11

Edinburgh Dragon Trust plc

Annual Report
Year ended 31 August 2011

Aberdeen

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Edinburgh Dragon Trust plc, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

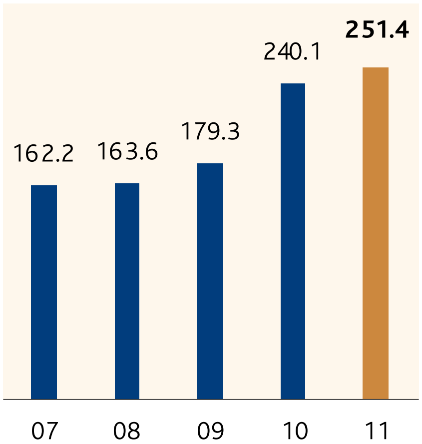
Financial Highlights

	2011	2010
Share price total return[A]	**+5.8%**	+32.0%
Net asset value total return[A]	**+5.4%**	+35.0%
Benchmark total return[A] (in sterling terms)	**+3.7%**	+24.2%
Dividend per share	**3.20p**	1.90p

[A] Capital return plus dividends reinvested.

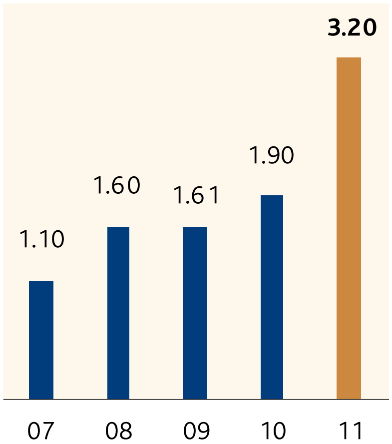
Net asset value per share

At 31 August – pence



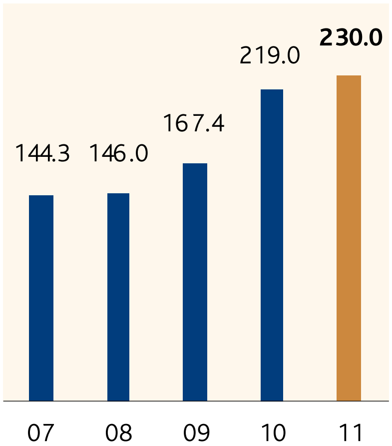
Dividends per share

pence



Mid-market price per share

At 31 August – pence



Financial Calendar

31 August 2011	Company's financial year end
14 October 2011	Announcement of annual results for the year ended 31 August 2011
7 November 2011	Annual Report and Accounts published
7 December 2011 (12 noon)	Annual General Meeting
9 December 2011	Final dividend on Ordinary shares paid
3 January to 31 January 2012	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2018 (CULS) can elect to convert into Ordinary shares
31 January 2012	Conversion date for any CULS converted into Ordinary shares
31 January 2012	Half-yearly interest on CULS paid
April 2012	Announcement of half-yearly financial report for the six months ended 29 February 2012
May 2012	Half-Yearly Report published
3 July to 31 July 2012	Period during which CULS holders can elect to convert into Ordinary shares
31 July 2012	Conversion date for any CULS converted into Ordinary shares
31 July 2012	Half-yearly interest on CULS paid

Corporate Summary

The Company

The Company is an investment trust and its Ordinary shares and CULS are listed on the London Stock Exchange. The Company is a member of the Association of Investment Companies.

Investment Manager

Aberdeen Asset Managers Limited ("AAM Limited" or the "Manager"), a subsidiary of Aberdeen Asset Management PLC ("AAM").

Capital Structure and Borrowings

The Company's issued share capital as at 31 August 2011 was 196,346,350 fully paid Ordinary shares of 20p. The Company had £59,891,013 nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS) outstanding at 31 August 2011.

Total Net Assets and Net Asset Value

The Company had total net assets of £493.6 million and a net asset value of 251.4 pence per Ordinary share at 31 August 2011.

Websites

www.edinburghdragon.co.uk
www.aberdeen-asset.com

Company Secretary

Aberdeen Asset Managers Limited
40 Princes Street, Edinburgh EH2 2BY
Email: company.secretary@invtrusts.co.uk

Customer Services

Freephone: 0500 00 00 40
(open Monday – Friday, 9am – 5pm)

Email: inv.trusts@aberdeen-asset.com

Principal Risk Factors

Investment in Far East securities or those of companies that derive significant revenue or profit from the Far East involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. Further details of the risks are disclosed in the Business Review contained within the Directors' Report on pages 20 and 21.

Duration

Shareholders are given the opportunity to vote on the continuation of the Company at every third Annual General Meeting. The next continuation vote will be held at the Annual General Meeting in December 2012.

Share Dealing/ISA Status

Shares in Edinburgh Dragon Trust plc can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen Asset Managers Limited savings scheme and are fully qualifying for inclusion within tax efficient ISA wrappers (see page 49.)

Management Agreement

The Company has an agreement with AAM Limited for the provision of management and secretarial services (the "Management Agreement"), details of which are provided in the Directors' Report.

The Directors review the terms of the Management Agreement on a regular basis and have confirmed that, due to the investment skills, experience of the Manager and its long-term relative performance, in their opinion the continuing appointment of Aberdeen Asset Managers Limited, on the terms agreed, is in the interests of shareholders as a whole.

Investment Objective and Policy

Investment Objective

The investment objective of the Company is to achieve long-term capital growth through investment in the Far East. Investments are made in stock markets in the region, with the exception of Japan and Australasia, principally in large companies. When appropriate, the Company will utilise gearing to maximise long term returns.

Benchmark

The Company's benchmark index is the MSCI All Country Asia (ex Japan) Index.

Investment Policy

The Company's assets are invested in a diversified portfolio of securities in quoted companies spread across a range of industries and economies in the Asia Pacific region, excluding Japan. The shares that make up the portfolio are selected from companies that have quality management and whose shares are considered to be under-priced. The Company invests in a diversified range of sectors and countries. Investments are not limited as to market capitalisation, sector or country weightings within the region.

The Company's policy is to invest no more than 15% of gross assets in other listed investment companies (including listed investment trusts).

The Company complies with Sections 1158 -1159 of the Corporation Tax Act 2010 and does not invest more than 15% of its assets in the shares of any one company.

When appropriate the Company will utilise gearing to maximise long-term returns, which is subject to a maximum gearing level of 20% imposed by the Board.

The Company does not currently utilise derivatives but keeps this under review.

Achieving the Investment Policy

The Directors are responsible for determining the investment policy and the investment objective of the Company. Day-to-day management of the Company's assets has been delegated to the Manager who invests in a diversified range of companies throughout the Asia Pacific investment region in accordance with the investment policy. The Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is the major source of added value. No stock is bought without the Manager having first met management. The Manager estimates a company's worth in two stages, quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects. Good stock-picking is key in constructing a diversified portfolio of companies with top-down investment approach and benchmark weightings being secondary factors. The Manager is authorised to invest up to 15% of the Company's gross assets in any single stock, calculated at the time an investment is made.

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 11. A comprehensive analysis of the Company's portfolio by country and by sector is disclosed on pages 13 to 16, including a description of the ten largest investments, the full investment portfolio by value, sector/geographical analysis and currency/market performance. At 31 August 2011, the Company's portfolio consisted of 47 holdings.

The Board is responsible for determining the gearing policy for the Company and has set a maximum gearing limit of 20%. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. At 31 August 2011, the Company's gearing was 9.9%.

As at 31 August 2011, the Company had no holdings in other listed investment companies (including listed investment trusts).

Results

Financial Highlights

	31 August 2011	31 August 2010	% change
Performance			
Equity shareholders' funds (£'000)	493,555	471,324	+4.7
MSCI AC Asia (ex Japan) Index (in sterling terms; capital return basis)	590.17	583.85	+1.1
Net asset value per share (including net revenue) (p)	251.37	240.09	+4.7
Share price (p)	230.00	219.00	+5.0
Revenue return per share (p)	4.31	2.62	
Total return per share (p)	11.07	62.11	
Gearing			
Maximum potential gearing (%) [A]	11.3	8.5	
Actual gearing (%) [B]	9.9	nil	
Discount			
Level of discount at which the shares trade (%)	8.5	8.8	
Total expense ratio (TER)			
– as % of average total assets less current liabilities	1.13	1.28	
– as % of average shareholders' funds	1.21	1.28	

[A] Maximum potential gearing ratio is calculated as the total of the liability component of £55.8m of the Convertible Unsecured Loan Stock (2010 – maximum bank loan facility of £40m) divided by net assets.

[B] Actual gearing ratio calculated as the total of the liability component of £55.8m of the Convertible Unsecured Loan Stock (2010 – nil) less the cash and short term deposits, divided by net assets.

Year's Highs/Lows

	High	Low
Share price (p)	262.1	213.0
Net asset value (p)	282.9	234.5
Discount (%)	4.9	12.2

Performance (total return)

	1 year return %	3 year return %	5 year return %
Share price	+5.8	+62.5	+103.1
Net asset value	+5.4	+58.1	+105.0
MSCI AC Asia (ex Japan) Index (in sterling terms)	+3.7	+40.4	+79.6

Dividends

	Rate	xd date	Record date	Payment date
Proposed final 2011	3.20p	9 November 2011	11 November 2011	9 December 2011
Final 2010	1.90p	10 November 2010	12 November 2010	10 December 2010

Chairman's Statement

Allan McKenzie
Chairman

Highlights

- **Net Asset Value Total Return +5.4% compared to a benchmark return of 3.7%**
- **Share Price Total Return +5.8%**

Background

As has been widely reported, financial markets in 2011 have experienced great volatility, primarily due to concerns over growth and sovereign debt in the developed world. Asian markets, on the other hand, were specifically impacted by worries over how monetary policy might be used to control inflation. Despite these concerns, I am pleased to report that your Company recorded a satisfactory performance in the 12 months to 31 August 2011, consolidating the strong performance in the previous year. The net asset value at the financial year-end was 251.4p per share (2010-240.1p), a rise of 5.4% on a total return basis compared to a 3.7% rise, in sterling terms, in the benchmark, the MSCI AC Asia ex Japan Index. The share price rose 5.0% to 230.0p during the year.

Overview

A few key themes dominated Asian markets during the year under review. At first, there was growing optimism about Asia's economic prospects. In the middle of the period, inflationary concerns came to the fore, while, towards the period-end, external risks mounted on the back of concerns over the lack of firm political leadership in Europe and the US to address sovereign debt issues and avoidance of a double-dip recession in those economies.

In the first phase, lasting up to December 2010, Asian equity prices moved higher as the region's economies continued to lead the global recovery, with the economies of China and India growing by 10.3% and 8.9% respectively in 2010. Expectations of further monetary easing – which materialised in the form of a second round of asset purchases by the US Federal Reserve – accelerated capital inflows into emerging markets and Asia.

From January to July 2011, equity prices traded sideways as successive monetary tightening in order to curtail rising inflation – which ranged from 4% in Malaysia to 12% in India – dampened growth prospects. In China, Hong Kong and Singapore, specific measures were taken to dampen overheated property prices. Exacerbating the situation were sharply rising oil prices, primarily on the back of unrest in the Middle East and North Africa. The global supply chain disruptions caused by Japan's March earthquake also took their toll on markets.

Inflationary fears gave way to growth concerns in the third phase, sparking a widespread market retreat in August 2011. The simmering fears over Europe's ability to pay its debts, which I had noted in the interim report, intensified after a second bailout for Greece failed to allay fears of impending sovereign default. Across the Atlantic, the US suffered an unprecedented downgrade of its triple-A credit rating. Moderating economic data in the West also sparked fears of a double-dip recession. Against such a backdrop there was a global investor flight from equities with emerging markets seeing the greatest impact, despite their superior economic fundamentals. Regional equities shed more than 9% during August and erased most of the gains accumulated in the first half of the year under review.

Against this backdrop, your Manager's choice of stocks has remained largely unchanged, underlining its genuine long-term investment approach. Your Manager places great emphasis on the quality of companies it selects on your behalf. This typically means companies that have strong balance sheets, sound growth prospects, decent returns on capital and stable management teams. Notable successes include core holding Jardine Strategic, a Singapore-listed conglomerate, with interests in the fast-growing Indonesian auto sector via subsidiary Astra International. It was the top contributor to relative performance both this year and last. Similarly, Thailand's Siam Cement has remained in the list of top 10 performers for the past three years. The company has a dominant market position in the country's cement, chemicals and paper sectors, and is focusing on regional expansion over the next five years for better growth opportunities. Detailed information about your Company's performance and holdings can be found in the Manager's review.

Gearing

As previously reported, the Company issued £60 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS) in January 2011. The CULS provides the Company with long-term structural gearing at an acceptable cost and is in line with the Manager's long-term investment philosophy. The CULS provides holders with an attractive yield of 3.5% per annum, as well as capital protection (with the liability comfortably covered by the assets of the Company). Holders of CULS may convert part, or all, of their holdings into Ordinary shares on 31 January and 31 July each year up to January 2018 at a fixed price of 310.1528p nominal of CULS for one Ordinary share. At 31 August 2011 the Company had actual gearing of 9.9%.

Discount

The discount at which the Company's shares trade relative to their net asset value, as at 31 August 2011, was 8.5%. The Board monitors closely the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares within certain limits. There were no buy-backs of shares during the financial year and there have been no buy-backs subsequent to the year end.

The Board believes the authority to buy-back shares for cancellation should remain in place and, accordingly, a resolution to renew the authority to buy-back shares for cancellation will be proposed at this year's Annual General Meeting.

Revenue Account

Due to the increased level of special dividends received in the year, the revenue return per share was 4.31p, compared to 2.62p in the previous year. It remains the Board's policy to pay a final dividend marginally in excess of the minimum required to maintain investment trust status, which may, of course, lead to some volatility in the level of dividend paid. The Board recommends the payment of a final dividend of 3.2p per Ordinary share (2010 – 1.9p) which, if approved by shareholders at the Annual General Meeting, will be paid on 9 December 2011.

Bribery and Corruption Act

The Bribery Act 2010 became effective on 1 July 2011. The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Manager also adopts a zero tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption.

The Board

The Board welcomes greater transparency in the fulfilment of its responsibilities to shareholders. New appointments are now routinely facilitated by an external recruitment firm. While the Board is a supporter of diversity in the boardroom, in all new appointments the overriding priority is to appoint the person with the best set of skills and personality to complement the existing skills of the Board.

As part of a previously stated commitment to an orderly process of refreshment, the Board was pleased to appoint Peter Maynard as a non-executive Director of the Company on 12 October 2011. After many years of valuable service to the Board of Edinburgh Dragon, Frank Frame will step down as a Director at the forthcoming Annual General Meeting. The Board joins me in thanking Frank for his considerable and wide-ranging contributions over the years, not least in his role of Senior Independent Director (SID). David Gairns will take over the role of SID from the AGM.

In accordance with the provisions of the UK Corporate Governance Code, the Board has endorsed corporate governance procedures whereby all Directors will retire from the Board and submit themselves for re-election on an annual basis. The Board recommends that shareholders vote in favour of the re-election of all Directors at the Annual General Meeting.

The Board has adopted the principle of external evaluation of its members and will report on the first such evaluation in the Annual Report for 2012.

Annual General Meeting

The Annual General Meeting will be held at Aberdeen's Edinburgh office on Wednesday 7 December 2011 at 12.00 noon followed by a lunch for shareholders. This will give shareholders the opportunity to meet the Directors and Manager after the formal AGM business has concluded and we welcome all shareholders to attend. The AGM will continue to be rotated between Edinburgh and London in successive years.

Outlook

The growth outlook in developed economies is uncertain for the foreseeable future. While Asian economies have increasingly decoupled from the West their stock markets are still subject to swings in global investor sentiment.

No doubt Asia's growth will moderate if the developed world enters another recession but the region should be buffered by robust fundamentals and an increasing reliance on intra-regional trade and domestic demand.

Importantly, Asian governments have been financially prudent, avoiding the chronic debt problems of their Western peers. Should the need arise, they are in a position to deploy a wide range of policy tools to sustain growth, especially in export-oriented countries like Korea, Taiwan and Singapore. More domestically driven economies such as Indonesia and India may be less vulnerable to a fall in Western export demand. Meanwhile, a modest growth slowdown might even take pressure off the prices of commodities that the large emerging countries of China and India compete for.

In the case of China, policymakers are still caught between containing inflation and supporting growth. The policy dilemma has been made worse by the predicament facing both the American and European economies, its two biggest export markets. For now, Beijing appears to be focused on quelling inflation; authorities have allowed the currency to strengthen and are curbing off-balance sheet lending. Clearly, however, priorities could change if the global economy deteriorates further.

Despite the uncertain global growth outlook, your Board and your Manager maintain a strong belief that opportunities are still abundant in Asia for long term investments in high quality companies which meet the Manager's well tried and tested criteria as set out above.

For Edinburgh Dragon Trust plc
Allan McKenzie
Chairman

13 October 2011

Manager's Review

Background/Portfolio Review

The year under review saw mixed performances from Asian equity markets. Thailand and Indonesia were the front-runners, rising by approximately 20% each in sterling terms. Most other stock markets showed at least single-digit gains, save for China and India, which ended lower.

Against this market backdrop, the Company out-performed its benchmark for the 12 months to 31 August, with the portfolio's net asset value rising by 5.4% on a total return basis, compared to the benchmark MSCI All Country Asia ex Japan Index, which returned 3.7% in sterling terms. By and large, corporate earnings were healthy and our holdings delivered good results through the year.

Being underweight in China, which bucked the region's uptrend, was notably beneficial. Investors reacted negatively as uncomfortably high inflation and overheating concerns saw the central bank raise interest rates five times, in addition to nine hikes in bank reserve requirements. As tightening policies took effect, economic activity moderated, raising fears of a sharp downturn. Worries over the hidden liabilities of local governments, reportedly as high as 27% of GDP, further blunted risk appetite.

We remain generally wary of the quality of many of China's companies but, despite the challenging environment, our three Chinese holdings made good progress. The high oil price supported CNOOC and PetroChina, with both reporting robust production and earnings growth. China Mobile, meanwhile, expanded its customer base, particularly in 3G, as it continued to improve its network coverage and services.

India, where the portfolio is heavily invested, suffered the steepest market decline over the review period. The broad Indian benchmark fell 12% in sterling terms on the back of poor domestic news, ranging from corruption scandals to stubborn inflation and interest rate increases. Economic growth stuttered as a result and foreign inflows to the market dropped.

Our individual companies fared well compared to the overall market. Hero MotoCorp, previously known as Hero Honda, had underperformed following the termination of its partnership with Japan's Honda Motor. However, the motorcycle maker reversed prior losses after Hero's Munjal family bought Honda's 26% stake, which opened up the possibility of new business opportunities. Hindustan Unilever also saw sales grow steadily. The major exception was Infosys Technologies, given its exposure to fiscally troubled Europe and wage pressures at home. To its credit, however, Infosys continued to grow net profits by some 10%. The Manager, on behalf of the Board, continues to pursue all avenues, including potential legal action, to recover the losses which were incurred from the investment in Satyam, following admission of fraudulent accounting there in 2009.

Particular mention must be made of conglomerate Jardine Strategic. Continued economic growth in Indonesia bolstered its Indonesian unit Astra International, while retail arm Dairy Farm enjoyed good results in its principal markets across Asia. The performance of Swire Pacific, which reported solid revenue growth, was equally pleasing. The conglomerate declared a special dividend to return excess cash to shareholders following the sale of the Festival Walk mall. In addition, recent introduction AIA Group contributed positively by posting higher profits and announcing its first dividend since its listing in Hong Kong.

The portfolio benefited, too, from the overweight position in Thailand, where political uncertainty prevailed for much of the year. Yet the stock market held up remarkably well, partly on resilient economic data. Investors were also relieved to see a peaceful transition of power after elections in July, which the opposition Puea Thai party led by Yingluck Shinawatra, sister of ousted Prime Minister Thaksin, won decisively.

In the same vein, our two Thai holdings, PTT Exploration and Production (PTTEP) and Siam Cement, recorded healthy performances. Both turned in solid results, while continuing their expansion plans. PTTEP acquired a 40% interest in Statoil's Canadian oil sands project. Siam Cement bought stakes in two Indonesian companies, broadening its presence in Southeast Asia.

Alongside Thailand, our holdings in Taiwan also staged strong advances. Taiwan Semiconductor Manufacturing expects to double its annual output over the next five years as it boosts capacity. Taiwan Mobile also had a positive run, lifted by firm results.

The main detractor over the year was the underweight position to Korea as the market outperformed the broader region. Our holdings in Korea which include Samsung Electronics, E-mart and regional banks, DGB Financial and BS Financial (formerly Daegu and Busan) broadly kept pace with the market's gain. The Korean auto sector to which we have no exposure benefited both from the short-term impact of production cuts in Japan following the earthquake and tsunami there whilst there has also been a structural benefit from the continued relative strength of the Japanese yen which makes the Korean companies more competitive abroad. Non-holdings, Hyundai Motor, Kia Motors and Hyundai Mobis all performed relatively well. Structurally, we remain underweight to Korea on corporate governance concerns and whilst a relatively cheap market, shareholder returns and dividend yields remain less attractive than we can find elsewhere in the region. The market also remains more cyclical and export driven in nature.

In addition, our holding in the UK-listed lender Standard Chartered, which fared poorly despite posting record results, proved negative. We, however, remain upbeat on its outlook. The emerging market-focused lender complements our other bank holdings given the strong performance of its wholesale division. Asia represents over 70% of group profits and the lender has seen sound underlying growth in both its loan book and deposit base. Its genuinely pan-Asian footprint fits nicely with the largely single country exposure of many of our other bank holdings.

Also hindering performance was our underweight exposure to large, domestically driven Indonesia. Our sole holding there, Unilever Indonesia, lagged the domestic market but the company's operating margins remain relatively stable and its balance sheet robust. Here, it should be noted that apart from Unilever Indonesia, the portfolio has substantial indirect exposure to Indonesia via Jardine Strategic, which owns Astra International. Our other Singapore holdings such as Singapore Telecommunications, Oversea-Chinese Banking Corp and United Overseas Bank, along with Malaysia's CIMB Group, also have operations in Indonesia.

Portfolio Activity

Three new purchases were made over the year: leading trading company Li & Fung based in Hong Kong; life insurer AIA Group, American International Group's Asian arm; and Hong Kong-listed lender HSBC Holdings. Li & Fung, which boasts a top-tier client base, has a proven track record of growing both organically and via acquisitions. AIA's addition provides a broad exposure to the under-developed life insurance industry in Asia. The company has dominant positions in most of its markets and offers good long-term prospects. HSBC has a strong Asian franchise, a robust capital position and is now refocusing on its traditional strengths in Asia having withstood the financial crisis in the West.

As was noted in the interim report, your Manager invested the proceeds from the Convertible Unsecured Loan Stock across several existing positions. Against this, we divested power plant equipment provider ABB India after its parent made an attractive tender offer.

Outlook

Since the year end, stock markets worldwide have faced increasing volatility. While the backdrop for Asia remains relatively benign, global factors have become more unsettling. Europe's sovereign debt stress, for instance, remains a major issue and developed economies could see a more severe downturn ahead. It would, therefore, be prudent to view the future with caution.

Within a troubled world, Asia offers huge attractions. The region's economies, increasingly driven by intra-regional trade and domestic demand, still show considerable momentum. Government and household balance sheets are healthy almost everywhere. True, earnings growth is expected to be lower compared to last year. Already, there are signs of margin compression as cost pressures rise. But valuations are still reasonable and companies continue to be fundamentally sound. In terms of strategy, we will stay focused on well-run companies with sustainable business models and strong finances, in what appears likely to be a challenging period ahead.

Aberdeen Asset Management Asia Limited*
13 October 2011

* on behalf of Aberdeen Asset Managers Limited
Both companies are subsidiaries of Aberdeen Asset Management PLC.

Information about the Manager

Aberdeen Asset Management Asia Limited ("AAM Asia") is responsible for the Asian portfolios of all clients managed within the Aberdeen Group. AAM Asia is based in Singapore and is a wholly-owned subsidiary and the Asia Pacific headquarters of Aberdeen Asset Management PLC (the "Aberdeen Group"), a publicly-quoted company on the London Exchange.

AAM Asia have been the Aberdeen Group's principal managers of Asia-Pacific assets since 1992, and had over 367 staff across the region at 31 August 2011. Total funds in the region, which are also managed from Bangkok, Hong Kong, Kuala Lumpur and Sydney are over £56.7 billion as at 31 August 2011.

The Aberdeen Group has its headquarters in Aberdeen with over 40 offices in 25 countries including Bangkok, Edinburgh, Hong Kong, Kuala Lumpur, London, Philadelphia, Singapore and Sydney.

Worldwide, the Aberdeen Group manages a combined £176.9 billion in assets (as at 31 August 2011) for a range of clients, including individuals and institutions, through mutual and segregated funds. The Aberdeen Group manages over 38 investment companies and other closed-ended funds representing £8.1 billion under management.

The Investment Team Senior Managers

Hugh Young
Managing Director
BA in Politics from Exeter University. Started investment career in 1980. In charge of AAM Asia's Far East funds since 1985.

Andrew Gillan
Senior Investment Manager
MA Joint Honours in French and European History from University of Edinburgh. Joined Aberdeen in September 2000 and transferred to AAM Asia in November 2001.

Adrian Lim
Senior Investment Manager
Chartered Financial Analyst, B.Acc from Nanyang Technological University (Singapore). Joined Aberdeen in 2000. Previously he was an associate director at Arthur Andersen advising clients on mergers and acquisitions in South East Asia.

Flavia Cheong
Investment Director
Masters in Economics from University of Auckland. Previously with Investment Company of the People's Republic of China and Development Bank of Singapore. Started investment career in 1987. Joined AAM Asia in 1996.

Chou Chong
Investment Director
Chartered Financial Analyst and Double Masters in Accounting & Finance and Information Systems from the London School of Economics. Joined AAM Asia in 1994.

Christopher Wong
Senior Investment Manager
BA in Accounting and Finance from Heriot-Watt University, and a Fellow of the Chartered Certified Accountants (FCCA) and a CFA Charterholder. Previously, he was an associate director at Andersen Corporate Finance advising clients on mergers and acquisitions in South East Asia.

The Investment Process

Philosophy and Style

Our investment philosophy is that markets are not always efficient. We believe that superior investment returns are therefore attainable by identifying good companies which are cheap in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which typically accounts for the bulk of the activity within the portfolio during the year under review.

AAM Asia is based in Singapore. Founded in 1992, the office is run by Hugh Young, the founding managing director who oversees a team of portfolio managers in Singapore who act as generalists, cross-covering the region. In addition, AAM Asia has offices in Kuala Lumpur, Hong Kong, Sydney, Taipei, Tokyo and Bangkok.

Risk Controls

We seek to minimise risk by our in-depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

Aberdeen's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.

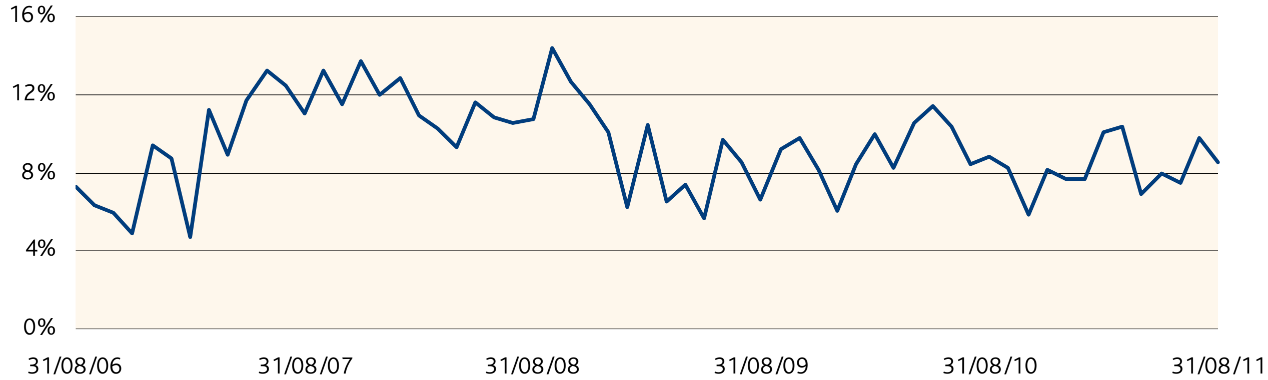
Aberdeen Asset Management Asia Limited*
* on behalf of Aberdeen Asset Managers Limited

Regional Teams

Performance

Share Price Discount to NAV

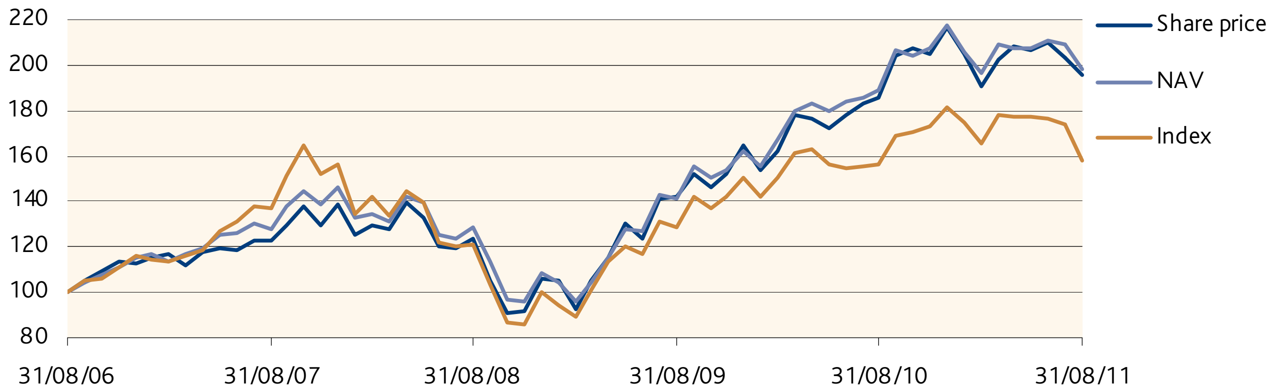
Five years to 31 August 2011



Source: Morningstar

Capital Return of NAV and Share Price vs MSCI All Country Asia (ex Japan) Index

Five years to 31 August 2011 (rebased to 100 at 31 August 2006)



Source: Aberdeen Asset Management, Factset & Morningstar

Ten Year Financial Record

Year ended 31 August	Equity shareholders' interest £'000	Net asset value per Ordinary share p	Revenue return per Ordinary share p	Ordinary share price p	Share price discount %	Expenses as a % of average shareholders' funds
2002	158,707	69.95	(0.49)	57.75	17.4	1.4
2003	193,590	85.35	(0.52)	72.25	15.3	1.2
2004 (restated)	190,450	83.93	0.04	70.00	16.8	1.4
2005 (restated)	258,094	108.73	1.50	101.50	6.6	1.4
2006	301,553	127.06	1.41	117.75	7.3	1.3
2007	384,521	162.18	1.84	144.25	10.8	1.3
2008	377,787	163.58	2.35	146.00	10.5	1.3
2009	414,074	179.29	2.31	167.40	6.6	1.4
2010	471,324	240.09	2.62	219.00	8.8	1.3
2011	493,555	251.37	4.31	230.00	8.5	1.2

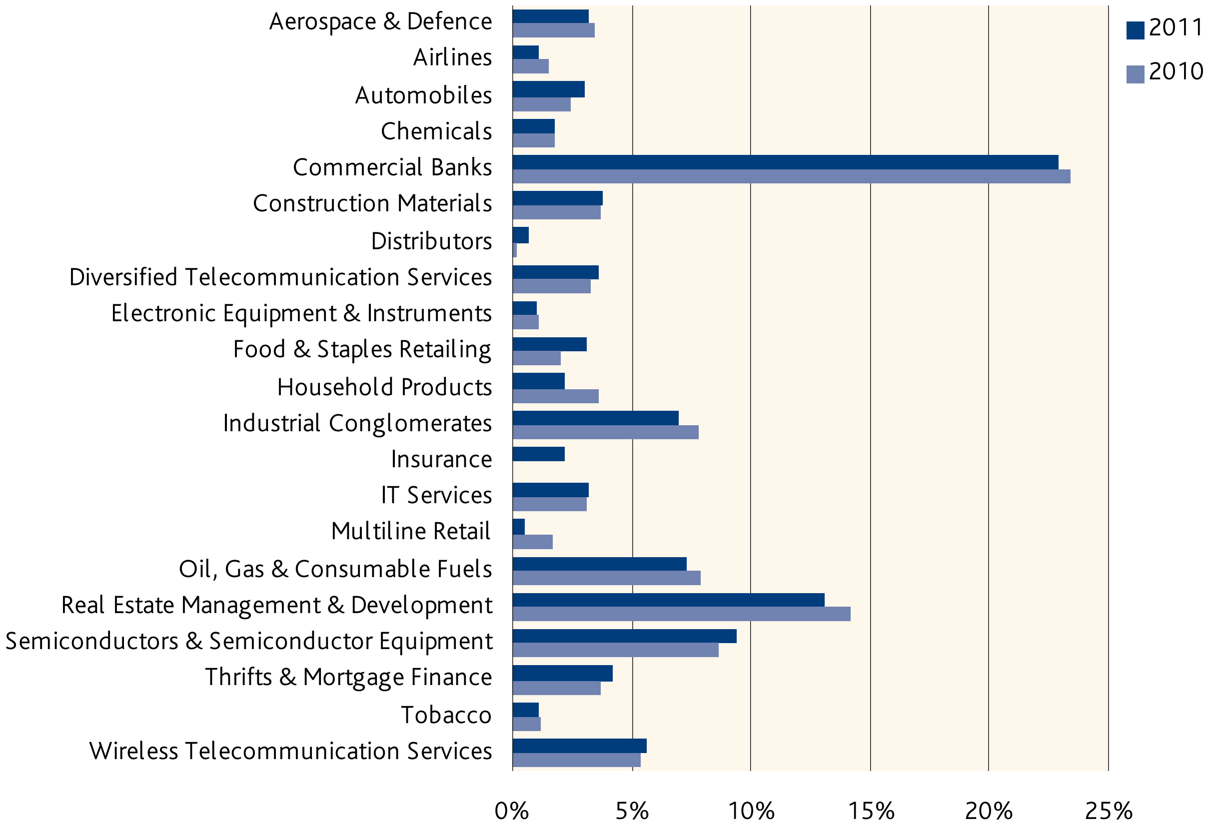
Note: The 2004 and 2005 net asset value and equity shareholder's interest figures have been restated to reflect the changes in accounting policies.

Changes in Asset Distributions

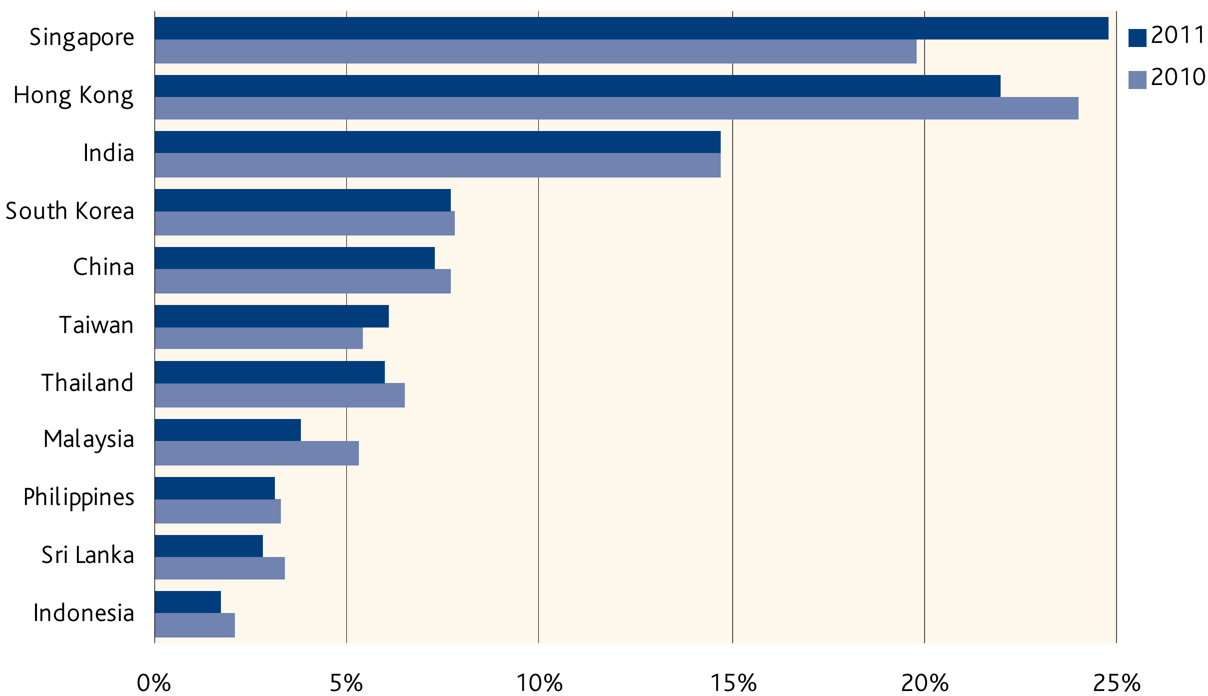
Country	Value at 31 August 2010 £'000	Purchases £'000	Sales proceeds £'000	Appreciation/ (depreciation) £'000	Value at 31 August 2011 £'000
China	35,933	3,780	2,149	1,766	39,330
Hong Kong	112,511	42,479	2,989	(33,019)	118,982
India	68,687	19,202	6,624	(1,552)	79,713
Indonesia	9,758	–	1,014	506	9,250
Malaysia	24,719	2,248	5,581	(890)	20,496
Philippines	15,244	368	–	1,165	16,777
Singapore	92,776	15,869	2,832	28,398	134,211
South Korea	36,676	855	–	4,000	41,531
Sri Lanka	15,874	–	–	(645)	15,229
Taiwan	25,288	1,284	–	6,721	33,293
Thailand	30,410	4,078	8,420	6,359	32,427
Total investments	467,876	90,163	29,609	12,809	541,239
Net current assets	3,448	–	–	4,618	8,066
Total assets less current liabilities	**471,324**	**90,163**	**29,609**	**17,427**	**549,305**

Sector/Geographical Analysis

Sector Breakdown



Geographic Breakdown



Investment Portfolio – Ten Largest Investments

As at 31 August 2011

Company	Sector	Country of incorporation	Valuation 2011 £'000	Total assets %	Valuation 2010 £'000
Jardine Strategic Holdings A Singapore-listed conglomerate with interests across the region spanning property, hotels and consumer products.	Industrial Conglomerates	Singapore	26,202	4.8	24,894
Oversea-Chinese Banking Corporation A leading, well-run Singaporean banking group with assets and operations in South East Asia and China.	Commercial Banks	Singapore	24,314	4.4	19,855
HDFC The largest mortgage group in India with interests in commercial banking, insurance and asset management.	Thrifts & Mortgage Finance	India	22,561	4.1	17,316
Standard Chartered[A] One of the leading emerging market banking groups; listed in both Hong Kong and London.	Commercial Banks	Hong Kong	21,918	4.0	17,471
Samsung Electronics Pref A leading semiconductor company which is also a major player in mobile phones and TFT-LCDs. The Company owns the preferred shares, which trade at a discount to the ordinary shares.	Semiconductors & Semiconductor Equipment	South Korea	21,212	3.9	18,869
Swire Pacific 'B' A Hong Kong-listed conglomerate, with interests in aviation (via Cathay Pacific), property, beverages, marine services and industrial activities.	Real Estate Management & Development	Hong Kong	20,200	3.7	18,728
Taiwan Semiconductor Manufacturing Company The leading independent semiconductor foundry base in Taiwan. It leads in both technology and market share.	Semiconductors & Semiconductor Equipment	Taiwan	19,586	3.6	14,667
Singapore Telecommunications Singapore Telecom is a regional telecommunications company, with a combined mobile subscriber of more than 285 million customers from its own operations in Singapore and Australia, and regional associates in India, Philippines, Thailand, Indonesia, Pakistan and Bangladesh.	Diversified Telecommunication Services	Singapore	19,184	3.5	15,667
City Developments Based in Singapore, it is an international property group with developments and investments in commercial, residential and hospitality real estate.	Real Estate Management & Development	Singapore	18,257	3.3	13,662
Singapore Technologies Engineering Defence contractor with capabilities in aerospace, electronics, land systems and marine.	Aerospace & Defence	Singapore	17,434	3.2	16,088
Top ten investments			**210,868**	**38.5**	

Investment Portfolio – Other Investments

As at 31 August 2011

Company	Sector	Country of incorporation	Valuation 2011 £'000	Total assets %	Valuation 2010 £'000
Infosys Technologies	IT Services	India	17,117	3.1	14,610
United Overseas Bank	Commercial Banks	Singapore	16,991	3.1	15,494
PTT Exploration & Production	Oil, Gas & Consumable Fuels	Thailand	16,935	3.1	15,313
China Mobile	Wireless Telecommunication Services	China	16,822	3.1	14,538
Hero Motocorp	Automobiles	India	16,166	2.9	11,179
Siam Cement	Construction Materials	Thailand	15,492	2.8	15,098
CNOOC	Oil, Gas & Consumable Fuels	China	14,291	2.6	14,528
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	13,707	2.5	10,622
AIA Group	Insurance	Hong Kong	11,811	2.2	–
John Keells Holdings	Industrial Conglomerates	Sri Lanka	11,661	2.1	11,440
Top twenty investments			**361,861**	**66.0**	
ASM Pacific Technologies	Semiconductors & Semiconductor Equipment	Hong Kong	10,253	1.9	6,845
Ayala Land	Real Estate Management & Development	Philippines	9,883	1.8	9,586
HSBC Holdings	Commercial Banks	Hong Kong	9,766	1.8	–
Dairy Farm International	Food & Staples Retailing	Hong Kong	9,631	1.8	8,967
Grasim Industries	Chemicals	India	9,619	1.8	8,362
Unilever Indonesia	Household Products	Indonesia	9,250	1.7	9,758
Hang Lung Group	Real Estate Management & Development	Hong Kong	8,849	1.6	7,931
Sun Hung Kai Props	Real Estate Management & Development	Hong Kong	8,528	1.6	9,246
CIMB Group	Commercial Banks	Malaysia	8,472	1.5	8,491
PetroChina	Oil, Gas & Consumable Fuels	China	8,217	1.4	6,867
Top thirty investments			**454,329**	**82.9**	
E Mart	Food & Staples Retailing	South Korea	7,114	1.3	–
Bank of Philippine Islands	Commercial Banks	Philippines	6,894	1.3	5,658
ICICI Bank	Commercial Banks	India	6,528	1.2	7,577
Singapore Airlines	Airlines	Singapore	6,166	1.1	7,037
Public Bank Berhad	Commercial Banks	Malaysia	6,031	1.1	10,715
British American Tobacco Malaysia	Tobacco	Malaysia	5,993	1.1	5,514
Wing Hang Bank	Commercial Banks	Hong Kong	5,907	1.1	6,859
BS Financial	Commercial Banks	South Korea	5,841	1.1	5,298
Venture Corp	Electronic Equipment & Instruments	Singapore	5,663	1.0	4,974
Ultratech Cement	Construction Materials	India	5,420	0.9	2,151
Top forty investments			**515,886**	**94.1**	
Hang Lung Properties	Real Estate Management & Development	Hong Kong	5,059	0.9	7,267
DGB Financial	Commercial Banks	South Korea	4,820	0.8	4,223
Li & Fung	Distributors	Hong Kong	4,284	0.7	712
DFCC Bank	Commercial Banks	Sri Lanka	3,568	0.6	4,434
Dah Sing Banking	Commercial Banks	Hong Kong	2,776	0.5	3,589
Shinsegae Company	Multiline Retail	South Korea	2,544	0.5	8,284
Hindustan Unilever	Household Products	India	2,302	0.4	7,492
Total investments			**541,239**	**98.5**	
Net current assets			**8,066**	**1.5**	
Total assets[B]			**549,305**	**100.0**	

[A] Valuation amalgamates both UK (£15,550,000; 2010 – £10,580,000) and Hong Kong (£6,368,000; 2010 – £6,891,000) listed equity holdings.

[B] See definition on page 51.

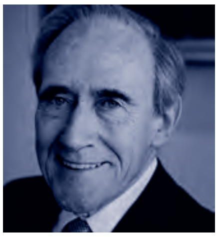
Note: Unless otherwise stated, foreign stock is held and all investments are equity holdings. Valuations at 31 August 2011 reflect the investment of the CULS proceeds in January 2011.

Your Board of Directors

The Directors, all of whom are non-executive and independent of the Manager, supervise the management of Edinburgh Dragon Trust plc and represent the interests of shareholders.

Allan McKenzie

Status: Independent Non-Executive Chairman
Length of service: 5 years, appointed a Director on 1 September 2006
Experience: former chief operating officer and a managing director of BlackRock International Limited prior to his retirement in 2006. He is the chairman of Impax Asian Environmental Markets plc. He is also a former director of BlackRock Global Series plc and a former chairman and director of the Thailand International Fund Limited. Between 1972 and 1991 he was actively involved in fund management, specialising in Asian equity markets. Since 1991 his role was in marketing and client relationship management at both Scottish Widows Investment Management and BlackRock International Limited.
Committee membership: Audit Committee and Remuneration Committee
Remuneration: £33,000 per annum with effect from 1 September 2011
All other public company directorships: Impax Asian Environmental Markets plc
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 15,000 Ordinary shares and 28,820 CULS



Frank Frame

Status: Senior Independent Non-Executive Director
Length of service: 17 years, appointed a Director on 22 February 1994
Experience: formerly deputy chairman of The Hongkong and Shanghai Banking Corporation; adviser to the board of HSBC Holdings; chairman of South China Morning Post, Far Eastern Economic Review and The Wallem Group; and a director of Swire Pacific, The Hongkong Securities and Futures Commission, The British Bank of the Middle East, The Weir Group, Consolidated Press International and Baxter International Inc. He is currently a director of Northern Gas Networks.
Committee membership: None
Remuneration: £22,000 per annum with effect from 1 September 2011
All other public company directorships: None
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 8,500 Ordinary shares and 2,164 CULS

David Gairns

Status: Independent Non-Executive Director
Length of service: 8 years, appointed a Director on 1 July 2003
Experience: is a chartered accountant and has spent his professional career with KPMG, retiring in 1991 as senior partner of the Hong Kong firm. He is a former non-executive director of The Hongkong and Shanghai Banking Corporation and Mass Transit Railway Corporation.
Committee membership: Audit Committee (Chairman) and Remuneration Committee (Chairman)
Remuneration: £26,000 per annum with effect from 1 September 2011
All other public company directorships: None
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: None

Your Board of Directors continued

Tony Lowrie

Status: Independent Non-Executive Director
Length of service: 7 years, appointed a Director on 4 October 2004
Experience: has been involved in Asian investment for over 30 years, originally with Hoare Govett and HG Asia and ABN Amro where he was a managing director prior to his retirement in 2007. He is a director of Kenmare Resources plc and Allied Gold Limited and a former non-executive director of JD Wetherspoon.
Committee membership: Remuneration Committee
Remuneration: £22,000 per annum with effect from 1 September 2011
All other public company directorships: Kenmare Resources plc
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: None

Iain McLaren

Status: Independent Non-Executive Director
Length of service: 1 year, appointed a Director on 6 September 2010
Experience: is a chartered accountant and was a partner at KPMG for 27 years, including Senior Partner in Scotland from 1999 to 2004, retiring from the firm in 2008. He is the Senior Independent Director and Audit Committee Chairman of Cairn Energy Plc. He is also chairman of Investors Capital Trust Plc and a non-executive director of Baillie Gifford Shin Nippon Plc, Ecofin Water & Power Opportunities plc and a director of a number of other companies. He is President of the Institute of Chartered Accountants of Scotland.
Committee membership: Audit Committee
Remuneration: £24,000 per annum with effect from 1 September 2011
All other public company directorships: Cairn Energy Plc, Baillie Gifford Shin Nippon Plc, Ecofin Water & Power Opportunities plc and Investors Capital Trust Plc
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 10,000 Ordinary shares and 20,379 CULS

Peter Maynard

Status: Independent Non-Executive Director
Length of service: Appointed a Director on 12 October 2011
Experience: is a solicitor and was Group Legal Director at Prudential plc from 1998 to 2009 and Company Secretary from July 1999. Prior to that he was with HSBC for 14 years during which time he was variously a Director of HSBC Investment Bank, President and Chief Executive Officer of James Capel Inc in New York and finally Deputy Group Legal Adviser. Recently he has been the Head of Group Governance and Regulatory Compliance at Old Mutual plc. He is a former chairman of the GC100 and was a supervisory board member of the London Business School Centre for Corporate Governance. He is a non-executive director of Brunner Investment Trust plc .
Committee membership: None
Remuneration: £22,000 per annum with effect from 12 October 2011
All other public company directorships: Brunner Investment Trust plc
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: None

Iain Watt

Status: Independent Non-Executive Director
Length of service: 24 years, appointed a Director on 12 August 1987
Experience: has over 40 years' experience of the investment management industry and was former chief executive of Edinburgh Fund Managers plc.
Committee membership: None
Remuneration: £22,000 per annum with effect from 1 September 2011
All other public company directorships: None
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared Directorships with any other Trust Directors: None
Shareholding in Company: 17,164 Ordinary shares and 29,844 CULS

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 August 2011.

Business Review

This Business Review, in conjunction with the rest of the Report and Accounts, is intended to provide shareholders with the information and measures that the Directors use to assess, direct and oversee the Manager in the management of the Company's portfolio. The Business Review is prepared in accordance with the requirements of Section 417 of the Companies Act 2006.

Principal Activity

The Company is registered as a public limited company in Scotland and is an investment company as defined by Section 833 of the Companies Act 2006. The Company's registration number is SC106049.

The Company carries on business as an investment trust and the Directors do not envisage any change in this activity in the foreseeable future. The Company has received requisite approval of investment trust status from HM Revenue and Customs for accounting periods up to and including 31 August 2010.

The Directors are of the opinion, under advice, that the Company has conducted its affairs for the year ended 31 August 2011 so as to be able to obtain approval as an investment trust under Sections 1158-1159 of the Corporation Tax Act 2010 for that year, although approval for the period would be subject to review were there to be any enquiry under the Corporation Tax Self Assessment regime.

The Company has conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

Investment Objective and Policy

The Company's objective is to achieve long term capital growth through investment in the Far East. The Company's benchmark is the MSCI All Country Asia (ex Japan) Index. Investments are made in stock markets in the region with the exception of Japan and Australasia, principally in large companies.

Details of the Company's investment policy and strategy are provided in the Investment Objective and Policy section on page 3.

Review of Performance

An outline of the performance, market background, investment activity and portfolio strategy during the year under review, as well as the investment outlook, is provided in the Chairman's Statement and Manager's Review.

Future Trends

The region's economies have high rates of growth, strong trade and fiscal surpluses and rapidly developing capital markets. Nevertheless the past has demonstrated regional risks and the outlook for the region is provided in the Chairman's Statement and Manager's Review.

Risk Management

The major risks associated with the Company are detailed below:

- Resource risk: The Company is an investment trust and has no employees. The responsibility for the management of the Company has been delegated to Aberdeen Asset Managers Limited ('the Manager') under the management agreement. The terms of the management agreement cover the necessary duties and conditions expected of the Manager. The Board reviews the performance of the Manager on a regular basis and their compliance with the management contract formally on an annual basis.

- Investment and market risk: The Company is exposed to the effect of variations in share prices due to the nature of its business. Investment in Asian equities involves a greater degree of risk than that usually associated with investment in the major securities markets. These include a greater risk of social, political and economic instability including changes in government which may restrict investment opportunities and have an adverse effect on economic reform. Changes in legal, regulatory and accounting policies can also affect the value of the Company's investments. The lower volumes of trading in certain securities of emerging markets may result in lack of liquidity and price volatility. In addition, currency fluctuations and high interest rates may affect the value of the Company's investments and the income derived therefrom.

  The Board continually monitors the investment policy of the Company, taking account of stockmarket factors, and reviews the Company's performance compared to its benchmark index and peer group. Further details on other risks relating to the Company's investment activities, including market price, liquidity and foreign currency risks, are provided in note 19 to the financial statements.

- Gearing risk: During the year to 31 August 2011 the Company issued £60 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS). Gearing has the effect of exacerbating market falls and gains. In order to manage the level of gearing, the Board has set a maximum gearing ratio of 20%.

- Regulatory risk: The Company operates in a complex regulatory environment and faces a number of regulatory risks. Serious breaches of regulations, such as Sections 1158-1159 of the Corporation Tax Act 2010, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

- Discount volatility: The Company's share price can trade at a discount to its underlying net asset value. The Board monitors the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares within certain limits.

Monitoring Performance – Key Performance Indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) are established industry measures, and are as follows:

- Net asset value (total return)
- Share price (total return)
- Performance attribution
- Discount to net asset value

An analysis of these measures is disclosed on pages 4 to 9. Performance is measured against the Company's benchmark, the MSCI All Country Asia (ex Japan) Index and the Board also considers peer group comparative performance.

Social, Community, Employee Responsibilities and Environmental Policy

As an investment trust, the Company has no employees and has no direct social, community, employee or environmental responsibilities. Details of the Company's Socially Responsible Investment policy are set out in the Corporate Governance Report.

Capital Structure and Borrowings

The Company issued £60 million of CULS in January 2011.

In August 2011, the Company issued 35,131 Ordinary shares following elections by CULS holders to convert £108,987 nominal of CULS. There were no buybacks of Ordinary shares during the year.

At 31 August 2011, the Company had 196,346,350 fully paid Ordinary shares of 20p each (2010 – 196,311,219 Ordinary shares) in issue and £59,891,013 nominal of CULS. There have been no changes in the Company's issued share capital and borrowings subsequent to the year end and up to the date of this report.

The Ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Board) and to receive any interim dividends which the Directors may resolve the Company should pay. On a winding-up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings. On a show of hands, every Ordinary shareholder present in person, or by proxy, has one vote and, on a poll, every Ordinary shareholder present in person has one vote for each share held and a proxy has one vote for every share represented.

There are no restrictions concerning the holding or transfer of the Company's Ordinary shares and there are no special rights attached to any of the shares. The Company is not aware of any agreements between shareholders which may result in restriction on the transfer of shares or the voting rights.

The interest rate on the CULS is 3.5% per annum, payable semi-annually in arrears on 31 January and 31 July in each year. CULS holders are entitled to convert their CULS into Ordinary shares every six months from 31 July 2011 until 31 January 2018. In accordance with the terms of the CULS Issue, the conversion price of the CULS was determined at 310.1528 pence nominal of CULS for one Ordinary share, which represented a 10% premium to the published (unaudited) NAV per Ordinary share (including income) of 281.9571 pence at close of business on 5 January 2011. Any CULS not previously redeemed, purchased or converted will be repaid by the Company on 31 January 2018 at its nominal amount. CULS holders have the power by Extraordinary Resolution to sanction any modification, abrogation or compromise of or arrangement in respect of their rights against the Company and to assent to any modification of the provisions of the Trust Deed.

In the event of a winding-up of the Company, the Ordinary shares will rank behind any creditors or prior ranking capital of the Company, including the CULS.

Other Information

The rules concerning the appointment and replacement of Directors, amendments of the Articles of Association and powers to issue or buy back Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006. There are no agreements which the Company is party to that might affect its control following a takeover bid; and there are no agreements between the Company and its Directors concerning compensation for loss of office. Other than the Management Agreement with the Manager, further details of which are set out on page 22, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

Dividends

The Directors recommend that a final dividend of 3.2p per Ordinary share (2010 – 1.90p) be paid on 9 December 2011 to shareholders on the register on 11 November 2011. The ex-date is 9 November 2011.

Directors

Details of the current Directors of the Company are shown on pages 17 to 19.

Peter Tyrie retired from the Board on 8 December 2010. Frank Frame will retire from the Board at the conclusion of the Annual General Meeting to be held on 7 December 2011 and David Gairns will assume the role of the Senior Independent Director from that date.

Peter Maynard was appointed as a non-executive Director on 12 October 2011.

The Articles of Association provide that Directors retire and are subject to election at the first Annual General Meeting following their appointment and thereafter must offer themselves for re-appointment at least once every three years. In a change to this practice and in order to meet the requirements of Section B.7.1 of the new UK Corporate Governance Code published in June 2010, all of the Directors of the Company will stand for re-election. Resolutions 4 to 9 inclusive, which relate the re- election of each of the Directors, will be proposed at the Annual General Meeting.

	31 August 2011 CULS	**31 August 2011 Ordinary shares**	**1 September 2010 Ordinary shares**
Allan McKenzie	28,820	15,000	5,000
David Gairns	—	—	—
Frank Frame	2,164	8,500	8,500
Tony Lowrie	—	—	—
Iain McLaren (appointed 6 September 2010)	20,379	10,000	n/a
Peter Tyrie (retired 8 December 2010)	n/a	n/a	11,000
Iain Watt	29,844	17,164	17,164

Table 1 Directors and their interests in the Company

No contract or arrangement subsisted during the period in which any of the Directors was materially interested. No Director had a service contract with the Company.

The Directors' interests in the shares of the Company as at 31 August 2011 are shown in Table 1. The Company has not been notified of any subsequent changes in Directors' interests.

Directors' Liability Insurance

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association. The Company maintains insurance in respect of Directors' and officers' liabilities in relation to their acts on behalf of the Company.

Management Agreement

The Manager to the Company is Aberdeen Asset Managers Limited. Under the Management Agreement, the Manager is required to give a notice period of six months if it wishes to terminate the agreement. The notice period for the Company is three months or on shorter notice in certain circumstances. Compensation is payable in lieu of the unexpired notice period if actual notice is less than the notice period. The management fee is 0.25% per quarter of the net assets of the Company less (i) the value of any investment funds managed by the Manager and (ii) 50% of the value of any investment funds managed or advised by investment managers other than the Manager.

Auditor

The Company's auditor, KPMG Audit Plc, is willing to continue in office, and resolutions will be proposed at the forthcoming Annual General Meeting to re-appoint them, and to authorise the Directors to fix their remuneration. During the year ended 31 August 2011, £4,000 (2010 - £4,000) was paid to the auditor for non audit services. This related to further assurance work regarding the interim and regulatory reporting. In addition, an audit related amount of £5,000 was paid to KPMG for their review of the accounting treatment of the CULS.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is contained on pages 25 to 28.

Payments Policy

It is the Company's policy to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. In certain circumstances, settlement terms are agreed prior to business taking place.

Substantial Share Interests

At 13 October 2011, the substantial interests in the Ordinary share capital which had been notified to the Company during the period are shown in Table 2.

Holder	No. of Ordinary shares	%
Lazard Freres Asset Management	20,170,421	10.3
City of London Investment Management	19,621,411	10.0
Derbyshire County Council	12,000,000	6.1
Investec Wealth & Investment	9,832,717	5.0
Legal & General Assurance	7,461,676	3.8

Table 2: Substantial share interests

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 7 December 2011, the following resolutions will be proposed:

(i) Increase the limit on Directors' Fees within the Company's Articles of Association

Resolution 12, which is an ordinary resolution, proposes to increase the limit on Directors' fees contained within the Company's Articles of Association. In order to provide the Company with future flexibility, the maximum aggregate limit for Directors' fees will, if approved, be increased from £200,000 to £250,000.

(ii) Section 551 Authority to Allot Shares

Resolution 13, which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to an aggregate nominal value of £13,089,757 representing approximately 33.33 per cent. of the total Ordinary share capital of the Company in issue as at the date of this Directors' Report, such authority to expire on 28 February 2013 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(iii) Limited dis-application of Pre-emption Provisions

As noted above, resolution 13 will, if approved, give the Directors a general authority to allot securities up to an aggregate nominal amount of £13,089,757. Resolution 14, which is a special resolution, will, if approved, give the Directors power to allot unissued Ordinary shares up to a maximum aggregate nominal amount of £1,963,464, being 5% of the current issued share capital of the Company, for cash other than to existing shareholders pro rata to their holdings. A maximum of £13,089,757 of unissued Ordinary share capital may also be allotted for cash, pursuant to a rights issue made pro rata to shareholders in the future. Ordinary shares would only be issued for cash pursuant to a rights issue at a price not less than the net asset value per share. This authority will expire on 28 February 2013 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

The Directors consider that the powers proposed to be granted by the above resolutions are necessary to provide flexibility to issue shares should they deem it to be in the best interests of shareholders as a whole. The Directors do not have any intention of exercising such powers at present.

(iv) Purchase of the Company's own Ordinary shares

Resolution 15, which will be proposed as a special resolution, will authorise the Company to make market purchases of its own shares. The maximum number of Ordinary shares which may be purchased pursuant to the authority shall be 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 29.4 million Ordinary shares). The minimum price which may be paid for an Ordinary share (exclusive of expenses) shall be 20p. The maximum price for an Ordinary share (again exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. Shares so repurchased will be cancelled. This authority will expire on 28 February 2013 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(v) Notice period for general meetings

The Company's Articles of Association enable the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. In order for this to be effective, the shareholders must also approve the calling of meetings on 14 days' notice by separate resolution. Resolution 16, which will be proposed as a special resolution, seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations) before it can call a general meeting on 14 days' notice.

Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling, in aggregate, 50,664 Ordinary shares, and representing 0.02% of the existing issued Ordinary share capital of the Company.

By order of the Board,
Aberdeen Asset Managers Limited
Secretary

Edinburgh, 13 October 2011

Statement of Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. The Board is responsible for good governance, and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code published in May 2010 (the "Governance Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk, throughout the financial year. The Board confirms that the Company has complied throughout the accounting period to 31 August 2011 with the relevant provisions of the Governance Code.

The Company is also a member of the Association of Investment Companies ('AIC'), which has published its own Code of corporate governance to recognise the special circumstances of investment trusts. The Board is of the opinion that the Company has complied with the recommendations of the AIC Code.

The Board

The Board consists of seven non-executive Directors. Profiles of the Board members appear on pages 17 to 19 of the annual report. Each Director has the requisite range of business and financial experience to enable the Board to provide clear and effective leadership and proper stewardship of the Company. Mr Frame is the Senior Independent Director and is available to shareholders in the event that there are concerns that cannot be resolved through discussion with the Chairman.

The Company has no executive Directors or employees. All Directors are considered to be independent of the Manager and to be free of any material relationship with the Manager which could interfere with the exercise of their independent judgement. The Board takes the view that length of service does not compromise independence. This is consistent with the AIC Code. When making a recommendation for re-electing a Director, the Board will take into account the on-going requirements of the Governance Code.

The Board has overall responsibility for the Company's affairs. It delegates, through an investment management agreement and specific instructions, the day-to-day management of the Company to the Manager, Aberdeen Asset Managers Limited.

The Board normally meets at least five times each year, and more frequently where business needs require. In addition, there is regular contact between the Directors and the Manager throughout the year. The following table sets out the number of scheduled Board meetings (including Committees) held during the financial year and the number of meetings attended by each Director.

Meetings held and attendance	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Allan McKenzie[1 2]	5/5	3/3	1/1
Frank Frame	5/5	n/a	n/a
David Gairns[1 2]	5/5	3/3	1/1
Tony Lowrie[2]	5/5	n/a	1/1
Iain McLaren[1]	5/5	3/3	n/a
Peter Tyrie	2/2	n/a	n/a
Iain Watt	5/5	n/a	n/a

[1] Member of Audit Committee [2] Member of Remuneration Committee

[3] Peter Maynard was appointed on 12 October 2011 and therefore did not attend meetings during the financial year

Directors also attended a number of non-scheduled meetings to deal with special ad-hoc issues.

The Board has a schedule of matters reserved to it for decision, and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. Such matters include overall strategy, review of investment policy, performance, gearing policy, treasury, marketing, Board composition, corporate governance policy and communications with shareholders. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements and revenue budgets.

The Board monitors on a regular basis the direct and indirect interests of each Director and has concluded that there were no situations which gave rise to an interest of a Director which conflicted with the interests of the Company. Following the implementation of the Bribery Act 2010, the Board has adopted a zero tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery.

Performance Evaluation

An appraisal of each Director, including the Chairman, and of the operation of the Board and its Committees, was undertaken during the year. The Chairman's performance assessment was led by the Senior Independent Director. The Board also reviewed the Chairman's and Directors' other commitments. The Board is satisfied that each Director's performance continues to be effective, and that each remains fully committed to the Company.

Statement of Corporate Governance continued

There is no separate Nomination Committee. Director appraisals, succession planning, new appointments and training are considered by the whole Board.

The Board has adopted the principle of external evaluation of its members and will report on the first such evaluation in the 2012 annual report.

Succession Planning

In line with the Company's strong commitment to its corporate governance responsibilities, the Board regularly reviews its performance and structure to ensure it has the correct mix of relevant skills and experience for the good conduct of the Company's business. New Directors are identified against the requirements of the Company's business and the need to have a balanced Board. For new appointments a description of the required role is prepared and nominations of Directors are sought in the financial and investment sectors.

The Board welcomes greater transparency in the fulfilment of its responsibilities to shareholders. New Board appointments are now routinely facilitated by an external recruitment firm to ensure that a wide range of candidates can be considered. In all searches, the over-riding priority is to appoint the person with the best mix of experience and skills to complement the existing make-up of the Board.

The Board has agreed a succession planning programme in order to provide an appropriate balance between new blood and continuity, in line with good corporate governance. In accordance with that programme, Mr Frame will retire at the forthcoming Annual General Meeting. During the year an external consultant was employed by the Board to identify a potential candidate to succeed him. This resulted in the appointment of Peter Maynard as a non-executive Director on 12 October 2011. Mr Maynard qualified as a solicitor and has extensive experience in the legal, corporate governance and regulatory compliance areas. He will offer himself for re-election by shareholders at the Annual General Meeting. The Board supports his candidature.

The Company's Articles of Association provide that a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting and that all Directors are required to submit themselves for re-election at least once every three years. The Board has implemented the provisions of the Governance Code whereby all Directors of the Company will stand for re-election on an annual basis. The Board has reviewed the skills and experience of each Director, and supports their re-election.

New Directors will be given appropriate induction from the Manager. All Directors are entitled to receive appropriate and relevant training.

There is a procedure for a Director to take independent professional advice, if necessary, at the Company's expense.

Remuneration Committee

The Remuneration Committee, which comprises David Gairns (Chairman), Allan McKenzie and Tony Lowrie, is responsible for determining the level of Directors' fees. The terms of reference are available on request and on the Company's website. Details of Directors' remuneration are contained within the Directors' Remuneration Report.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this annual report and accounts. It is regularly reviewed by the Board and accords with the FRC's guidance, 'Internal Control: Revised Guidance for Directors on the Combined Code'. The Board has reviewed the effectiveness of the Company's risk management and internal control systems. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed. The significant risks faced by the Company are as follows:

- financial;
- operational;
- compliance; and
- reputational.

The Directors have delegated the investment management of the Company's assets to the Manager within overall guidelines, and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by an internal audit function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified and documented through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the FRC guidance, and includes financial, regulatory, market operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review.

Any weaknesses identified are reported to the Board, and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

Note 19 to the accounts provides further information on risks. The key components designed to provide effective internal control are outlined below:

- The Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.
- The Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate.
- As a matter of course, the Manager's compliance department continually reviews the Manager's operations.
- Written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers.
- The Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Manager, has decided to place reliance on the Manager's systems and internal audit procedures.
- The Audit Committee carried out six monthly reviews of internal controls, including the internal audit and compliance functions. At its October 2011 meeting, the Audit Committee performed its annual assessment of internal controls for the year ended 31 August 2011 and taking account of events since 31 August 2011. The results of the assessment were reported to the Board.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and by their nature can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 29 and 31.

The members of the Audit Committee are Mr Gairns (Chairman), Mr McKenzie and Mr McLaren, who are all deemed to be independent. As the Board believes that Mr McKenzie is considered to be independent and there are no conflicts of interest, the Board considers it appropriate for Mr McKenzie to be a member of the Audit Committee. All members of the Audit Committee are chartered accountants and have the necessary recent and relevant financial experience. The Audit Committee considers reports from the external auditor and the Manager's internal audit and compliance functions. The terms of reference of the Audit Committee, which are available on request and on the Company's website, are reviewed and re-assessed on an annual basis. The main responsibilities of the Audit Committee are:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant.
- to consider annually whether there is a need for the Company to have its own internal audit function.
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager.
- to meet with the external auditor to review their proposed audit programme of work and the findings of the auditor. The Committee also uses this as an opportunity to assess the effectiveness of the audit process.
- to develop and implement policy on the engagement of the external auditor to supply non-audit services. The non-audit fees for the year to 31 August 2011 were £4,000, relating to the review of the interim accounts. The Board will review any future non-audit fees in the light of the requirement to maintain the auditor's independence.
- to review the arrangements in place within the Manager whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- to monitor and review annually the external auditor's independence, objectivity, effectiveness, resources and qualification. At its October 2011 meeting, the Committee was satisfied that the auditor remained independent and objective.
- to review the performance of the Manager and its compliance with the Management Agreement.

Going Concern

Shareholders are given the opportunity to vote on the continuation of the Company every three years. The last continuation vote was in December 2009 when shareholders voted in favour of continuation.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale.

The Directors believe that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts, and they consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

Review of Manager

The Board keeps the resources of the Manager under constant review. In addition, it conducts an annual review of the terms and conditions of the Management Agreement ("Agreement") and of all aspects of the Manager's performance under this Agreement. The notice period for the Company under the Agreement if it wishes to terminate the Agreement is three months or on shorter notice in certain circumstances. Compensation is payable in lieu of the unexpired notice period if actual notice is less than the notice period. Following the most recent review, the Board concluded that the Manager, whose team is well-qualified and experienced, had satisfactorily met the terms of its Agreement with the Company, and is satisfied that the continuing appointment of the Manager is in the interests of the Company and its shareholders.

Relations with Shareholders

The Directors place great importance on communication with shareholders. Besides shareholders, the report and accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and potential investors may obtain up-to-date information on the Company through the Manager's freephone information service, and the Company responds to letters from shareholders on a wide range of issues. The Manager maintains contact with institutional shareholders and feeds back shareholder views to the Board. The Chairman also meets with representatives of the major shareholders during the financial year. The Company's annual and half-yearly reports and other publications can be downloaded from the Company's website, www.edinburghdragon.co.uk.

It is the intention of the Board that, in the ordinary course, the notice of the Annual General Meeting included within the annual report and accounts is normally sent out at least 20 working days in advance of the meeting. All Directors intend to be available at the forthcoming Annual General Meeting, and shareholders are encouraged to attend. Proxy voting figures for each resolution are announced to the meeting after voting on a show of hands.

Proxy Voting as an Institutional Shareholder

The Board has delegated responsibility for actively monitoring the activities of portfolio companies to the Manager. The Board has reviewed and accepts the Manager's Corporate Governance Principles, which may be found on the Manager's website, at http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship. These Principles set out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Board has also reviewed the Manager's Disclosure Response to the UK Stewardship Code, which appears on the Manager's website, at the web-address given above.

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the portfolio companies and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

The Board recognises and supports the Manager's policy of active engagement with investee companies and the voting of all of the shares held by the Company. The Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

Corporate Governance and Socially Responsible Investment Policy

The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance and Socially Responsible Investing. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in both areas.

The Manager's ultimate objective, however, is to deliver superior investment return for their clients. Accordingly, whilst the Manager will seek to favour companies which pursue best practice in these areas, this must not be to the detriment of the return on the investment portfolio.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge that:
- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For Edinburgh Dragon Trust plc
Allan McKenzie
Chairman

13 October 2011

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 8 of the Large & Medium sized Companies & Groups (Accounts and reports) Regulation 2008. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 31.

Remuneration Committee

The Company has seven non-executive Directors. The Remuneration Committee has responsibility for determining the level of Directors' fees. The Board has appointed the company secretary and Manager, Aberdeen Asset Managers Limited, to provide information when the Directors consider the level of Directors' fees.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. It is intended that this policy will continue for the year to 31 August 2012 and subsequent years. A review of Directors' fees is undertaken on an annual basis.

The Company's Articles of Association currently limits the aggregate fees payable to the Board of Directors to a total of £200,000 per annum. A resolution to increase the limit on Directors' fees to £250,000 will be proposed at the Annual General Meeting. Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

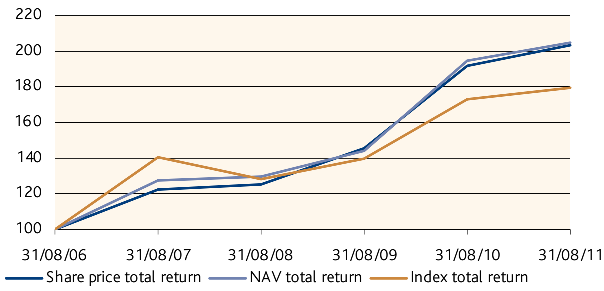
The Board carried out a review of Directors' fees during the year, and concluded that the fees payable to Directors should increase, with effect from 1 September 2011, to £33,000 for the Chairman, £26,000 for the Chairman of the Audit Committee, £24,000 for each member of the Audit Committee and £22,000 for each Director. The last increase in fees was effective from 1 March 2009.

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after their appointment, and to re-election at least every three years after that. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Total Shareholder Return

The graph charts, for the five-year period to 31 August 2011 (rebased to 100 at 31 August 2006), the total shareholder return (assuming all dividends are reinvested) in each period for a holding in the Company's shares against the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the MSCI All Country Asia (ex Japan) Index is calculated. This index was chosen for comparison purposes only.



Directors' Emoluments for the Year (audited)

The Directors who served in the year received emoluments in the form of fees, as described in the Table below.

	Year to 31 August 2011 £	Year to 31 August 2010 £
Allan McKenzie	27,000	24,800
Frank Frame	18,000	18,000
David Gairns	20,000	20,000
Tony Lowrie	18,100	19,000
Iain McLaren	18,700	-
Peter Tyrie	4,900	18,000
Iain Watt	18,000	18,000
Tony Cassidy	-	7,400
	124,700	**125,200**

Approval

The Directors' Remuneration Report on page 30 was approved by the Board of Directors on 13 October 2011 and signed on its behalf by:

Allan McKenzie
Chairman
13 October 2011

Independent Auditor's Report to the Members of Edinburgh Dragon Trust plc

We have audited the financial statements of Edinburgh Dragon Trust plc for the period ended 31 August 2011 set out on pages 32 to 47. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 25 to 28 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 27, in relation to going concern;
- the part of the Corporate Governance Statement on pages 25 to 28 relating to the Company's compliance with the nine provisions of the June 2010 UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Richard Hinton (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh

13 October 2011

Income Statement

	Notes	Year ended 31 August 2011 Revenue £'000	Capital £'000	Total £'000	Year ended 31 August 2010 Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	–	12,809	12,809	–	124,323	124,323
Currency gains		–	460	460	–	205	205
Income	2	17,075	–	17,075	12,067	–	12,067
VAT recovered on investment management fees	3	7	–	7	–	–	–
Investment management fee	3	(5,058)	–	(5,058)	(4,476)	–	(4,476)
Administration expenses	4	(1,185)	–	(1,185)	(1,279)	–	(1,279)
Net return before finance costs and taxation		10,839	13,269	24,108	6,312	124,528	130,840
Interest payable and similar charges	5	(1,808)	–	(1,808)	(130)	–	(130)
Return on ordinary activities before taxation		9,031	13,269	22,300	6,182	124,528	130,710
Taxation on ordinary activities	6	(574)	–	(574)	(698)	–	(698)
Return on ordinary activities after taxation		**8,457**	**13,269**	**21,726**	**5,484**	**124,528**	**130,012**
Return per share (pence):	8	**4.31**	**6.76**	**11.07**	**2.62**	**59.49**	**62.11**

The total column of this statement represents the profit and loss account of the Company.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

Balance Sheet

	Notes	As at 31 August 2011 £'000	As at 31 August 2010 £'000
Non-current assets			
Investments at fair value through profit or loss	9	541,239	467,876
Current assets			
Debtors and prepayments	10	2,795	910
Cash and short term deposits		6,930	4,525
		9,725	5,435
Creditors: amounts falling due within one year			
Other creditors	11	(1,659)	(1,987)
Net current assets		8,066	3,448
Total assets less current liabilities		549,305	471,324
Non-current liabilities			
3.5% Convertible Unsecured Loan Stock 2018	12	(55,750)	–
Net assets		**493,555**	**471,324**
Share capital and reserves			
Called-up share capital	13	39,269	39,262
Share premium account		4,387	4,285
Special reserve		6,726	6,726
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	12	4,126	–
Capital redemption reserve		16,945	16,945
Capital reserve	14	406,688	393,419
Revenue reserve		15,414	10,687
Equity shareholders' funds	15	**493,555**	**471,324**
Net asset value per Ordinary share (pence)	15	**251.37**	**240.09**

The financial statements were approved by the Board of Directors and authorised for issue on 13 October 2011 and were signed on its behalf by:

Allan McKenzie
Chairman

The accompanying notes are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 August 2011

	Share capital £'000	Share premium account £'000	Special reserve £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2010	39,262	4,285	6,726	–	16,945	393,419	10,687	471,324
Return on ordinary activities after taxation	–	–	–	–	–	13,269	8,457	21,726
Dividends paid	–	–	–	–	–	–	(3,730)	(3,730)
Issue of 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	4,133	–	–	–	4,133
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	7	102	–	(7)	–	–	–	102
Balance at 31 August 2011	**39,269**	**4,387**	**6,726**	**4,126**	**16,945**	**406,688**	**15,414**	**493,555**

For the year ended 31 August 2010

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2009	46,190	4,285	75,770	10,017	268,891	8,921	414,074
Return on ordinary activities after taxation	–	–	–	–	124,528	5,484	130,012
Dividends paid	–	–	–	–	–	(3,718)	(3,718)
Tender offer of own shares	(6,928)	–	(69,044)	6,928	–	–	(69,044)
Balance at 31 August 2010	**39,262**	**4,285**	**6,726**	**16,945**	**393,419**	**10,687**	**471,324**

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

	Notes	Year ended 31 August 2011 £'000	£'000	Year ended 31 August 2010 £'000	£'000
Net cash inflow from operating activities	16		10,225		7,036
Servicing of finance					
Bank and loan interest paid			(1,191)		(130)
Taxation					
Net tax paid			(583)		(867)
Financial investment					
Purchases of investments		(90,751)		(32,516)	
Sales of investments		28,451		100,251	
Net cash (outflow)/inflow from financial investment			(62,300)		67,735
Equity dividend paid			(3,730)		(3,718)
Net cash (outflow)/inflow before financing			(57,579)		70,056
Financing					
Tender offer of own shares (including expenses)			–		(69,044)
Issue of 3.5% Convertible Unsecured Loan Stock 2018			60,400		–
Expenses re the issue of 3.5% Convertible Unsecured Loan Stock 2018			(876)		–
Net cash inflow/(outflow) from financing			59,524		(69,044)
Increase in cash	17		**1,945**		**1,012**
Reconciliation of net cash inflow to movements in net funds					
Increase in cash as above			1,945		1,012
Exchange movements			460		205
Movement in net funds in the year			2,405		1,217
Net funds at 1 September			4,525		3,308
Net funds at 31 August			**6,930**		**4,525**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements For the year ended 31 August 2011

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of investments and in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Statement of Corporate Governance on pages 27 and 28.

The financial statements, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

(b) Investments

Listed investments have been designated upon initial recognition as fair value through profit and loss. Investments are recognised and de-recognised on the trade date at cost. Subsequent to initial recognition, investments are valued at fair value, which for listed investments is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange. Gains and losses arising from changes in fair value are included as a capital item in the Income Statement and are ultimately recognised in the capital reserve except to the extent where they are readily convertible to cash.

(c) Income

Dividends (other than special dividends), including taxes deducted at source, are included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are reviewed on a case-by-case basis and may be credited to capital, if circumstances dictate. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive 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 are recognised when the right to return is established. The fixed return on a debt security, if material, is recognised on a time apportioned basis so as to reflect the effective yield on each security. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of cash dividend is recognised in capital reserves. Interest receivable on bank balances is dealt with on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement with the exception of expenses directly relating to the acquisition or disposal of an investment, in which case, they are added to the cost of the investment or deducted from the sale proceeds. Such transaction costs are disclosed in accordance with the SORP. These expenses are charged to the capital column of the Income Statement and are separately identified and disclosed in note 9.

(e) Deferred taxation

Deferred taxation is provided on all timing differences, that have originated but not reversed at the Balance Sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Balance Sheet date, measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to obtain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(f) Capital reserves

Gains and losses on investments and changes in fair values of investments which are readily convertible to cash, without accepting adverse terms, are transferred to the capital reserve.

(g) Foreign currency

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Balance Sheet date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on the realisation of foreign currencies are recognised in the Income Statement and are then transferred to the capital reserve.

(h) Dividends payable

Final dividends are dealt with in the period in which they are paid.

(i) 3.5% Convertible Unsecured Loan Stock 2018

Convertible Unsecured Loan Stock ("CULS") issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 4.662%. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component is subsequently measured at amortised cost using the effective cost interest rate.

Direct expenses associated with the CULS issue are allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument.

The interest expense on the CULS is calculated according to the effective interest rate method by applying the assumed rate of 4.662% at initial recognition to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying liability of the CULS.

On conversion of CULS, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

When CULS is repurchased for cancellation, the fair value of the liability at the redemption date is compared to its carrying amount, giving rise to a gain or loss on redemption that is recognised through the revenue column of the Income Statement. The amount of consideration allocated to equity is recognised in equity with no gain or loss being recognised.

In the event of a winding-up of the Company the rights and claims of the Trustee and CULS holders would be subordinate to the claims of all creditors in respect of the Company's secured and unsecured borrowings, under the terms of the Trust Deed.

2. Income	**2011 £'000**	**2010 £'000**
Income from investments[A]		
UK dividend income	653	436
Overseas dividends	14,791	11,043
Scrip dividends	1,623	579
	17,067	12,058
Other income[B]		
Deposit interest	8	9
Total income	**17,075**	**12,067**

[A] Derived from financial assets at fair value through profit and loss.

[B] Derived from financial assets not at fair value through profit and loss.

Income from investments	2011 £'000	2010 £'000
Listed UK	314	436
Listed overseas	16,753	11,622
	17,067	**12,058**

3. Investment management fee	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
Investment management fee	**5,058**	**–**	**5,058**	**4,476**	**–**	**4,476**

The management fee paid to Aberdeen Asset Managers Limited ('the Manager') is 0.25% per quarter of the total net assets less (i) the value of any investment funds managed by the Manager and (ii) 50% of the value of any investment funds managed or advised by investment managers other than the Manager.

The management agreement is terminable by the Company on 3 months' notice or in the event of a change of control in the ownership of the Manager. The notice period required by the Manager is 6 months.

On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC announced its intention not to appeal against this case to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company have now been processed by HMRC.

The Manager has refunded £7,000 to the Company for VAT charged on investment management fees for the period 1 January 2001 to 31 December 2003 and this has been included in the financial statements for the year ended 31 August 2011. This repayment has been allocated to revenue in line with the accounting policy of the Company for the period in which the VAT was charged.

4. Administrative expenses	2011 £'000	2010 £'000
Share Plan marketing contribution	187	187
Directors' fees	125	125
Safe custody fees	406	516
Auditor's remuneration:		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	20	16
– Fees payable to the Company's auditor for the review of the Company's half yearly accounts	4	4
Secretarial fee	93	76
Other expenses	350	355
	1,185	**1,279**

The secretarial fee is paid to the Manager and adjusted annually in line with the Retail Prices Index. The contribution to Share Plan Marketing was paid to the Manager in respect of marketing and promotion of the Company.

During the year ended 31 August 2011 £4,000 (2010 – £4,000) was paid to the auditor for non-audit services which related to further assurance work regarding the interim and regulatory reporting. During the year ended 31 August 2010 an amount of £10,000 was paid to KPMG for services relating to the tender offer and this was reflected within the tender offer of own shares in the Reconciliation of Movements in Shareholders' Funds.

The audit fee of £20,000 includes an amount of £5,000 paid to KPMG for additional audit work related to the issue of Convertible Unsecured Loan Stock 2018.

No pension contributions were made in respect of any of the Directors.

The Company does not have any employees.

5. Interest payable and similar charges	2011 £'000	2010 £'000
Loans repayable in less than 1 year	10	130
Interest on 3.5% Convertible Unsecured Loan Stock 2018	1,337	–
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	364	–
Amortisation of 3.5% Convertible Unsecured Loan Stock 2018 issue expenses	97	–
	1,808	**130**

6. Taxation	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
(a) Analysis of charge for the year						
Irrecoverable overseas withholding tax	574	–	574	698	–	698
Taxation on ordinary activities	**574**	**–**	**574**	**698**	**–**	**698**

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the effective rate of corporation tax in the UK.

	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
Return on ordinary activities before taxation	9,031	13,269	22,300	6,182	124,528	130,710
Effective rate of corporation tax at 27.17% (2010 – 28%)	2,454	3,605	6,059	1,731	34,868	36,599
Deduct effect of capital:						
UK dividend income	(178)	–	(178)	(122)	–	(122)
Gains on investments not taxable	–	(3,480)	(3,480)	–	(34,810)	(34,810)
Currency gains not taxable	–	(125)	(125)	–	(58)	(58)
Other non-taxable income	(4,459)	–	(4,459)	(3,254)	–	(3,254)
Increase in excess expenses and loan relationship deficit	2,183	–	2,183	1,645	–	1,645
Irrecoverable overseas withholding tax	574	–	574	698	–	698
Current tax charge for year	**574**	**–**	**574**	**698**	**–**	**698**

(c) Provision for deferred taxation

No provision for deferred taxation has been made due to the fact that the Company has approximately £13,912,000 (2010 – £5,875,000) of excess management expenses and loan interest deficits. This is because the Company is not expected to generate taxable income in the future in excess of deductible expenses of that future period, and accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

7. Dividends

In order to comply with the requirements of Sections 1158 -1159 of the Corporation Tax Act 2010 and with company law, the Company is required to make a final dividend distribution.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 – 1159 are considered. The revenue available for distribution by way of dividend for the year is £8,457,000 (2010 – £5,484,000).

	2011 £'000	2010 £'000
Proposed final dividend for 2011 – 3.20p per Ordinary share (2010 – 1.90p)	**6,283**	**3,730**

The final dividend will be paid on 9 December 2011 to shareholders on the register at the close of business on 11 November 2011.

8. Return per Ordinary share

	2011		2010	
Return per Ordinary share	**£'000**	**pence**	**£'000**	**pence**
Revenue return	8,457	4.31	5,484	2.62
Capital return	13,269	6.76	124,528	59.49
Total return	**21,726**	**11.07**	**130,012**	**62.11**
Weighted average Ordinary shares in issue		**196,313,144**		**209,314,267**

The impact of the 3.5% Convertible Unsecured Loan Stock 2018 issued in January 2011 on both the revenue return per Ordinary share and total return per Ordinary share was anti-dilutive for the year ended 31 August 2011.

9. Investments

Investments	Listed overseas £'000	Listed in UK £'000	Total £'000
Fair value through profit or loss:			
Opening book cost	239,964	7,410	247,374
Opening fair value gains on investments held	217,332	3,170	220,502
Opening fair value	457,296	10,580	467,876
Movements in year:			
Purchases at cost	81,684	8,479	90,163
Sales – proceeds	(29,609)	–	(29,609)
Sales – gains on sales	16,031	–	16,031
Current year fair value gains/(losses) on investments held	287	(3,509)	(3,222)
Closing fair value	**525,689**	**15,550**	**541,239**

	Listed overseas £'000	Listed in UK £'000	Total £'000
Closing book cost	308,070	15,889	323,959
Closing fair value gains/(losses) on investments held	217,619	(339)	217,280
Closing fair value	**525,689**	**15,550**	**541,239**

	2011 £'000	2010 £'000
Listed on a recognised overseas investment exchange	525,689	457,296
Listed in the UK	15,550	10,580
	541,239	**467,876**

Gains on investments held at fair value through profit or loss	2011 £'000	2010 £'000
Realised gains on sales	16,031	40,630
(Decrease)/increase in fair value gains on investments held	(3,222)	83,693
	12,809	**124,323**

Transaction costs

During the year 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 investments in the Income Statement. The total costs were as follows:

	2011 £'000	2010 £'000
Purchases	209	111
Sales	70	268
	279	**379**

10. Debtors and prepayments	2011 £'000	2010 £'000
Accrued income	1,497	769
Amounts due from brokers	1,231	73
Overseas withholding tax recoverable	9	–
Other debtors and prepayments	58	68
	2,795	**910**

11. Creditors: amounts falling due within one year	2011 £'000	2010 £'000
Amounts due to brokers	–	588
Other creditors	1,659	1,399
	1,659	**1,987**

A multi-currency revolving advance facility of £40 million was implemented with The Royal Bank of Scotland on 30 September 2008. The commitment period of the facility commenced on 30 September 2008 and ended on 29 September 2010.

12. Non-current liabilities

3.5% Convertible Unsecured Loan Stock 2018	Number of units £'000	Liability component £'000	Equity component £'000
Balance at beginning of year	–	–	–
Issue of 3.5% Convertible Unsecured Loan Stock 2018	60,000	55,894	4,106
Premium on issue	–	373	27
Expenses of the Issue	–	(816)	–
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary shares	(109)	(102)	(7)
Amortisation of discount and issue expenses (see note 1(i))	–	401	–
Balance at end of year	**59,891**	**55,750**	**4,126**

On 12, 26 and 27 January 2011, the Company issued a total of £60,000,000 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS"). The CULS can be converted at the election of holders into Ordinary Shares during the months of January and July each year throughout their life, commencing 31 July 2011 to January 2018 at a rate of 1 Ordinary Share for every 310.1528p nominal of CULS. Once 80% of the CULS issued have been converted the Company is allowed to request that holders redeem or convert the remainder. Interest is paid on the CULS on 31 January and 31 July each year, commencing 31 July 2011. 100% of the interest is charged to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

On 11 August 2011 the Company converted £108,987 nominal amount of CULS into 35,131 Ordinary shares.

As at 31 August 2011, there was £59,891,013 nominal amount of CULS in issue.

13. Called up share capital

	2011 £'000	2010 £'000
Authorised		
325,000,000 (2010 – 325,000,000) Ordinary shares of 20p	**65,000**	**65,000**
Called-up, allotted and fully paid:		
Ordinary shares of 20p		
Opening balance of 196,311,219 (2010 – 230,954,375) shares	39,262	46,190
Buyback of 34,643,156 shares on tender offer of own shares	–	(6,928)
Issue of 35,131 shares on Conversion of 3.5% Convertible Unsecured Loan Stock 11 August 2011	7	–
Closing balance of 196,346,350 (2010 – 196,311,219) shares	**39,269**	**39,262**

14. Capital reserve

	2011 £'000	2010 £'000
At 1 September	393,419	268,891
Movement in fair value gains	12,809	124,323
Foreign exchange movement	460	205
At 31 August	**406,688**	**393,419**

The capital reserve includes investment holding gains amounting to £217,280,000 (2010 – £220,502,000), as disclosed in note 9.

15. Net asset value per share

The net asset value per share and the net asset values attributable to the Ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2011	2010
Net assets attributable (£'000)	**493,555**	**471,324**
Number of Ordinary shares in issue	**196,346,350**	**196,311,219**
Net asset value per share (p)	**251.37**	**240.09**

The impact of the 3.5% Convertible Unsecured Loan Stock 2018 issued in January 2011 on the net asset value per share was anti-dilutive for the year ended 31 August 2011.

16. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities	2011 £'000	2010 £'000
Net return before finance costs and taxation	24,108	130,840
Adjusted for:		
Gains on investments	(12,809)	(124,323)
Currency gains	(460)	(205)
(Increase)/decrease in accrued income	(728)	561
Decrease/(increase) in other debtors	10	(3)
Increase in sundry creditors including management fee due	104	166
Net cash inflow from operating activities	**10,225**	**7,036**

17. Analysis of changes in net funds	1 September 2010 £'000	Cash flow £'000	Currency movements £'000	31 August 2011 £'000
Cash and short term deposits	**4,525**	**1,945**	**460**	**6,930**

18. Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern; and

– to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board normally seeks to limit gearing to 20% of net assets.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market, and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company has no externally imposed capital requirements.

19. Financial instruments

Risk management

The Company's financial instruments comprise securities and other investments, cash balances, Convertible Unsecured Loan Stock, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The Manager has a dedicated investment management process, which ensures that the investment policy explained on page 3 is followed. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a Senior Investment Manager and also by the Manager's Investment Committee.

The Company's Manager has an independent Investment Risk department for reviewing the investment risk parameters of the Company's portfolio on a regular basis. The department reports to the Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

Additionally, the Manager's Compliance department continually monitors the Trust's investment and borrowing powers and reports to the Manager's Risk Management Committee.

The main financial risks that the Company faces from its financial instruments are market price risk (comprising interest rate risk, currency risk and other price risk), liquidity risk and credit risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors.

Market price risk

The fair value of or future cash flows from a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate movements may affect :

– the level of income receivable on cash deposits;

– interest payable on the Company's variable rate borrowings.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

Interest risk profile

The interest rate risk profile of the portfolio of the Company's financial assets and liabilities, excluding equity holdings which are all non-interest bearing, at the Balance Sheet date was as follows:

At 31 August 2011	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Indian Rupee	–	–	–	48
Taiwanese Dollar	–	–	–	13
UK Sterling	–	0.44	–	6,682
US Dollar	–	0.10	–	187
Total assets	**n/a**	**n/a**	**–**	**6,930**
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	6.33	3.50	55,750	–
Total liabilities	**n/a**	**n/a**	**55,750**	**–**

At 31 August 2010	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Indian Rupee	–	–	–	50
UK Sterling	–	0.25	–	902
US Dollar	–	–	–	3,573
	n/a	**n/a**	**–**	**4,525**

The weighted average interest rate is based on the current yield of each asset, weighted by its market value.

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

The Company's equity portfolio and short-term debtors and creditors (excluding bank loans) have been excluded from the above tables.

Interest rate sensitivity

Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total profit.

Foreign currency risk

All of the Company's investment portfolio is invested in overseas securities and the Balance Sheet, therefore, can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investments with foreign currency borrowings.

The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

	31 August 2011			31 August 2010		
	Overseas investments[A] £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments[A] £'000	Net monetary assets £'000	Total currency exposure £'000
Hong Kong Dollar	142,762	–	142,762	137,864	–	137,864
Indian Rupee	79,713	48	79,761	68,687	50	68,737
Indonesian Rupiah	9,250	–	9,250	9,758	–	9,758
Korean Won	41,531	–	41,531	36,676	–	36,676
Malaysian Ringgit	20,496	–	20,496	24,719	–	24,719
Philippine Peso	16,777	–	16,777	15,244	–	15,244
Singapore Dollar	134,211	–	134,211	92,776	–	92,776
Sri Lankan Rupee	15,229	–	15,229	15,874	–	15,874
Sterling	15,550	6,682	22,232	10,580	902	11,482
Taiwanese Dollar	33,293	13	33,306	25,288	–	25,288
Thailand Baht	32,427	–	32,427	30,410	–	30,410
US Dollar	–	187	187	–	3,573	3,573
Total	**541,239**	**6,930**	**548,169**	**467,876**	**4,525**	**472,401**

Foreign currency sensitivity

There is no sensitivity analysis included, as the Company's significant foreign currency financial instruments are in the form of equity investments, which have been included within the other price risk sensitivity analysis, so as to show the overall level of exposure.

Other price risk

Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. Both the allocation of assets and the stock selection process, as detailed on page 11, act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges worldwide.

Other price risk sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 August 2011 would have increased/decreased by £54,124,000 (2010 – increased/decreased by £46,788,000) and equity reserves would have increased/decreased by the same amount.

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not considered to be significant, as the Company's assets mainly comprise readily realisable securities which can be sold to meet funding requirements if necessary.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions, and reviews these on a regular basis. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 20%. Details of borrowings at 31 August 2011 are shown in note 11.

Short-term flexibility can be achieved through the use of loan and overdraft facilities, details of which can be found in note 11. Details of the Board's policy on gearing are shown in the interest rate risk section of this note.

Liquidity risk exposure

At 31 August 2011 the Company had borrowings in the form of the £59,891,013 nominal of 3.5% Convertible Unsecured Loan Stock 2018 (2010 – £nil borrowings).

Credit risk

This is the risk of failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

The risk is not considered to be significant, and is actively managed as follows:

– investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, the Custodian carries out a stock reconciliation to third party administrators' records on a monthly basis to ensure discrepancies are picked up on a timely basis. The Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's Risk Management Committee. This review will also include checks on the maintenance and security of investments held;

– cash is held only with reputable banks with high quality external credit enhancements.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 August was as follows:

Current assets	2011 Balance Sheet £'000	2011 Maximum exposure £'000	2010 Balance Sheet £'000	2010 Maximum exposure £'000
Loans and receivables	2,795	2,795	910	910
Cash at bank and in hand	6,930	6,930	4,525	4,525
	9,725	**9,725**	**5,435**	**5,435**

None of the Company's financial assets is past due or impaired.

Maturity of financial liabilities

The maturity profile of the Company's financial liabilities at 31 August was as follows:

	2011 £'000	2010 £'000
In less than one year	–	–
In more than one year	55,750	–
	55,750	**–**

20. Fair value hierarchy

The Company adopted the amendments to FRS 29 'Financial Instruments: Disclosures' effective from 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at the Balance Sheet date as follows:

As at 31 August 2011	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	**541,239**	**–**	**–**	**541,239**

As at 31 August 2010	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	**467,876**	**–**	**–**	**467,876**

a) Quoted equities

The fair value of the Company's investments in quoted equities have been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

Marketing Strategy

Edinburgh Dragon Trust plc contributes to the marketing programme run by the Aberdeen Group ("AAM") on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by AAM. This contribution is reviewed annually.

The purpose of the programme is to communicate effectively with existing shareholders and gain more new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor Relations Programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Group Schemes

AAM runs a group Share Plan and ISA. These schemes allow investment free of dealing costs and, with only nominal exit charges, have proved popular with private investors.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by AAM, is distributed free of charge.

Public Relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The Marketing Programme is under the direction of AAM's Group Head of Marketing who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The AAM Investment Trust website contains details of closed funds and investment companies managed or advised by the Aberdeen Group.

Edinburgh Dragon Trust plc has its own dedicated website at: www.edinburghdragon.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

It is intended that ongoing programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to the close monitoring of the Programme. The Group Head of Marketing reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone AAM Customer Services Department (direct private investors) on 0500 00 00 40. Alternatively, internet users may e-mail AAM at inv.trusts@aberdeen-asset.com or write to AAM at Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

How to Invest in Edinburgh Dragon Trust plc

How to Invest

Investors can buy and sell shares 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 and Aberdeen's Investment Trust Share Plan, Investment Trust ISA or ISA Transfer.

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 Edinburgh Dragon Trust plc. 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 Edinburgh Dragon Trust plc 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 £10,680 in Edinburgh Dragon Trust plc can be made in the tax year 2011/12.

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 management 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 previous tax year investments to us which can be invested in Edinburgh Dragon Trust plc while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is 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.

Trust Information

If investors would like details of Edinburgh Dragon Trust plc or information on the Children's Plan, Share Plan, ISA or ISA Transfers please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB or e-mail inv.trusts@aberdeen-asset.com. Details are also available on www.invtrusts.co.uk

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

Keeping You Informed

The Company's share price appears daily in the Financial Times and the Daily Telegraph.

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

Contact Us

For information on Edinburgh Dragon Trust plc and for any administrative queries relating to the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex
CM99 2DB
Telephone: 0500 00 00 40

Alternatively, if you have an administrative query which relates to a certificated holding, please contact the Registrar, as follows:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0871 384 2499
Fax: 0871 384 2100
Shareview Enquiry Line: 0871 384 2020
Textel/hard of hearing: 0871 384 2255

(Lines are open 8.30 am to 5.30 pm Monday to Friday. Calls to the above numbers will be charged at 8p per minute from a BT Landline. Other telephony providers' costs may vary.)

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority.

Glossary of Terms and Definitions

Actual Gearing
Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds.

Asset Cover
The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

Discount
The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Cover
Earnings per share divided by dividends per share expressed as a ratio.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Net Asset Value
The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

Potential Gearing
Total Assets including all debt being used for investment purposes divided by shareholders' funds.

Premium
The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Price/Earnings Ratio
The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

Prior Charges
The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

Total Assets
Total Assets less current liabilities (before deducting prior charges as defined above).

Total Expense Ratio
Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.

Total Return
Total Return involves reinvesting the net dividend in the month that the share price goes xd. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Winding-up Date
The date specified in the Articles of Association for winding-up a company.

Notice of Annual General Meeting

Notice is hereby given that the twenty-fourth Annual General Meeting of Edinburgh Dragon Trust plc will be held at 40 Princes Street, Edinburgh on 7 December 2011 at 12 noon to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 13 inclusive will be proposed as ordinary resolutions and resolutions 14 to 16 inclusive will be proposed as special resolutions:

1. To receive the reports of the Directors and auditor and the audited financial statements for the year to 31 August 2011.
2. To approve the Directors' Remuneration Report for the year to 31 August 2011.
3. To approve payment of a final dividend of 3.2p per Ordinary share.
4. To re-elect Mr McKenzie as a Director of the Company
5. To re-elect Mr Gairns as a Director of the Company.
6. To re-elect Mr Lowrie as a Director of the Company.
7. To re-elect Mr Maynard as a Director of the Company.
8. To re-elect Mr McLaren as a Director of the Company.
9. To re-elect Mr Watt as a Director of the Company.
10. To re-appoint KPMG Audit Plc as auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
11. To authorise the Directors to determine the remuneration of the auditor for the year to 31 August 2012.
12. To increase the limit on the aggregate fees paid to Directors contained in clause 81 of the Company's Articles of Association to £250,000.
13. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("securities") up to an aggregate nominal amount of £13,089,757, such authority to expire on 28 February 2013 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
14. That, subject to the passing of resolution 13 in the notice convening the meeting at which this resolution is to be proposed ("the notice of meeting") and in substitution for all existing powers, the Directors be and are hereby generally empowered pursuant to Section 570 of Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 (1) of the Act) for cash pursuant to the authority under Section 551 of the Act conferred by resolution 13 in the notice of meeting as if Section 561 of the Act did not apply to any such allotment, up to an aggregate nominal amount of £13,089,757, provided that this power shall be limited:

    (i) to the allotment of equity securities in connection with any issue in favour of the holders of Ordinary shares on the register on a date fixed by the Directors where the equity securities respectively attributable to the interests of all the holders of Ordinary shares are proportionate (as nearly as practicable) to the respective numbers of Ordinary shares held by them on that date, provided that the Directors may make such exclusions or other arrangements as they may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and

    (ii) to the allotment (otherwise than pursuant to paragraph (i) of this resolution) of equity securities up to an aggregate nominal amount of £1,963,464, being 5% of the nominal value of the existing issued share capital of the Company;

    and shall expire on 28 February 2013 or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

15. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 20p each in the capital of the Company ("shares") provided that:
    (i) the maximum aggregate number of shares hereby authorised to be purchased is 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
    (ii) the minimum price which may be paid for a share shall be 20p (exclusive of expenses);
    (iii) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and
    (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 28 February 2013 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.
16. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution.

By order of the Board
Aberdeen Asset Managers Limited
Secretary
7 November 2011

Registered office:
40 Princes Street
Edinburgh EH2 2BY

Notes:

(i) A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share.

(ii) A form of proxy for use by shareholders is enclosed with these accounts. Completion and return of the form of proxy will not prevent any shareholder from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority at the address stated thereon, so as to be received not less than 48 hours (excluding non-working days) before the time of the meeting.

(iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than 6.00pm on Monday 5 December 2011 (or, in the event that the Meeting is adjourned, at 6.00pm on the day which is two business days before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting referred to above.

(iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(viii) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes i) and ii) above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.

(ix) No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting.

(x) As at close of business on 31 October 2011 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 196,346,350 Ordinary shares of 20p each. The total number of voting rights in the Company as at 31 October 2011 was 196,346,350.

(xi) Any person holding 3% or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

(xii) Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

(xiii) The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: The Company Secretary, Edinburgh Dragon Trust plc, 40 Princes Street, Edinburgh EH2 2BY.

(xiv) Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website, www.edinburghdragon.co.uk.

(xv) Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

b) the answer has already been given on a website in the form of an answer to a question; or

c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(xvi) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

(xvii) There are special arrangements for holders of shares through the Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Corporate Information

Directors
Allan McKenzie (Chairman)
Frank Frame
David Gairns
Tony Lowrie
Peter Maynard
Iain McLaren
Iain Watt

Registered Office
40 Princes Street
Edinburgh EH2 2BY
Telephone: 0131 528 4000
Website: www.edinburghdragon.co.uk

Manager and Secretary
Aberdeen Asset Managers Limited
(a subsidiary of Aberdeen Asset Management PLC which is authorised and regulated by the Financial Services Authority)

40 Princes Street
Edinburgh EH2 2BY
Telephone: 0131 528 4000
Website: www.aberdeen-asset.com

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2499
Website: www.equiniti.com

Custodian/Banker
BNP Paribas Securities Services
55 Moorgate
London EC2R 6PA

Auditor
KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Company Broker
Winterflood Securities
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Company Registration Number
SC 106049

Summary of Capital History

Issued Share Capital and Borrowings at 31 August 2011

196,346,350	Ordinary shares of 20p
£59,891,013	3.5% Convertible Unsecured Loan Stock 2018 (CULS) nominal

Capital History

Year to 31 August 2011	In January 2011, the Company issued £60 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS). In August 2011, 35,131 Ordinary shares were issued following elections by CULS holders to convert £108,987 nominal of CULS.
Year to 31 August 2010	Following the Tender Offer for up to 15% of the Ordinary shares of the Company at a discount of 3 per cent. to Formula Asset Value, 15% of the Ordinary shares (34,643,156 shares) were repurchased for cancellation at the repurchase price of 197.2794p per share.
Year to 31 August 2009	No changes
Year to 31 August 2008	6,122,500 Ordinary shares were repurchased for cancellation at prices ranging from 131.75p to 164.25p
Year to 31 August 2007	200,000 Ordinary shares were repurchased for cancellation at prices ranging from 135.0p to 142.5p
Year to 31 August 2006	No changes
Year to 31 August 2005	Final conversion of 10,508,903 warrants 2005 into shares.
2001 to 31 August 2004	191,369 warrants 2005 were converted into Ordinary shares in the period up to 31 August 2004.
1993 - 2000	During the period 1995 -1996 the Company issued 841,571 Ordinary shares at a premium to the NAV. All of the 5,864,444 warrants 1996 were converted in the period up to 31 January 1996, the final conversion date. 230,171 warrants 2005 were converted into Ordinary shares in the period to 31 January 2000. The Company repurchased for cancellation 8,426,394 warrants 2005 in 1997 and 499,624 warrants 2005 in 2000. During the period 1998 - 2000 the Company repurchased 43,760,874 Ordinary shares for cancellation at prices ranging from 39.5p to 75.0p.
1987 - 1993	The Company was launched in 1987 with a share capital of 120,000,000 Ordinary 5p shares and 24,000,000 warrants 1996. In 1989, following a placing and open offer, 192,000,000 Ordinary 5p shares and 38,400,000 warrants 2005 were issued. In April 1993, following the acquisition Drayton Asia Trust plc, the Company issued 740,002,520 Ordinary shares and 42,086,268 warrants 2005. During the period 1987-1993, 542,223 warrants 1996 and 1,060,423 warrants 2005 were converted into Ordinary shares. In November 1993, following a four for one consolidation, the Company's issued share capital was 263,401,291 Ordinary 20p shares, 5,864,444 warrants 1996 and 19,856,461 warrants 2005.

Aberdeen