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Shires Smaller Companies plc

Half Yearly Report
30 June 2010



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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 2010	31 December 2009	% change
Equity shareholders' funds (£'000)	27,254	25,327	+7.6
Net asset value per share	123.27p	114.55p	+7.6
Share price (mid-market)	103.00p	95.00p	+8.4
Discount to net asset value ^A	15.4%	15.8%	
Dividend yield	5.8%	7.4%	

^A Based on IFRS net asset value excluding dividend adjustment of 1.50p (31 December 2009 – 1.75p).

Performance (total return)

	Six months ended 30 June 2010	1 year ended 30 June 2010	3 years ended 30 June 2010	5 years ended 30 June 2010
Share price	+ 12.1%	+ 46.2%	– 50.7%	– 32.3%
Net asset value per share	+ 10.5%	+ 55.9%	– 44.8%	– 22.9%
FTSE SmallCap Index (ex IC's)	– 3.6%	+ 20.3%	– 36.8%	– 11.1%
FTSE All-Share Index	– 6.1%	+ 21.1%	– 16.2%	+ 18.7%
iBoxx Sterling Non-Gilts 1-15 Years Index ^A	+ 5.7%	+ 15.2%	+ 16.9%	+ 20.4%

^A Source: Aberdeen Asset Management, iBoxx, Morningstar & Russell Mellon

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

Financial Calendar

August 2010	Announcement of unaudited interim results for the six months ended 30 June 2010
September 2010	Half-Yearly Report posted to shareholders
29 October 2010	Third interim dividend 2010 payable to shareholders
31 January 2011	Fourth interim dividend 2010 payable to shareholders
February/March 2011	Annual Report published and posted to shareholders

Interim Board Report

Investment Returns

It has been a challenging couple of years for smaller company specialists, especially for a trust such as Shires Smaller with its geared structure. I am therefore pleased to report that the measures taken to reduce gearing to manageable levels while still retaining the Company's income attractions and recovery prospects are delivering much improved results.

In the six months to 30 June 2010, the total return on Shires Smaller's net assets was 10.5%. This positive outcome was achieved during a period of weak equity returns when the FTSE Small Cap index (ex Investment Trusts) declined by 3.6% on a total return basis. Over the same period, the Company's share price total return was also positive at 12.1% and the discount narrowed to 15.4% at 30 June 2010, compared to 15.8% at our last year end. By comparison, the FTSE All-Share Index fell 6.1% in the same period on the back of a collapse in the share price of BP and weakness across the heavyweight resources sector. The FTSE All-Share Index is dominated by a small number of very large companies and the negative impact of the BP dividend cut highlights the attractions of investing in a portfolio of smaller companies which can offer greater diversity of revenue both by company and sector.

The Company's corporate bond portfolio returned 7.8% for the six months to 30 June 2010 compared to the iBoxx Sterling Non-Gilts 1-15 Years Index return of 5.7%. The portfolio outperformed its benchmark and is well positioned to deliver the expected contribution to the Company's dividend yield without the volatility in capital performance we experienced in prior periods.

Gearing

As announced with the Company's final results in February 2010, the Board has redeemed the final £5.3m tranche of the Zero Coupon Financing that matured at the end of July. Concurrent with this we have also concluded negotiations on a new borrowing facility at what we believe are very attractive terms. The previous 5.49% bank loan which was invested in corporate bonds to drive the enhanced yield has been replaced by a new £10m three year revolving credit facility priced at LIBOR + 200bps, now fully drawn at an all in cost of 2.5725%. The new facility provides the Company with a simple, cost effective and stable funding platform. The Board will keep under review, with the Manager, the likely course of interest rates but for the present believes that a floating rate rather than a fixed rate is the most attractive way to maximise the spread on the portfolio returns and to continue to generate the enhanced yield that the Company delivers

Earnings and Dividends

In line with the statement made in the Annual Report to shareholders, we have declared and paid the first two interim dividends of 1.5p each. The Board anticipates paying the third and fourth interim dividends of 1.5p each share, giving a total of 6.0p for the year to 31 December 2010 (subject to any unforeseen circumstances). The dividend yield on the current share price of 113.25p is 5.3% which remains attractive versus the smaller companies peer group.

As mentioned in more detail below companies are beginning to restore and deliver dividend growth, in some cases into the double digits. The Board believes that 2010 should be the low point in terms of revenue according to the work done by the Manager on internal forecasts. The Board is also comforted by the dividend cover from our equity portfolio which at the recent results was greater than two times. Finally, the Company has the benefit of revenue reserves, should they be required, which net of anticipated payments for the remainder of 2010 will be in excess 7p per share.

Background

Markets entered 2010 with greater optimism despite facing a number of headwinds. The fear and uncertainty of the economic crisis has subsided but the reality of dealing with the aftermath and the record levels of public debt were always going to be a tougher challenge.

Equity markets were volatile throughout the period but recovered from their lows as successive governments announced measures to deal with their burgeoning budget deficits. There is, as always, a balancing act to a reduction in public spending and knock on effect of rising unemployment which would only exacerbate the already anaemic levels of growth. In the UK the coalition Government announced a swathe of spending cuts and tax rises with the aim of reducing debt from 11% of GDP to 1% by 2015-16. The rhetoric has been tough but these packages are in their infancy so only time will tell if this level of deleveraging can be delivered.

Portfolio Activity

The Company benefited from the resurgence in takeover activity during the period. Chloride was bid for by Emerson Electric of the U.S., the second time in the last few years they've tried to acquire the group. Swiss electrical group ABB joined the bidding culminating in Emerson paying a price which fully valued the group. Private client fund manager Rensburg Sheppard was acquired by Investec who already held 47% of the group and Care UK fell to private equity buyers. There are also two bids which have yet to be concluded. Travis Perkins has made a cash and shares offer for BSS Group which has been recommended by the Board, and finally private equity group Apollo is currently looking at

the books of Brit Insurance. Other notable performers over the first half were XP Power, Oxford Instruments and Victrex while the main detractor was McBride. McBride, the household and personal care provider had a profit warning on the back of rising raw material prices and tough competition from the branded food producers. Rising raw material, and commodity prices, is a theme that we have seen across a number of our holdings with some able to mitigate the pressures of passing these costs through quicker than others.

In terms of activity we have seen a strong bounce in some of the more cyclical plays. This was an opportunity to trim the following holdings; Robert Walters, XP Power, Fenner and John Menzies. Greggs was added to given the defensive qualities of the business, and net cash balance sheet. We also added to Dechra Pharmaceuticals, Intermediate Capital and Helical Bar. There were four exits from the portfolio where there were concerns over the business model. Marshalls had repaired their balance sheet through a rights issue the previous year but with half of their business being exposed to public sector spending and the other half high ticket consumer spending we felt the cash could be better deployed elsewhere. We also exited Low and Bonar, and completed the sale of Hotel Corporation a legacy holding which had minimal liquidity. We introduced Forth Ports who are the last listed ports operator in the U.K., and pub operator Fuller Smith & Turner.

Post the period end it was noticeable that a number of the Company's holdings delivered strong interim results. The benefits of cost cutting are starting to come through at the operating line and in some cases there has been a return to top line growth. The caveat to this is the fact that sales remain depressed in a number of markets and they're up against easy comparative figures. In terms of dividends there has been some strong dividend growth despite the uncertainty about the outlook for the second half.

Outlook

There is a considerable amount of uncertainty surrounding the second half of the year. Economic data has continued to be mixed with a number of negative surprises. Investors have yet to witness the full effects of the austerity measures which may choke consumption and cause unemployment to rise further. The earnings outlook remains unclear with talk of a double dip recession leading companies to rein in expectations for the second half. Despite the fragile economic outlook, the Manager's focus on strong balance sheets, and regular contact with the companies we invest in, and a now simplified structure means the Company is well placed to continue to deliver on its objective.

H S Cathcart

Chairman
26 August 2010

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 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 2009.

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 2010 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
26 August 2010

Investment Portfolio – Ordinary Shares

As at 30 June 2010

Company	Market value £'000	Total portfolio %
XP Power	1,333	3.6
BSS Group	1,100	3.0
Chesnara	1,067	2.9
Weir	975	2.8
Brit Insurance Holdings	950	2.7
RM	845	2.3
Chaucer	779	2.1
Morgan Sindall	709	1.9
Oxford Instruments	694	1.9
Mothercare	681	1.9
Ten largest investments	9,133	25.1
Holidaybreak	681	1.9
Fisher James	655	1.8
Wilmington	650	1.8
Helical Bar	631	1.7
RPC Group	627	1.7
Zotefoams	626	1.7
Bloomsbury Publishing	624	1.7
Dechra Pharmaceuticals	624	1.7
Huntsworth	622	1.7
McBride	607	1.7
Twenty largest investments	15,480	42.5
Umeco	598	1.6
Interserve	598	1.6
Fuller Smith & Turner 'A'	543	1.5
Menzies (John)	542	1.5
Fenner	540	1.5
Greggs	534	1.5
TT Electronics	529	1.4
Victrex	507	1.4
Barr	482	1.3
Dignity	457	1.3
Thirty largest investments	20,810	57.1
Forth Ports	435	1.2
Restaurant Group	433	1.2
Robert Walters	417	1.1
Keller Group	411	1.1
Melrose	404	1.1
Numis Corporation	395	1.1
Aveva	383	1.0
Intermediate Capital	378	1.0
Savills	357	1.0
Hornby	321	0.9
Forty largest investments	24,744	67.8
British Polythene	273	0.7
Laird	261	0.7
Bellway	255	0.7
Mouchel Group	143	0.4
Total Ordinary shares	25,676	70.3

Investment Portfolio - Other Investments

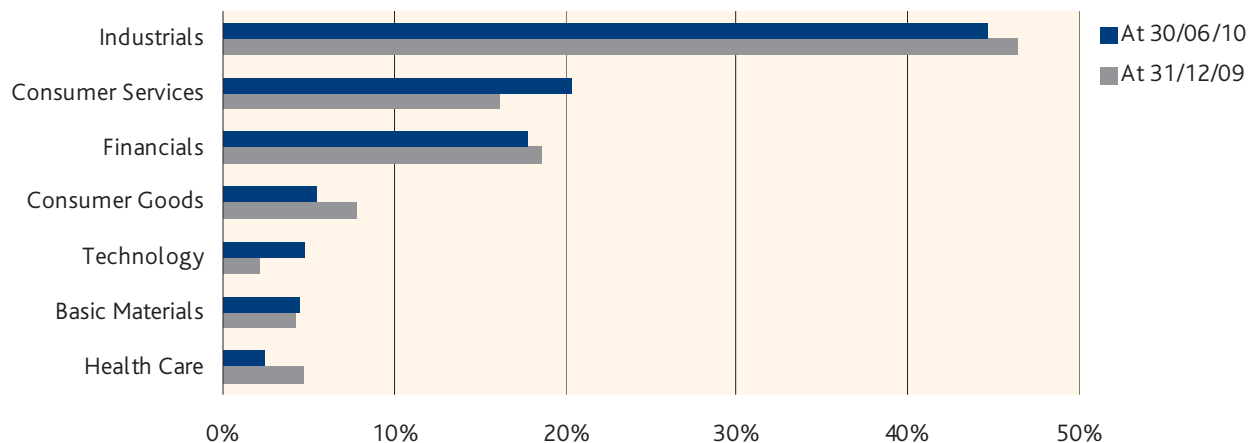
As at 30 June 2010

Company	Market value £'000	Total portfolio %
Convertibles		
Balfour Beatty Cum CNV 10.75%	1,112	3.0
Total Convertibles	1,112	3.0
Corporate Bonds		
Society of Lloyds 6.875% 2025	961	2.6
Northumbrian Water 6% 2017	951	2.6
Bupa Finance 6.125% 2020	773	2.1
National Westminster 5.9779% Perp	711	2.0
Telecom Italia SPA 5.625% 2015 ^A	665	1.8
Land Securities 4.875% 2019	522	1.4
Wales & West Utilities Finance 6.75% 2036	422	1.2
Deutsche Telekom Intl 7.125% 2012 ^A	385	1.1
Anglian Water 6.75% 2024	376	1.0
Lloyds TSB Bank 6.375% 2014	303	0.8
Total Corporate Bonds	6,069	16.6
Preference shares		
General Accident 8.875%	1,491	4.1
Aviva 8.75%	1,342	3.7
Ecclesiastical Insurance 8.625%	642	1.7
Brookwell	209	0.6
Total Preference shares	3,684	10.1
Total Other Investments	10,865	29.7
Total Investments	36,541	100.0

^A All 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 2009		Movement during the period				Valuation at 30 June 2010	
	£'000	%	Purchases £'000	Sales £'000	Other ^A £'000	Gains/ (losses) £'000	£'000	%
Listed investments								
Ordinary shares	23,084	91.1	4,340	(3,820)	–	2,072	25,676	94.2
Convertibles	1,206	4.8	–	–	–	(94)	1,112	4.1
Corporate Bonds	6,499	25.7	917	(1,627)	(12)	292	6,069	22.3
Other fixed interest	4,158	16.4	–	(320)	–	(154)	3,684	13.5
	34,947	138.0	5,257	(5,767)	(12)	2,116	36,541	134.1
Current assets	3,418	13.5					3,697	13.5
Current liabilities	(13,038)	(51.5)					(12,984)	(47.6)
Net assets	25,327	100.0					27,254	100.0
Net asset value per Ordinary share	114.6p						123.3p	

^A Represents amortisation costs on debt securities of £12,000

Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2010 (unaudited)			Six months ended 30 June 2009 (unaudited)			Year ended 31 December 2009 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend income	802	–	802	697	–	697	1,258	–	1,258
Interest income from investments	241	(12)	229	344	(20)	324	667	(33)	634
Deposit interest	7	–	7	18	–	18	23	–	23
Other income	–	–	–	–	–	–	134	–	134
Gains on investments held at fair value	–	2,116	2,116	–	438	438	–	7,157	7,157
Fair value movement in zero coupon finance derivatives	–	(50)	(50)	–	(182)	(182)	–	(274)	(274)
Total income	1,050	2,054	3,104	1,059	236	1,295	2,082	6,850	8,932
Expenses									
Investment management fees	(73)	(73)	(146)	(59)	(59)	(118)	(127)	(127)	(254)
VAT recoverable on investment management fees	–	–	–	–	–	–	144	144	288
Other administrative expenses	(121)	–	(121)	(85)	–	(85)	(212)	–	(212)
Finance costs of borrowing	(96)	(96)	(192)	(187)	(187)	(374)	(279)	(279)	(558)
Profit/(loss) before taxation	760	1,885	2,645	728	(10)	718	1,608	6,588	8,196
Taxation	–	–	–	–	–	–	–	–	–
Profit/(loss) attributable to equity holders of the Group	760	1,885	2,645	728	(10)	718	1,608	6,588	8,196
Earnings/(loss) per Ordinary share (pence)	3.44	8.52	11.96	3.29	(0.05)	3.24	7.27	29.80	37.07

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The Company does not have any income or expense that is not included in profit/(loss) for the year, and therefore the "Profit/(loss) attributable to equity holders of the Group" is also the "Total comprehensive income attributable to equity holders of the Group" as defined in IAS 1 (revised).

All of the profit/(loss) and comprehensive income are attributable to the equity holders of the parent Company. There are no minority interests.

All items in the above statement derive from continuing operations.

Consolidated Balance Sheet

	As at 30 June 2010 (unaudited) £'000	As at 30 June 2009 (unaudited) £'000	As at 31 December 2009 (audited) £'000
Non-current assets			
Ordinary shares	25,676	16,226	23,084
Convertibles	1,112	1,152	1,206
Corporate bonds	6,069	6,796	6,499
Other fixed interest	3,684	3,737	4,158
Securities at fair value	36,541	27,911	34,947
Zero coupon finance derivatives at fair value	–	2,542	–
	36,541	30,453	34,947
Current assets			
Other receivables	800	1,095	400
Cash and cash equivalents	2,425	1,948	2,381
Zero coupon finance derivatives at fair value	472	–	637
Total current assets	3,697	3,043	3,418
Total assets	40,238	33,496	38,365
Current liabilities			
Trade and other payables	(215)	(128)	(126)
Short-term loan	(7,000)	–	(7,000)
Zero coupon finance derivatives at fair value	(5,769)	–	(5,912)
Total current liabilities	(12,984)	(128)	(13,038)
Non-current liabilities			
Long-term loan	–	(7,000)	–
Zero coupon finance derivatives at fair value	–	(7,745)	–
	–	(14,745)	–
Total liabilities	(12,984)	(14,873)	(13,038)
Net assets	27,254	18,623	25,327
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	192	(8,291)	(1,693)
Revenue reserve	2,083	1,935	2,041
	27,254	18,623	25,327
Net asset value per Ordinary share (pence)	123.27	84.23	114.55

Consolidated Statement of Changes in Equity

Six months ended 30 June 2010 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2009	11,055	11,892	2,032	(1,693)	2,041	25,327
Revenue profits for the period	–	–	–	–	760	760
Capital profits for the period	–	–	–	1,885	–	1,885
Equity dividends	–	–	–	–	(718)	(718)
Balance at 30 June 2010	11,055	11,892	2,032	192	2,083	27,254

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

Year ended 31 December 2009 (audited)

	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 year	–	–	–	–	1,608	1,608
Capital profits for the period	–	–	–	6,588	–	6,588
Equity dividends	–	–	–	–	(2,244)	(2,244)
Balance at 31 December 2009	11,055	11,892	2,032	(1,693)	2,041	25,327

Consolidated Cash Flow Statement

	Six months ended 30 June 2010 (unaudited) £'000	Six months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
Cash flows from operating activities			
Investment income received	959	1,041	2,083
Deposit interest received	7	30	165
Investment management fees paid	(142)	(264)	(386)
VAT recovered	–	–	728
Other cash expenses	(123)	(148)	(255)
Cash generated from operations	701	659	2,335
Interest paid	(192)	(369)	(560)
Net cash inflows from operating activities	509	290	1,775
Cash flows from investing activities			
Purchases of investments	(5,173)	(5,456)	(11,024)
Sales of investments	5,453	7,374	12,678
Net cash inflow from investing activities	280	1,918	1,654
Cash flows from financing activities			
Equity dividends paid	(718)	(1,470)	(2,244)
Repayment of loan	–	(3,000)	(3,000)
ZCF financing fees	(27)	–	–
Repayment of September 2009 ZCF position	–	(5,363)	(5,377)
Net cash outflows from financing activities	(745)	(9,833)	(10,621)
Net increase/(decrease) in cash and cash equivalents	44	(7,625)	(7,192)
Cash and cash equivalents at the start of the period	2,381	9,573	9,573
Cash and cash equivalents at the end of the period	2,425	1,948	2,381
Cash and cash equivalents comprise:			
Cash and cash equivalents	2,425	1,948	2,381

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 2009 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 Consolidated Statement of Comprehensive Income 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 2010 is 28%.

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 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Revenue	760	728	1,608
Dividends declared	(663) ^a	(774) ^b	(1,548) ^c
	97	(46)	60

^a Dividends declared relate to first two interim dividends (both 1.50p each) declared in respect of the financial year 2010.

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

^c Dividends declared relate to the four interim dividends declared in respect of the financial year 2009 totalling 7.00p.

	Six months ended 30 June 2010 p	Six months ended 30 June 2009 p	Year ended 31 December 2009 p
4. Return and net asset value per share			
Revenue return	3.44	3.29	7.27
Capital return/(loss)	8.52	(0.05)	29.80
Total return	11.96	3.24	37.07

The figures above are based on the following attributable assets:

	£'000	£'000	£'000
Revenue return	760	728	1,608
Capital return/(loss)	1,885	(10)	6,588
Total return	2,645	718	8,196

	22,109,765	22,109,765	22,109,765
Weighted average number of Ordinary shares in issue			

Notes to the Accounts continued

The net asset value per share is based on net assets attributable to shareholders of £27,254,000 (30 June 2009 – £18,623,000; 31 December 2009 – £25,327,000) and on 22,109,765 (30 June 2009 – 22,109,765; 31 December 2009 – 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 2010 includes gains of £241,000 (30 June 2009 – losses of £11,118,000; 31 December 2009 – losses of £3,408,000) 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 through profit or loss. These have been expensed through capital and are included within gains on held-at-fair-value investments in the Consolidated Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Purchases	27	19	52
Sales	4	3	6
	31	22	58

7. Publication of non-statutory accounts

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2010 and 30 June 2009 has not been audited.

The information for the year ended 31 December 2009 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.

8. This Half-Yearly Financial Report was approved by the Board on 26 August 2010.

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 Limited ("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 £10,200 in the Company can be made in the tax year 2010/2011

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

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Secretaries and Registered Office

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Company Registration Number

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Solicitors

Maclay Murray & Spens LLP

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HSBC Bank Plc

Registrars and Transfer Office

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(Calls to Equiniti using the above numbers are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary)

Website

www.shiressmallercompanies.co.uk



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