

**Company Registration No 74384**

**ADC (Glasgow) Limited**

**Report and Financial Statements**

**31 May 2007**



# **ADC (Glasgow) Limited**

## **REPORT AND FINANCIAL STATEMENTS 2007**

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## **ADC (Glasgow) Limited**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **Directors**

H W M Little  
W R Nixon

#### **Secretary**

H W M Little

#### **Registered office**

10 Queen's Terrace  
Aberdeen  
AB10 1YG

#### **Registered number**

SCO74384

#### **Auditors**

Deloitte & Touche LLP  
Glasgow

#### **Bankers**

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

## **ADC (Glasgow) Limited**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 May 2007

#### **ACTIVITIES AND REVIEW OF BUSINESS**

The Company operates as a development capital fund. The Company's key performance indicators are revenue and net profit after tax. The Company's principal risks and uncertainties relate to economic factors which affect the valuation of investments.

Turnover for the year amounted to £56,000 (2006 £174,000) and net profit after tax amounted to £47,000 (2006 £169,000). The directors are satisfied with the results for the year and consider the financial position at the end of the year to be satisfactory.

Interim dividends of £50,000 (2006 £169,000) were paid during the year. The directors do not recommend a final dividend for the year (2006 £Nil).

#### **DIRECTORS AND DIRECTORS' INTERESTS**

The names of the current directors and those who served during the year are set out on page 1.

The interests of H W M Little in the share capital of Aberdeen Development Capital PLC, the ultimate parent company, are disclosed in the Directors' Report of that company. W R Nixon had no interest in the shares of the Company or in any other Group company during the year.

In terms of the Articles of Association of the Company, no directors require to retire by rotation.

#### **FINANCIAL INSTRUMENTS**

The Company's financial risk management objectives and policies are discussed in note 8 to the accounts.

#### **ELECTIVE REGIME**

In accordance with the provisions of the Companies Act 1985, as amended, the Company has elected to dispense with the laying of financial statements before a general meeting, the holding of annual general meetings and the obligation to appoint auditors annually.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

Each Director at the date of approval of this report confirms that

- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the Directors have taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

#### **AUDITORS**

Deloitte & Touche LLP were appointed auditors during the year by the directors. A resolution to re-appoint Deloitte & Touche LLP will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

By order of the board



H W M Little  
Secretary  
28 September 2007

## **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 have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to

- 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 proper accounting records that 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 1985. 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADC (Glasgow) Limited**

We have audited the financial statements of ADC (Glasgow) Limited for the year ended 31 May 2007 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted for use in the European Union, of the state of the Company's affairs as at 31 May 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Glasgow, United Kingdom  
28 September 2007

## ADC (Glasgow) Limited

### INCOME STATEMENT

Year ended 31 May 2007

	Notes	2007 £000	2006 £000
Revenue	2	56	174
Administrative expenses		(3)	(3)
<b>Profit before taxation</b>	3	53	171
Tax	4	(6)	(2)
<b>Net profit after taxation</b>		47	169

The Company has no recognised gains or losses other than as recorded in the income statement

All results relate to continuing operations

The notes on pages 9 to 12 form part of these financial statements

# ADC (Glasgow) Limited

## BALANCE SHEET 31 May 2007

	Notes	2007 £000	2006 £000
<b>Assets</b>			
<b>Current assets</b>			
Debtors	5	3,861	3,112
Cash at bank and in hand		157	132
		<u>4,018</u>	<u>3,244</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>	6	<u>1,678</u>	<u>901</u>
		1,678	901
<b>Equity</b>			
Called up share capital	7	2,200	2,200
Retained earnings		<u>140</u>	<u>143</u>
		2,340	2,343
Total liabilities and equity		<u>4,018</u>	<u>3,244</u>

The notes on pages 9 to 12 form part of these financial statements

These financial statements were approved by the Board of Directors on 28 September 2007 and were signed on its behalf by



**H W M Little**

Director



# **ADC (Glasgow) Limited**

## **STATEMENT OF CHANGES IN EQUITY** **Year ended 31 May 2007**

	Share capital £'000	Retained earnings £'000	Total attributable to equity holders of the Company £'000
<b>As at 1 June 2005</b>	2,200	143	2,343
<b>Changes in equity for 2006</b>			
Profit for the period		169	169
Dividends		(169)	(169)
<b>As at 31 May 2006</b>	2,200	143	2,343
<b>Changes in equity for 2006</b>			
Profit for the period		47	47
Dividends		(50)	(50)
<b>As at 31 May 2007</b>	2,200	140	2,340

**ADC (Glasgow) Limited**

**CASH FLOW STATEMENT**  
**Year ended 31 May 2007**

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
<b>Operating activities</b>		
Profit before tax	53	171
Decrease/(increase) in accrued income & other debtors	34	(26)
Increase in amounts owed by parent company	(783)	(1,014)
Increase in current liabilities	771	669
Tax recovered		22
<b>Cash generated / (used) by from operating activities</b>	<b>75</b>	<b>(178)</b>
<b>Financing activities</b>		
Dividends paid	(50)	(169)
<b>Cash used by financing activities</b>	<b>(50)</b>	<b>(169)</b>
<b>Net increase in cash and cash equivalents</b>	<b>25</b>	<b>(347)</b>
Cash and cash equivalents as at 1 June	132	479
Cash and cash equivalents as at 31 May	157	132

## ADC (Glasgow) Limited

### NOTES TO THE ACCOUNTS

Year ended 31 May 2007

#### 1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the partnership's financial statements

##### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards

##### Revenue recognition

The Company's revenue consists of interest and other income from fixed asset investments. Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate

##### Fixed asset investments

Cross option arrangements exist at 31 May 2007 between the Company and ADC Fund Limited Partnership over the investments owned by the Company. The effect of these option arrangements is to transfer the risks and rewards of ownership of the investments to ADC Fund Limited Partnership. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" the investments are recorded in the balance sheet of ADC Fund Limited Partnership and a receivable is recorded in the balance sheet of the Company, thus reflecting the substance underlying the option arrangements. In the event that ADC Fund Limited Partnership sells the investments covered by the option agreement, the Company will be entitled to receive the option price and this will reduce the amounts receivable from ADC Fund Limited Partnership.

##### Movements in fair value

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

##### 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.

##### Taxation

Provision is made for taxation at current enacted rates on taxable profits taking into account relief for overseas taxation where appropriate. Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

##### Dividends

Dividend income is recognised from the date on which dividends are declared ex dividend.

#### 2 Revenue

	2007 £000	2006 £000
Income from fixed asset investments	48	156
Other interest receivable and similar income	8	18
	<u>56</u>	<u>174</u>

# ADC (Glasgow) Limited

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 3 Profit before tax

Auditors' remuneration for the year was £2,970 (2006 £2,375)

### 4 Tax

	2007 £000	2006 £000
<b>a) Analysis of charge for the year</b>		
Current tax charge	6	2
<b>b) Factors affecting tax charge for the year</b>		
<i>Current tax reconciliation</i>		
Profit before tax	53	171
Current tax at 30% (2006 30%)	16	51
Effects of		
Franked investment income	(7)	(38)
Marginal rate relief	(3)	(7)
Utilisation of excess interest and expenses brought forward		(6)
Prior period adjustment		2
<b>Total current tax charge (see above)</b>	<b>6</b>	<b>2</b>

### 5. Debtors

	2007 £000	2006 £000
Amounts owed by group undertakings	3,673	2,890
Accrued income	188	222
	<b>3,861</b>	<b>3,112</b>

Amounts owed by group undertakings are unsecured and interest free

## ADC (Glasgow) Limited

### NOTES TO THE ACCOUNTS

Year ended 31 May 2007

#### 6 Creditors amounts falling due within one year

	2007 £000	2006 £000
Amounts due to group undertakings	1,669	898
Accruals	3	3
Tax payable	6	
	<u>1,678</u>	<u>901</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

#### 7 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<i>Allotted, called up and fully paid</i>		
2,200,000 ordinary shares of £1 each	<u>2,200</u>	<u>2,200</u>

#### 8 Financial instruments

The Company has exposure to market, credit and liquidity risk. The Company has established a comprehensive framework for monitoring changes in the market and responding accordingly.

##### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

To mitigate the risk the investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. The Investment Manager actively monitors market prices throughout the year and reports to the Board of the parent company, which meets regularly in order to consider investment strategy.

Investments are stated at fair value.

##### Credit risk

The Company is exposed to credit risk through investments in bonds and loan stock. Generally, the higher the quality of the issuer, the lower the interest rate at which they can borrow. Issuers of a lower quality will tend to have to pay more to borrow money to compensate the lender for the extra risk taken. The Investment Manager assesses the risk associated with these investments by prior financial analysis of the issuing companies as part of their normal scrutiny of prospective investments.

##### Liquidity risk

The Company's assets comprise mainly unlisted securities, which can be sold to meet funding commitments.

## **ADC (Glasgow) Limited**

### **NOTES TO THE ACCOUNTS**

**Year ended 31 May 2007**

#### **9 Related party transaction**

##### **Amounts due to Related Parties**

At the balance sheet date, £1,669,000 (2005 £898,000) is due to ADC Fund Limited Partnership

##### **Amounts due from Related Parties**

At the balance sheet date, £3,673,000 (2006 £2,890,000) is due from Aberdeen Development Capital plc

#### **10 Ultimate parent undertaking**

The Company is a subsidiary undertaking of ADC Fund Limited Partnership. In turn, ADC Fund Limited Partnership is a subsidiary undertaking of Aberdeen Development Capital PLC, which is the ultimate parent undertaking and is incorporated in Scotland.

The largest group in which the results of the Company are consolidated is that headed by Aberdeen Development Capital PLC.

Copies of the financial statements for Aberdeen Development Capital PLC are available to the public and may be obtained from 10 Queen's Terrace, Aberdeen AB10 1YG. No other group accounts include the results of the Company.



# **ADC Fund Limited Partnership**

## **REPORT AND FINANCIAL STATEMENTS 2007**

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## **ADC Fund Limited Partnership**

### **REPORT OF THE GENERAL PARTNER**

The Partner presents the annual report and the audited financial statements for the year ended 31 May 2007

#### **ACTIVITIES**

The Partnership operates as a development capital fund

#### **REVIEW OF BUSINESS**

The loss attributable to the Partner amounted to £1,096,000 (2006 loss £2,199,000)

The Partner considers the result for the year and the financial position at the end of the year to be satisfactory

#### **GOING CONCERN**

The General Partner has announced its intention to realise the Partnership's portfolio of investments in an orderly manner which maximises value for the Partner. As a consequence the financial statements have been prepared on a basis other than as a going concern.

The Partnership's principal risks and uncertainties, and the mechanisms by which these are managed are described in note 7.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

The General Partner, at the date of approval of this report, confirms that

- a) so far as he/she is aware there is no relevant audit information of which the Partnership's auditors are unaware, and
- b) the General Partner has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

For and on behalf of the Partnership



H W M Little  
Director, Aberdeen GP Limited

28 September 2007

## **ADC Fund Limited Partnership**

### **STATEMENT OF RESPONSIBILITIES OF THE GENERAL PARTNER**

The Partnership Agreement requires the General Partner to prepare financial statements for each financial period of the Partnership. The General Partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The General Partner has elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Partnership's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to

- 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 Partnership's ability to continue as a going concern.

The General Partner is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Partnership Agreement dated 29 October 1999 and subsequently updated on 11 April 2003. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADC Fund Limited Partnership**

We have audited the financial statements of ADC Fund Limited Partnership for the year ended 31 May 2007 which comprise the income statement, the balance sheet, the cash flow statement and the related notes 1 to 7. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Partners, as a body, in accordance with the Partnership Agreement dated 29 October 1999 and subsequently updated on 11 April 2003. Our audit work has been undertaken so that we might state to the Partners 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 Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of General Partner and Auditors**

The General Partner's responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of General Partner's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework. We also report to you if, in our opinion, the General Partner's report is not consistent with the financial statements, if the Partnership has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Partners' remuneration and other transactions is not disclosed.

We read the General Partner's report and the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Partnership, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

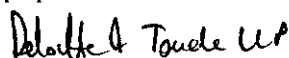
### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the Partnership's affairs as at 31 May 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Partnership Agreement dated 29 October 1999 and subsequently updated on 11 April 2003, and
- the information given in the General Partner's report is consistent with the financial statements.

### **Emphasis of matter**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

Glasgow, United Kingdom

28 September 2007

## ADC Fund Limited Partnership

### INCOME STATEMENT

Year ended 31 May 2007

	Notes	2007 £'000	2006 £'000
<b>Revenue</b>			
Dividend from subsidiary undertaking		50	169
Gain on disposal of investments		382	
		<hr/> 432	<hr/> 169
<b>Expenses</b>			
Administrative expenses	2	(3)	(2)
Priority profit share		(68)	(36)
Loss on revaluation of investments	3	(1,430)	(2,199)
		<hr/> (1,069)	<hr/> (2,068)
<b>Net loss</b>			
Distribution to Aberdeen Development Capital PLC		(27)	(131)
		<hr/> (1,096)	<hr/> (2,199)
Allocated loss for the year	5	<hr/> <hr/> (1,096)	<hr/> <hr/> (2,199)

All results relate to continuing operations

The notes on pages 7 to 10 form part of these financial statements

# ADC Fund Limited Partnership

## BALANCE SHEET

31 May 2007

	Notes	2007 £'000	£'000	2006 £'000	£'000
<b>Assets</b>					
<b>Non current assets</b>					
Investments	3	3,813		5,657	
Investment in subsidiary undertakings	4	2,297		2,297	
			6,110		7,954
<b>Current assets</b>					
Amounts due from ADC (Glasgow) Limited	6		1,669		898
<b>Total assets</b>			<b>7,779</b>		<b>8,852</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accruals		17		23	
Amounts due to Aberdeen Development Capital PLC	6	6,221		6,192	
Partner's capital	5	1,541		2,637	
			7,779		8,852
<b>Equity</b>					
Other reserves					
<b>Total liabilities and equity</b>			<b>7,779</b>		<b>8,852</b>

The notes on pages 7 to 10 form part of these financial statements

There have been no changes in equity during the current or prior period, accordingly no statement of changes in equity has been presented

These financial statements were approved by the Partner on 28 September 2007 and were signed on its behalf by



**H W M Little**

Director, Aberdeen GP Limited

## ADC Fund Limited Partnership

### CASH FLOW STATEMENT

Year ended 31 May 2007

	2007 £'000	2006 £'000
<b>Operating activities</b>		
Net loss	(1,096)	(2,199)
Loss on revaluation	1,430	2,199
Purchases and sales of investments	414	752
Increase in amounts due from parent company	(771)	(666)
Increase / (decrease) in current liabilities	23	(86)
	<hr/>	<hr/>
<b>Cash from operating activities</b>	<hr/>	<hr/>
 <b>Net increase / (decrease) in cash and cash equivalents</b>		
Cash and cash equivalents as at 1 June	<hr/>	<hr/>
Cash and cash equivalents as at 31 May	<hr/>	<hr/>

## ADC Fund Limited Partnership

### NOTES TO THE ACCOUNTS

Year ended 31 May 2007

#### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements

##### **Basis of preparation – basis other than that of a going concern**

The financial statements have been prepared in accordance with International Financial Reporting Standards

As explained in the Report of the General Partner, the Partnership 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 Partnership's net assets to net realisable value.

##### **Valuation of investments**

Cross option arrangements exist between ADC (Glasgow) Limited and the Partnership over the investments owned by ADC (Glasgow) Limited. The effect of these option arrangements is to transfer the risks and rewards of ownership of the investments to ADC Fund Limited Partnership. In accordance with IAS 39 Recognition and Measurement, investments are recorded in the balance sheet of ADC Fund Limited Partnership and a receivable is recorded in the balance sheet of ADC (Glasgow) Limited, thus reflecting the substance underlying the option arrangements. Investments are held at fair value through the income statement.

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 General Partner at fair value having regard to the International Private Equity and Venture Capital Valuation 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.

##### **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.

##### **Income**

Income represents dividends received and receivable from ADC (Glasgow) Limited, a wholly owned subsidiary.

##### **Priority Profit Share**

Aberdeen GP Limited is entitled to a priority profit share calculated on the gross asset value of the Partnership, excluding inter group balances, at a rate of 1.47% per annum, payable quarterly in arrears. The priority profit share is charged 33% to revenue and 67% to capital.

## ADC Fund Limited Partnership

### NOTES TO THE ACCOUNTS Year ended 31 May 2007

#### 2. Expenditure

Auditors' remuneration for the year was £2,970 (2006 £2,375)

#### 3 Investments

	2007 £'000	2006 £'000
Cost or valuation		
As at 1 June 2006	5,657	8,608
Additions	2	
Disposals	(416)	(752)
Revaluation in year	(1,430)	(2,199)
<b>As at 31 May 2007</b>	<b>3,813</b>	<b>5,657</b>

The following are the interests of the Partnership in its principal investments

Company	Country of incorporation	Principal activities	Class of share held	% share
FFC (UK) Limited	England	Design and manufacture of office furniture	CPO and CRP	25 00
Freeport Limited	Scotland	Property management	Ordinary shares	14 00
Nevis Development Company plc	Scotland	Ski & Leisure company	Ordinary shares	5 91
Pilgrim Systems PLC	Scotland	Legal software provider	CPO	20 00
PLM Dollar Group Limited	Scotland	On shore commercial helicopter operations	SLS and CPO	19 67
Road & Sea Express Limited	England	In liquidation	Ordinary shares, loan stock and preference shares	37 00
Scottish Equity Partnership	Scotland	Ltd Partnership Investment Company	Loan stock	n/a
Scottish Exhibition Centre	Scotland	Exhibition Centre Management	Ordinary	0 9

*SLS Secured Loan Stock*

*CPO Cumulative Preferred Ordinary*

*CRP Cumulative Redeemable Preference*



## ADC Fund Limited Partnership

### NOTES TO THE ACCOUNTS Year ended 31 May 2007

#### 4 Investments in subsidiary undertaking

	Shares in group undertakings £'000
Cost and net book value at beginning and end of year	2,297

Details of the Partnership's subsidiary undertakings are as follows

Subsidiary name	Country of incorporation	Principal activity	Percentage of ordinary shares held
ADC (Glasgow) Limited	Scotland	Investment company	100%

#### 5. Partnership account

	ADC Income £'000	ADC Capital £'000
As at 1 June 2006		2,637
Loss for the year		(1,096)
As at 31 May 2007		1,541

Under the terms of the ADC Fund Limited Partnership agreement dated 29 October 1999 and subsequently updated on 11 April 2003, the Partnership's parent company Aberdeen Development Capital PLC (ADC) is entitled to 100% of the net capital gains which arise from the acquired investment portfolio of ADC (Glasgow) Limited

#### 6 Related party transaction

##### Amounts due to Related Parties

At the balance sheet date, £6,221,000 (2006 £6,192,000) is due to Aberdeen Development Capital plc

##### Amounts due from Related Parties

At the balance sheet date, £1,669,000 (2006 £898,000) is due from ADC (Glasgow) Limited

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2007**

**7 Financial instruments**

The entity has exposure to market, credit, interest rate and liquidity risk. The entity has established a comprehensive framework for monitoring changes in the market and responding accordingly.

**Market price risk**

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the entity might suffer through holding market positions in the face of price movements.

To mitigate the risk the investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. The Investment Manager actively monitors market prices throughout the year and reports to the Board of the parent company, which meets regularly in order to consider investment strategy.

Investments are stated at fair value.

**Credit risk**

The entity is exposed to credit risk through investments in bonds and loan stock. Generally, the higher the quality of the issuer, the lower the interest rate at which they can borrow. Issuers of a lower quality will tend to have to pay more to borrow money to compensate the lender for the extra risk taken. The Investment Manager assesses the risk associated with these investments by prior financial analysis of the issuing companies as part of their normal scrutiny of prospective investments.

**Interest rate risk**

The entity is exposed to interest rate risk through investments in bonds, preference shares and loan stock. Bonds, preference shares and loan stock yields, and as a consequence their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, the short term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions.

**Liquidity risk**

The entity assets comprise mainly unlisted securities, which can be sold to meet funding commitments.