

05

Aberdeen Development Capital PLC

Interim Report
For the six months ended 30 November 2005

Chairman's Statement

For the six months ended 30 November 2005

Following my appointment as Chairman on January 1, 2006, it is a great pleasure to present my first Interim Statement to shareholders.

Background

Following the successful repayment of the old Zero Dividend Preference ("ZDP") shares in July 2005, the Company looks forward to the future with greater certainty. The existing ZDP shares were repaid in full to holders electing for the cash option, and two new subsidiaries, ADC Zeros 2010 PLC and ADC Zeros 2012 PLC were launched for those electing to roll-over their investment.

International Accounting Standards

The group has, for the first time, adopted International Financial Reporting Standards ("IFRS") in respect of the six months ended 30 November 2005. Figures for the six months ended 30 November 2004 and the year ended 31 May 2005 have been restated accordingly. The main changes have been presentational; although shareholders should note that, where applicable, listed investments are now valued by reference to bid price, and dividends declared by your Company after the balance sheet date are now shown in the payment period rather than the reporting period. Further details of the changes are provided in the notes that accompany the financial statements.

Performance

The Net Asset Value per Ordinary share decreased from 52.8 pence (restated for IFRS) on 31 May 2005 to 48.0 pence on 30 November 2005, after the deduction of 1.8 pence per Ordinary share of finance costs attributable to the ZDP shares for the period under review.

Dividend

The Board is pleased to report that two interim dividend declarations have been made in the year to date, at the levels previously indicated in the circular sent to shareholders as part of the refinancing in 2005 (2.5 pence per Ordinary share per annum).

Portfolio Activity

During the period the Group made two new investments. In July, £167,000 was invested in Whiteness Property Company Limited, a property development company set up to regenerate a former industrial site at Ardersier in the North of Scotland. Over the course of the next few years the intention is to turn the site into a residential village, with a working marina and associated leisure facilities. Then, in September, the Group invested £1 million as part of a syndicate in the public to private acquisition of Cox Insurance PLC. The business comprises a Lloyd's underwriting business (Syndicate 218), a broking business and a Lloyd's Managing Agent.

The majority of the portfolio companies are performing well and as a result a number of uplifts in carrying value have been made. In addition, we are currently working on a number of trade sales from the portfolio at attractive valuations. We have reduced the valuation of Transrent Holdings Limited following our decision not to exit from the business during 2005, as had been planned. This trailer rental business remains profitable at the operating level, despite a softening of trading arising from the downturn in retail markets during the second half of the year, but a revaluation back to cost is appropriate given the current lower levels of profitability. Your Manager is working closely with the company's management, and we are confident that its fortunes can be restored to greater levels.

Outlook

It is the Board's intention in the short-term to continue to focus on realising value from the portfolio by achieving exits and thereby enhancing both returns and also liquidity for further new investments. Several investments are currently being positioned for exit and the Board is optimistic that these will generate meaningful amounts of cash over the coming months.

Board of Directors

George Robb decided not to stand for re-election at the AGM in September, after nineteen years of service as a Director of the Company.

Dr Calum MacLeod, CBE, decided to retire from the Board on December 31, 2005, on reaching his 70th birthday, after nineteen years of service as Chairman of the Company.

I know that I speak for the entire board when I offer my heartfelt thanks to Calum and George for all of their wise counsel, and their time and commitment to the Company over such a long period of time. It is an honour to become your Chairman, and I relish the opportunity to continue the superb job done by my predecessor. As always, there will be challenges ahead, but these will be met head-on, and I am confident that the Company will continue to achieve satisfactory long-term returns for shareholders.

31 January 2006

John R Milligan
Chairman

Consolidated Income Statement (unaudited)

For the six months ended 30 November 2005

Six months ended
30 November 2005

	Note	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on held-at-fair-value investments		–	(875)	(875)
Investment income		908	–	908
Other income		92	–	92
		1,000	(875)	125
Expenses				
Management fees		(92)	(187)	(279)
Other operating expenses		(140)	26	(114)
Finance costs				
Interest payable		–	–	–
Zero dividend preference shares		–	(681)	(681)
		(232)	(842)	(1,074)
Profit/(loss) before taxation		768	(1,717)	(949)
Earnings per Ordinary share - basic (pence)	5			(2.57)

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 Trust Companies.

All items in the above statement derive from continuing operations.

Six months ended
30 November 2004
(restated see note 2)

Year ended
31 May 2005
(restated see note 3)

Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	645	645	–	827	827
1,202	–	1,202	1,885	–	1,885
418	–	418	1,033	–	1,033
1,620	645	2,265	2,918	827	3,745
(118)	(239)	(357)	(238)	(483)	(721)
(405)	(293)	(698)	(597)	(883)	(1,480)
(6)	(11)	(17)	(6)	(12)	(18)
–	(1,072)	(1,072)	–	(2,180)	(2,180)
(529)	(1,615)	(2,144)	(841)	(3,558)	(4,399)
1,091	(970)	121	2,077	(2,731)	(654)
		0.33			(1.77)

Consolidated Group Balance Sheet (unaudited)

	At 30 November 2005 £'000	At 30 November 2004 £'000 (Restated)	At 31 May 2005 £'000 (Restated)
Note			
Non-current assets			
Held-at-fair-value investments	32,633	35,529	38,584
Current assets			
Cash and cash equivalents	1,505	10,258	9,737
Amounts due on fair-value investments	305	571	183
Trade and other receivables	1,433	3,511	1,234
	3,243	14,340	11,154
Current liabilities			
Other payables	(187)	(363)	(785)
Zero dividend preference shares	–	(28,356)	(29,464)
Net current assets/(liabilities)	3,056	(14,379)	(19,095)
Total asset less current liabilities	35,689	21,150	19,489
Creditors: amounts falling due after one year			
Zero dividend preference shares	(17,971)	–	–
Total net assets	17,718	21,150	19,489
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	(9,675)	(5,731)	(6,937)
Capital reserve – unrealised	5,178	4,712	4,157
Revenue reserve	2,34	1,516	1,616
Total shareholders' funds	17,718	21,150	19,489
Equity shareholders' funds	17,718	21,150	19,489
Net asset value per Ordinary share - basic (pence)	5	47.99	57.29

Consolidated Statement of Changes in Equity (unaudited)

For six months ended 30 November 2005	Share	Share	Special	Capital	Capital	Revenue	Total
	capital	premium	reserve	reserve	reserve	reserve	
	£'000	£'000	£'000	realised	unrealised	£'000	£'000
Net assets at 1 June 2005 (as restated see note 3)	3,692	13,940	3,021	(6,937)	4,157	1,616	19,489
Dividends paid (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 six months ended 30 November 2004	Share	Share	Special	Capital	Capital	Revenue	Total
	capital	premium	reserve	reserve	reserve	reserve	
	£'000	£'000	£'000	realised	unrealised	£'000	£'000
Net assets at 31 May 2004 (as restated see note 4)	3,692	13,940	–	(5,883)	8,855	1,459	22,063
Dividends paid (note 6)	–	–	–	–	–	(1,034)	(1,034)
Net profit on ordinary activities after taxation	–	–	–	3,173	(4,143)	1,091	121
Creation of redemption reserve on cancellation of Zero dividend preference shares	–	–	3,021	(3,021)	–	–	–
Net assets at 30 November 2004	3,692	13,940	3,021	(5,731)	4,712	1,516	21,150

For year ended 31 May 2005	Share	Share	Special	Capital	Capital	Revenue	Total
	capital	premium	reserve	reserve	reserve	reserve	
	£'000	£'000	£'000	realised	unrealised	£'000	£'000
Net assets at 31 May 2004 (as restated see note 4)	3,692	13,940	–	(5,883)	8,855	1,459	22,063
Dividends paid (note 6)	–	–	–	–	–	(1,920)	(1,920)
Net loss on ordinary activities after taxation	–	–	–	1,967	(4,698)	2,077	(654)
Creation of redemption reserve on cancellation of Zero dividend preference shares	–	–	3,021	(3,021)	–	–	–
Net assets at 31 May 2005	3,692	13,940	3,021	(6,937)	4,157	1,616	19,489

Consolidated Cash Flow Statement (unaudited)

For the six months ended 30 November 2005

	Six months ended 30 November 2005	Six months ended 30 November 2004	Year ended 31 May 2005
Note	£'000	£'000 (restated)	£'000 (restated)
Operating activities			
Investment income received	668	869	2,068
Other income	22	547	563
Interest received	69	176	470
Investment management fees paid	(311)	(357)	(683)
Other cash payments	(678)	(1,767)	(2,338)
Tax paid	–	(35)	(52)
Interest paid	–	(21)	(22)
Net cash (outflow)/inflow from operating activities	(230)	(588)	6
Investing activities			
Purchases of fair value investments	(1,500)	(1,864)	(7,991)
Sales of fair value investments	6,496	6,640	12,538
Net cash inflow from investing activities	4,996	4,776	4,547
Financing activities			
Loan repayments	–	(964)	(964)
Dividends paid on Ordinary Shares	(822)	(1,034)	(1,920)
Placing proceeds	4,294	–	–
Repayment of Zero dividend preference shares	(16,470)	–	–
Net cash outflow from financing activities	(12,998)	(1,998)	(2,884)
Net (decrease)/increase in cash and cash equivalents	2,3	(8,232)	1,669
Cash and cash equivalents at start of period	9,737	8,068	8,068
Cash and cash equivalents at end of period	1,505	10,258	9,737

Notes to the Financial Statements (unaudited)

1. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC).

These are the first financial statements prepared in accordance with IFRS. Previously the financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) including the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the "SORP"). UK GAAP differs in certain respects from IFRS.

These preliminary IFRS financial statements may require adjustment before their inclusion in the IFRS financial statements for the year ended 31 May 2006 because of subsequent revisions or changes to IFRS, or guidance and consensus on the application or interpretation of IFRS.

The disclosures required by IFRS concerning the transition from UK GAAP to IFRS are given in notes 2, 3 and 4.

(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 an ongoing 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 ADC Zeros 2012 PLC.

(c) *Associated undertakings*

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 IAS39 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) *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.

(e) *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.

(f) *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.

(g) *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; 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 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.

(h) *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. 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.

(i) *Dividends payable.*

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

(j) *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 Consolidated Income Statement.

2. a) *Restatement of balances at 30 November 2004*

At 1 June 2005 the Company adopted International Financial Reporting Standards.

In accordance with IFRS 1 First Time Adoption of International Financial Reporting Standards the following is a reconciliation of the figures at 30 November 2004 previously reported under the applicable UK Accounting Standards and with the SORP.

	Previously Reported 30 November 2004 £'000	IFRS Adjustments £'000	Restated 30 November 2004 £'000	Notes
Fixed assets				
Investments	35,529	–	35,529	
Current assets	14,340	–	14,340	
Creditors : amounts falling due within one year	(29,162)	443	(28,719)	1
Total assets less current liabilities	20,707	443	21,150	
Capital and reserves				
Called up share capital	3,692	–	3,692	
Share premium	13,940	–	13,940	
Special reserve	3,021	–	3,021	
Capital reserve - realised	(5,731)	–	(5,731)	
Capital reserve - unrealised	4,712	–	4,712	
Revenue reserve	1,073	443	1,516	1
	20,707	443	21,150	

Net Asset Value per Ordinary share
- basic (pence)

56.09

1.20

57.29

Notes to the reconciliation

1. No provision has been made for the second interim dividend as this was not declared until after the balance sheet date.

Under IFRS dividends are not recognised until declared. This is therefore added to retained earnings.

b) *Reconciliation of the Statement of Total Return to the Income Statement for the half year ended 30 November 2004*

Under IFRS the Consolidated Income Statement is the equivalent of the Statement of Total Return.

Under IFRS dividends are not recognised until declared.

	£'000
Total transfer to reserve per Statement of Total Return under UK GAAP	(765)
Dividends on Ordinary shares	(146)
	<hr/>
Net loss per Consolidated Income Statement under IFRS	(911)

c) *Reconciliation of the Cash Flow Statement for the six months ended 30 November 2004*

	Previously Reported Cash flows 30 November 2004 £'000	Effect of transition to IFRS £'000	Adjusted Cash flows 30 November 2004 £'000	Notes
Net cash outflow from operating activities	(532)	(56)	(588)	1,2
Net cash outflow from servicing of finance	(21)	21	–	1
Taxation	(35)	35	–	2
Net cash inflow from financial investment	4,776	–	4,776	
Equity dividends paid	(1,034)	1,034	–	3
Net cash inflow before financing	3,154	1,034	4,188	
Financing	(964)	(1,034)	(1,998)	3
Increase in cash	2,190	–	2,190	

Notes to reconciliation

1. Bank interest paid is now shown under operating activities rather than servicing of finance.
 2. Taxation paid is now disclosed in operating activities.
 3. Equity dividends paid are now disclosed under Financing.
3. a) *Restatement of balances at 31 May 2005*

At 1 June 2005 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1 First Time Adoption of Financial Reporting Standards the following is a reconciliation of the figures at 31 May 2005 previously reported under the applicable UK Accounting Standards and with the SORP.

	Previously reported 31 May 2005 (Audited) £'000	IFRS Adjustments £'000	Restated 31 May 2005 £'000	Notes
Fixed assets				
Investments	38,584	–	38,584	
Current assets	11,154	–	11,154	
Creditors : amounts falling due within one year	(30,840)	591	(30,249)	1
Total assets less current liabilities	18,898	591	19,489	
Capital and reserves				
Called up share capital	3,692	–	3,692	
Share premium	13,940	–	13,940	
Special reserve	3,021	–	3,021	
Capital reserve – realised	(6,937)	–	(6,937)	
Capital reserve – unrealised	4,157	–	4,157	
Revenue reserve	1,025	591	1,616	1
	18,898	591	19,489	
Net Asset Value per Ordinary share	51.19	1.60	52.79	

Notes to the reconciliation

- No provision has been made for the 4th interim dividend as this was not declared until after the balance sheet date. Under IFRS dividends are not recognised until declared. This is therefore added to retained earnings.

b) *Reconciliation of the Statement of Total Return to the Consolidated Income Statement for the half year ended 31 May 2005*

Under IFRS the Consolidated Income Statement is the equivalent of the Statement of Total Return as reported previously.

Under IFRS dividends are not recognised until declared.

	£'000
Total transfer to reserve per Statement of Total Return under UK GAAP	(2,574)
Dividends on Ordinary shares	–
Net loss per Income Statement under IFRS	(2,574)

c) *Reconciliation of the Cash Flow Statement for the six months ended 31 May 2005*

	Previously Reported Cash flows 31 May 2005 (Audited) £'000	Effect of transition to IFRSs £'000	Adjusted Cash flows 31 May 2005 £'000	Notes
Net cash inflow from operating activities	80	(74)	6	1,2
Net cash outflow from servicing of finance	(22)	22	–	1
Taxation	(52)	52	–	2
Net cash inflow from financial investment	4,547	–	4,547	
Equity dividends paid	(1,920)	1,920	–	3
Net cash inflow before financing	2,633	1,920	4,553	
Financing	(964)	(1,920)	(2,884)	3
Increase in cash	1,669	–	1,669	

Notes to reconciliation

1. Bank interest paid is now shown under operating activities rather than servicing of finance.
2. Taxation paid is now disclosed in operating activities.
3. Equity dividends paid are now disclosed under Financing.

4. Restatement of balances at 31 May 2004

At 1 June 2005 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1 First Time Adoption of Financial Reporting Standards the following is a reconciliation of the figures at 31 May 2004 previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice.

	Previously reported 31 May 2004 (Audited) £'000	IFRS Adjustments £'000	Restated 31 May 2004 £'000	Notes
Fixed assets				
Investments	42,087	–	42,087	1
Current assets	9,847	–	9,847	
Creditors : amounts falling due within one year	(3,178)	591	(2,587)	2
Total assets less current liabilities	48,756	591	49,347	
Creditors : amounts falling due after one year	–	(27,284)	(27,284)	3
	48,756	(26,693)	22,063	

Capital and reserves

Called up share capital	3,692	–	3,692	
Called up zero dividend preference shares	3,021	(3,021)	–	3
Share premium	13,940	–	13,940	
Capital reserve – realised	18,380	(24,263)	(5,883)	3
Capital reserve – unrealised	8,855	–	8,855	3
Revenue reserve	868	591	1,459	2,3
	48,756	(26,693)	22,063	

Net Asset Value per Ordinary share	58.16	1.60	59.76
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Notes to the reconciliation

1. The change from mid to bid valuation required under IFRS resulted in an immaterial adjustment.
2. No provision has been made for the 4th interim dividend as this was not declared until after the balance sheet date. Under IFRS dividends are not recognised until declared. This is therefore added to Retained earnings.
3. Under IFRS liabilities in respect of Zero dividend preference shares are treated as debt.
4. The Net asset value per ordinary share of 58.16 is based on the assets attributable to ordinary shares of £21,472,000.

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

	30 November 2005	30 November 2004	31 May 2005
Net revenue attributable to ordinary shareholders	£768,000	£1,091,000	£2,077,000
Net capital losses attributable to ordinary shareholders	£(1,717,000)	£ (970,000)	£ (2,731,000)
Equity shareholders funds	£17,718,000	£21,150,000	£19,489,000

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	2.08p	2.96p	5.63p
Capital earnings per ordinary share	(4.65)p	(2.63)p	(7.40)p
Total earnings per ordinary share	(2.57)p	0.33p	(1.77)p
Net asset value per ordinary share	47.99p	57.29p	52.79p

6. Interim dividends

Ordinary dividends on equity shares deducted from reserves are analysed below:	Six months to 30 November 2005 £'000	Six months to 30 November 2004 £'000	Year ended 31 May 2005 £'000
<i>Ordinary dividends on equity shares:</i>			
Fourth interim dividend for year ended 31 May 2004 - 1.6p	–	591	591
First interim dividend for year ended 31 May 2005 - 1.2p	–	443	443
Second interim dividend for year ended 31 May 2005 - 1.2p	–	–	443
Third interim dividend for year ended 31 May 2005 - 1.2p	–	–	443
Fourth interim dividend for year ended 31 May 2005 - 1.6p	591	–	–
First interim dividend for year ended 31 May 2006 - 0.625p	231	–	–
	822	1,034	1,920

The Directors declared a second interim dividend of 0.625p (2005 – 1.2p) per Ordinary share on 16 December 2005. The shares were quoted ex-dividend on 28 December 2005 and the dividend was paid on 30 January 2006 to shareholders registered on 30 December 2005.

7. Interim report

The financial information for the six months ended 30 November 2005 and 30 November 2004 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 May 2005 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. Copies of the Interim Report will be posted to shareholders in due course and further copies will be available from the Registered Office, 10 Queens Terrace, Aberdeen AB10 1YG.

8. Transaction costs

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

	Six months to 30 November 2005 £'000	Six months to 30 November 2004 £'000	Year ended 31 May 2005 £'000
Purchases	–	–	–
Sales	–	8	8
	–	8	8

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 2005 which comprises the consolidated income statement, the consolidated balance sheet, 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.

International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with the International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the requirements of International Accounting Standard 1, "First Time Adoption of International Financial Reporting Standards" relevant to interim reports. The accounting policies are consistent with those that the directors intend to use in the annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRSs as adopted for use in the EU.

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 2005.

Deloitte & Touche LLP
Chartered Accountants
Glasgow

31 January 2006

Twenty Largest Investments

	Cost of Investment £	Directors' Valuation £
Transrent	3,850,000	3,850,000
Original Shoe Company	1,300,000	3,812,000
Tennants Consolidated	1,043,721	2,656,224
Pilgrim Systems	1,500,000	2,500,050
Norson Group	1,100,075	2,360,625
TLA Holdings	472,500	1,470,854
Plaxton	749,116	1,460,676
FFC (UK)	1,150,000	1,250,000
Cash Bases	1,250,000	1,250,000
Transys Projects	525,000	1,138,233
Cox Insurance Group	1,001,522	1,000,064
PLM Dollar Group	700,000	932,906
IFC Holdings	501,244	879,990
Travel Class	519,000	646,690
Palgrave Brown	500,000	595,465
Feather Diesel Holdings	560,000	560,000
ABZ Group	550,000	550,000
RMS Europe	522,529	522,484
PSCA international	307,919	481,099
GW 1016	589,866	429,010
Top twenty investments	18,692,492	28,346,370

Financial Calendar

January 2006	Announcement of unaudited interim results
February 2006	Interim Report posted to shareholders
July 2006	Preliminary announcement of results for the year ending 31 May 2006
August 2006	Annual Accounts posted to shareholders
September 2006	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 30 November 2005 managed a combined £57.0 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds.

Aberdeen has been listed on the London Stock Exchange since 1991, although its origins go back to an investment company founded in 1876 to assist Scottish farmers to set up in the Canadian prairies. It has its headquarters in Aberdeen with offices in Birmingham, Edinburgh, Fort Lauderdale, Glasgow, Hong Kong, Inverness, Jersey, Leeds, London, Luxembourg, Manchester, Singapore and Sydney.

The Group now manages 33 investment trusts 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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Secretaries & Registered Office

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