trends indicate some stabilisation in trends. Although unemployment continues to rise, business and consumer confidence surveys support an improving economic outlook. As ever, the stock market has moved to discount the improved environment and after a rally of almost 43% from the trough in March to the end of last month, we would caution that a short term setback is possible.

In the business world, companies are cutting costs sharply and strengthening their balance sheets. Few are reporting a sustainable pick up in business and earnings yet. We have focused closely on company balance sheets and the sustainability of dividends and will continue to follow that strategy.

H S Cathcart

Chairman
27 August 2009

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company and its subsidiaries fall into three broad categories: (i) market risk, comprising interest rate risk, currency risk and other price risk, (ii) liquidity risk and (iii) credit risk. Information on each of these areas is given within the Annual Report and Accounts for the year ended 31 December 2008.

Directors' Responsibility Statement

The Directors are responsible for preparing this half-yearly financial report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of interim financial statements contained within the half yearly financial report has been prepared in accordance with IAS34; and
- the Chairman's Statement (constituting the interim management statement) includes a fair review of the information required by rules 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks for the remaining six months of the financial year) and 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company and its subsidiary during that period; and any changes in the related party transactions described in the last annual report that could so do.)

The half yearly report for the six months to 30 June 2009 comprises the Interim Board Report, the Directors' Responsibility Statement and a condensed set of financial statements.

For and on behalf of the Board
of Shires Smaller Companies plc

H S Cathcart

Chairman
27 August 2009

Investment Portfolio

As at 30 June 2009

Company	Market value £'000	Total portfolio %
McBride	962	3.4
XP Power	885	3.2
Chaucer	807	2.9
Chesnara	803	2.9
Brit Insurance Holdings	793	2.9
Mothercare	696	2.5
John Menzies	684	2.5
Fisher James	637	2.3
Morgan Sindall	536	1.9
BPP	528	1.9
Ten largest investments	7,331	26.4
Interserve	526	1.9
Havelock Europa	468	1.7
Marshalls	423	1.5
Robert Walters	398	1.4
Zotefoams	398	1.4
BSS Group	395	1.4
Holidaybreak	350	1.3
RM	341	1.2
Bloomsbury Publishing	325	1.2
TT Electronics	317	1.1
Twenty largest investments	11,272	40.5
Rensburg Sheppards	308	1.1
Numis Corporation	299	1.1
Restaurant	294	1.1
Wilmington	289	1.1
Weir	282	1.0
Victrex	260	0.9
Laird	257	0.9
Oxford Instruments	252	0.9
British Polythene	249	0.9
Hornby	240	0.9
Thirty largest investments	14,002	50.4
Care UK	230	0.8
Euromoney Inst Inv	204	0.7
Low and Bonar	202	0.7
Umeco	200	0.7
Keller Group	199	0.7
Dignity	199	0.7
Dechra Pharmaceuticals	190	0.7
Barr	174	0.6
Greggs	171	0.6
Chloride Group	151	0.5
Forty largest investments	15,922	57.1
Sanderson Group	95	0.3
Mouchel Parkman	91	0.3
Intermediate Capital	89	0.3
Hotel Corporation	22	0.1
RPC Group	7	–
Total ordinary shares	16,226	58.1

Investment Portfolio - Other Investments

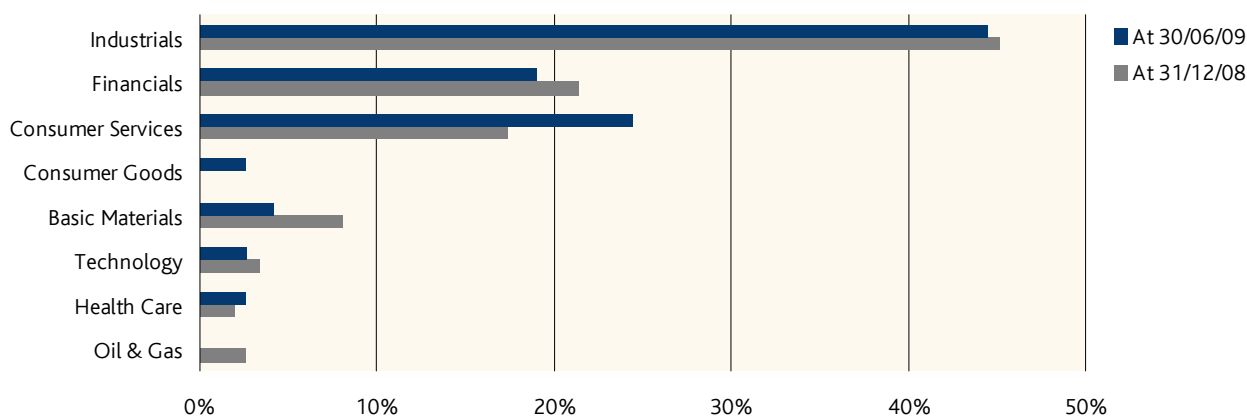
As at 30 June 2009

Company	Market value £'000	Total portfolio %
Convertibles		
Balfour Beatty Cum CNV 10.75%	1,152	4.1
Total Convertibles	1,152	4.1
Corporate Bonds		
Northumbrian Water 6% 2017	884	3.2
Household Finance 6.125% 2010 ^A	829	3.0
Society of Lloyds 6.875% 2025	763	2.7
Deutsche Telekom Intl 7.125% 2012 ^A	752	2.7
Telecom Italia SPA 5.625% 2015 ^A	605	2.2
National Westminster 7.625% 2010	560	2.0
Bupa Finance 6.125% 2020	559	2.0
Land Securities 4.625% 2013 ^A	493	1.8
Bank of Scotland 8.117% 2010 ^A	420	1.5
Anglian Water 6.75% 2024	343	1.2
Scottish Mutual 7.25% 2025 ^A	300	1.1
Lloyds TSB Bank 6.375% Perp	288	1.0
Total Corporate Bonds	6,796	24.4
Preference shares		
Aviva 8.75%	1,453	5.2
General Accident 8.875%	1,365	4.9
Ecclesiastical Insurance 8.625%	582	2.1
Brookwell	337	1.2
Total Preference shares	3,737	13.4
Total Other Investments	11,685	41.9
Total Investments	27,911	100.0

^AAll investments are listed on the London Stock Exchange (Sterling based), except those marked, which are listed on overseas exchanges based in sterling.

Portfolio Analysis

Analysis of Equity Portfolio



	Valuation at 31 December 2008		Movement during the period				Valuation at 30 June 2009	
	£'000	%	Purchases £'000	Sales £'000	Other ^A £'000	Gains/ (losses) £'000	£'000	%
Listed investments								
Ordinary shares	13,590	70.1	3,677	(2,554)	–	1,513	16,226	87.1
Convertibles	1,180	6.1	–	(148)	–	120	1,152	6.2
Corporate Bonds	7,791	40.2	1,805	(2,070)	(20)	(710)	6,796	36.5
Other fixed interest	6,908	35.7	–	(2,686)	–	(485)	3,737	20.1
	29,469	152.1	5,482	(7,458)	(20)	438	27,911	149.9
Other non current assets	3,048	15.7					2,542	13.7
Current assets	11,747	60.6					3,043	16.3
Current liabilities	(6,763)	(34.9)					(128)	(0.7)
Non current liabilities	(18,126)	(93.5)					(14,745)	(79.2)
Net assets	19,375	100.0					18,623	100.0
Net asset value per Ordinary share	87.6p						84.2p	

^A Represents amortisation costs on debt securities of £20,000

Consolidated Income Statement

	Six months ended 30 June 2009 (unaudited)			Six months ended 30 June 2008 (unaudited)			Year ended 31 December 2008 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend income	697	–	697	1,657	–	1,657	2,704	–	2,704
Interest income from investments	344	(20)	324	727	(40)	687	1,247	(69)	1,178
Deposit interest	18	–	18	16	–	16	88	–	88
Other income	–	–	–	–	–	–	105	–	105
Losses of dealing subsidiary	–	–	–	(109)	–	(109)	(109)	–	(109)
Gains/(losses) on investments held at fair value	–	438	438	–	(13,849)	(13,849)	–	(29,659)	(29,659)
Fair value movement in zero coupon finance derivatives	–	(182)	(182)	–	(388)	(388)	–	(1,504)	(1,504)
Total income	1,059	236	1,295	2,291	(14,277)	(11,986)	4,035	(31,232)	(27,197)
Expenses									
Investment management fees	(59)	(59)	(118)	(137)	(137)	(274)	(239)	(239)	(478)
VAT recoverable on investment management fees	–	–	–	–	–	–	220	220	440
Other administrative expenses	(85)	–	(85)	(142)	–	(142)	(260)	–	(260)
Profit/(loss) before finance costs and taxation	915	177	1,092	2,012	(14,414)	(12,402)	3,756	(31,251)	(27,495)
Taxation	–	–	–	–	–	–	–	–	–
Finance costs of borrowing	(187)	(187)	(374)	(172)	(172)	(344)	(312)	(312)	(624)
Profit and total comprehensive income for the year	728	(10)	718	1,840	(14,586)	(12,746)	3,444	(31,563)	(28,119)
Earnings/(Loss) per Ordinary share (pence)	3.29	(0.05)	3.24	8.32	(65.97)	(57.65)	15.58	(142.76)	(127.18)

The Company does not have any income or expense that is not included in profit for the year, and therefore the "Profit for the year" is also the "Total comprehensive income for the year" as defined in International Accounting Standard 1(revised).

All of the profit and total comprehensive income for the year is attributable to the owners of the Company.

The total column of the statement is the Statement of Comprehensive Income of the Company prepared in accordance with IFRS. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies.

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

Consolidated Balance Sheet

	As at 30 June 2009 (unaudited) £'000	As at 30 June 2008 (unaudited) £'000	As at 31 December 2008 (audited) £'000
Non-current assets			
Ordinary shares	16,226	34,849	13,590
Convertibles	1,152	1,270	1,180
Corporate bonds	6,796	18,563	7,791
Other fixed interest	3,737	8,807	6,908
Securities at fair value	27,911	63,489	29,469
Zero coupon finance derivatives at fair value	2,542	1,899	3,048
	30,453	65,388	32,517
Current assets			
Trade and other receivables	542	32	460
Accrued income and prepayments	553	1,119	560
Cash and cash equivalents	1,948	2,220	9,573
Zero coupon finance derivatives at fair value	–	983	1,154
Total current assets	3,043	4,354	11,747
Total assets	33,496	69,742	44,264
Current liabilities			
Trade and other payables	(128)	(227)	(303)
Zero coupon finance derivatives at fair value	–	(16,729)	(6,460)
Total current liabilities	(128)	(16,956)	(6,763)
Non-current liabilities			
Long-term loan	(7,000)	(10,000)	(10,000)
Zero coupon finance derivatives at fair value	(7,745)	(6,535)	(8,126)
	(14,745)	(16,535)	(18,126)
Total liabilities	(14,873)	(33,491)	(24,889)
Net assets	18,623	36,251	19,375
Issued capital and reserves attributable to equity holders of the parent			
Called-up share capital	11,055	11,055	11,055
Share premium account	11,892	11,892	11,892
Capital redemption reserve	2,032	2,032	2,032
Capital Reserve	(8,291)	8,696	(8,281)
Revenue reserve	1,935	2,576	2,677
	18,623	36,251	19,375
Net asset value per Ordinary share (pence)	84.23	163.96	87.63

Consolidated Statement of Changes in Equity

Six months ended 30 June 2009 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2008	11,055	11,892	2,032	(8,281)	2,677	19,375
Revenue profits for the period	–	–	–	–	728	728
Capital losses for the period	–	–	–	(10)	–	(10)
Equity dividends	–	–	–	–	(1,470)	(1,470)
Balance at 30 June 2009	11,055	11,892	2,032	(8,291)	1,935	18,623

Six months ended 30 June 2008 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2007	11,055	11,892	2,032	23,282	2,571	50,832
Revenue profits for the period	–	–	–	–	1,840	1,840
Capital losses for the period	–	–	–	(14,586)	–	(14,586)
Equity dividends	–	–	–	–	(1,835)	(1,835)
Balance at 30 June 2008	11,055	11,892	2,032	8,696	2,576	36,251

Year ended 31 December 2008 (audited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2007	11,055	11,892	2,032	23,282	2,571	50,832
Revenue profits for the year	–	–	–	–	3,444	3,444
Capital losses for the year	–	–	–	(31,563)	–	(31,563)
Equity dividends	–	–	–	–	(3,338)	(3,338)
Balance at 31 December 2008	11,055	11,892	2,032	(8,281)	2,677	19,375

Consolidated Cash Flow Statement

	Six months ended 30 June 2009 (unaudited) £'000	Six months ended 30 June 2008 (unaudited) £'000	Year ended 31 December 2008 (audited) £'000
Cash flows from operating activities			
Investment income received	1,041	2,410	4,542
Deposit interest received	30	6	77
Money market interest received	–	–	105
Investment management fees paid	(264)	(144)	(442)
Dealing subsidiary receipts	–	348	346
Other cash expenses	(148)	(334)	(264)
Cash generated from operations	659	2,286	4,364
Interest paid	(369)	(341)	(624)
Net cash inflows from operating activities	290	1,945	3,740
Cash flows from investing activities			
Purchases of investments	(5,456)	(8,226)	(13,016)
Sales of investments	7,374	15,775	38,740
Net cash inflow from investing activities	1,918	7,549	25,724
Cash flows from financing activities			
Equity dividends paid	(1,470)	(1,835)	(3,338)
Repayment of Loan	(3,000)	–	–
Repayment of December 2008 ZCF position	–	–	(16,098)
Repayment of September 2009 ZCF position	(5,363)	–	–
Proceeds from September 2009 ZCF tranche	–	–	4,984
Net cash outflows from financing activities	(9,833)	(1,835)	(14,452)
Net (decrease)/increase in cash and cash equivalents	(7,625)	7,659	15,012
Cash and cash equivalents at the start of the period	9,573	(5,439)	(5,439)
Cash and cash equivalents at the end of the period	1,948	2,220	9,573
Cash and cash equivalents comprise:			
Cash and cash equivalents	1,948	2,220	9,573

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') 34 – 'Interim Financial Reporting', as adopted by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB. They have also been prepared using the same accounting policies applied for the year ended 31 December 2008 financial statements, which received an unqualified audit report.

(b) Dividends payable

Dividends are recognised in the period in which they are paid.

2. Taxation

The taxation expense reflected in the Income Statement is based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2009 is 28%, taking into consideration the reduction in the corporation tax rate from 30% to 28% from 1 April 2008.

3. Dividends

The following table shows the revenue for each period less the dividends declared in respect of the financial period to which they relate.

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000	Year ended 31 December 2008 £'000
Revenue	915	1,840	3,444
Dividends declared	(774) ^A	(1,503) ^B	(3,338) ^C
	141	337	106

^A Dividends declared relate to first two interim dividends (both 1.75p each) declared in respect of the financial year 2009.

^B Dividends declared relate to first two interim dividends (both 3.40p each) declared in respect of the financial year 2008.

^C Dividends declared relate to the four interim dividends declared in respect of the financial year 2008 totalling 15.10p.

	Six months ended 30 June 2009 p	Six months ended 30 June 2008 p	Year ended 31 December 2008 p
4. Return and net asset value per share			
Revenue return	3.29	8.32	15.58
Capital return	(0.05)	(65.97)	(142.76)
Total return	3.24	(57.65)	(127.18)

The figures above are based on the following attributable assets:

	£'000	£'000	£'000
Revenue return	728	1,840	3,444
Capital return	(10)	(14,586)	(31,563)
Total return	718	(12,746)	(28,119)

Notes to the Accounts continued

Weighted average number of Ordinary shares in issue	22,109,765	22,109,765	22,109,765
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The net asset value per share is based on net assets attributable to Shareholders of £18,623,000 (30 June 2008 – £36,251,000; 31 December 2008 – £19,375,000) and on 22,109,765 (30 June 2008 – 22,109,765; 31 December 2008 – 22,109,765) Ordinary shares in issue at each period end.

5. Capital reserves

The capital reserve reflected in the Balance Sheet at 30 June 2009 includes losses of £11,118,000 (30 June 2008 loss of £11,935,000; 31 December 2008 loss of £15,775,000) which relate to the revaluation of investments held at the reporting date.

6. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value though profit or loss. These have been expensed through capital and are included within (losses)/gains on held-at-fair-value investments in the Consolidated Income Statement. The total costs were as follows:

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000	Year ended 31 December 2008 £'000
Purchases	19	28	76
Sales	3	16	57
	22	44	133

7. Publication of non-statutory accounts

The financial information contained in this Interim Report does not constitute statutory accounts as defined in Sections 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2009 and 30 June 2008 has not been audited.

The information for the year ended 31 December 2008 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

How to Invest in Shires Smaller Companies plc

Direct

Investors can buy and sell shares in Shires Smaller Companies plc (the "Company") directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers (AAM) runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £7,200 in the Company can be made in the tax year 2009/2010 and up to £10,200 in the tax year 2010/2011. Between 6 October 2009 and 5 April 2010, an additional £3,000 may be invested in an ISA (tax year 2009/10) provided that the ISA holder is aged 50 years or over not later than 5 April 2010.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT,

calculated six monthly and deducted from income. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer the management of previous tax year investments to AAM for investment in the Company while retaining your ISA wrapper. The minimum lump sum transfer is £1,000, subject to a minimum per trust of £250.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread. Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

Keeping You Informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Trust's website (www.shiresmallercompanies.co.uk) and the TrustNet website (www.trustnet.co.uk). You can also call 0500 00 00 40 for information.

Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:

Telephone: 0500 00 40 00
Email: aam@lit-request.com

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP
Telephone: 0500 00 00 40

The information above is issued and has been approved for the purposes of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited, One Bow Churchyard, Cheapside, London EC4M 9HH which is authorised and regulated by the Financial Services Authority.

Corporate Information

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KPMG Audit Plc

Solicitors

Maclay Murray & Spens LLP

Bankers

Royal Bank of Scotland plc
HSBC Bank Plc

Registrars and Transfer Office

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