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## Edinburgh Dragon Trust plc

Interim Report

Six months ended 28 February 2010



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## Highlights and Financial Calendar

### Financial Highlights

	28 February 2010	31 August 2009	% change
Total equity shareholders' funds (£'000)	<b>416,416</b>	414,074	+0.6
Net asset value per share	<b>212.1p</b>	179.3p	+18.3
Share price (mid-market)	<b>191.0p</b>	167.4p	+14.1
Discount to net asset value	<b>9.9%</b>	6.6%	
MSCI All Country Asia (ex Japan) Index (in sterling terms)	<b>561.7</b>	481.7	+16.6

### Performance (total return\*)

	Six months ended 28 February 2010	Year ended 31 August 2009
Share price per share	<b>+15.1%</b>	+16.4%
Net asset value per share	<b>+19.3%</b>	+11.1%
MSCI All Country Asia (ex Japan) Index (in sterling terms)	<b>+17.4%</b>	+9.0%

\* Capital return plus dividends reinvested

### Financial Calendar

<b>30 April 2010</b>	Announcement of interim results for the six months ended 28 February 2010
<b>October 2010</b>	Announcement of annual results for year ending 31 August 2010
<b>December 2010</b>	Annual General Meeting
<b>December 2010</b>	Final Ordinary dividend payable for year ending 31 August 2010

# Interim Board Report

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## Background

I am pleased to report that the Company's net assets for the six months ended 28 February 2010 rose by 19.3% in sterling terms on a total return basis, outperforming the MSCI All Country Asia (ex Japan) Index, which rose 17.4%. During the six months, the share price gained 15.1%, reflecting an expansion of the discount from 6.6% to 9.9%.

## Overview

Asian stockmarkets continued to rise, albeit at a more moderate pace during the period under review than in the preceding six months, when there was a rapid rebound.

Regional economies strengthened steadily. Upbeat fourth-quarter GDP data, buttressed by low interest rates and extensive government stimulus, underscored Asia's continued leadership in the global economic recovery. Among the noteworthy performers were populous nations such as Indonesia and India. With the economic recovery have come inflationary pressures, although this has yet to degenerate into a widespread problem. Liquidity injections and loose monetary conditions resulted in localised pockets of fast rising prices, particularly in the real estate markets of China, Hong Kong and Singapore. For the time being, rising prices do not pose a threat to economic growth. It should be noted that for the developed world, deflation remains a major threat and to a degree rising inflation around the region should be considered a sign of success.

While improving economic conditions, and still-ample liquidity, were generally supportive, Asian markets appeared more hesitant towards the period-end as nervous investors looked for reasons to take profits. Examples included heightened anxiety over government action to prick asset bubbles, especially in China, concerns over when governments would start dismantling the various emergency support measures and the potential impact of these policy reversals on the nascent recovery.

## Portfolio

Stock selection and asset allocation both contributed positively to the Company's relative outperformance. The portfolio's underweight position in China provided the largest relative contribution, as worries over asset bubbles, primarily in the property sector, and the potential impact on the financial sector hurt investor sentiment. Your Manager remains cautious about direct investment in Chinese companies, preferring to gain exposure to China through well-established Hong Kong-domiciled companies that have business interests on the mainland. Other markets that contributed to overall performance included India and Singapore, where your Manager has maintained overweight positions. These markets continued to attract more attention than others, given the steady improvement in economic

conditions and generally upbeat corporate results that either met or exceeded investors' expectations.

At the stock level, holdings that contributed most to the Company's outperformance included those in the technology sector amid a rebound in demand, particularly from inventory restocking. This included Hong Kong-listed ASM Pacific Technology, a semiconductor equipment manufacturer. Companies that are leveraged to domestic consumption also excelled, such as Indian motorcycle maker Hero Honda, one of the world's largest producers of two-wheelers, and Unilever Indonesia, a dominant fast-moving consumer goods company. Most of the Company's holdings posted steady results, with Hero Honda, in particular, reporting good top-line growth. Also notable among the top performers was Singapore's ST Engineering, a company with defensive characteristics of strong fundamentals, diversified sources of revenue and stable long-term growth potential. Having been a laggard during the swift run-up in the previous period, steady contract wins and a more discerning market have helped boost its share price.

Turning to portfolio activity, your Manager divested from Singapore-listed conglomerate Fraser and Neave, in view of better investment opportunities elsewhere. Also sold was Singapore-listed SATS, shares of which the Company had received as an in specie distribution from Singapore Airlines. Other less significant trades included the paring of various positions in India, on the back of strong relative performance, and ahead of the Company's tender offer. These included ABB India, HDFC and GAIL. Against this, there were several top ups, mostly taking advantage of relative price weakness. Amongst these were the telecoms, Singapore Telecommunications and Taiwan Mobile, both of which had lagged their respective markets due largely to the defensive nature of their businesses.

## Revenue account

For the six months to 28 February 2010 the revenue account recorded a deficit of £427,000, representing (0.19p) per share compared with a return of £216,000 for the six months to 28 February 2009. However, since the majority of the Company's portfolio income, in line with the majority of Asian dividend income, is accounted for in the second half of the Company's financial year, the Company is expected to make a positive revenue return for the 12 months to 31 August 2010.

## Gearing

The Board has a gearing facility in place via a £40 million multi-currency loan facility with the Royal Bank of Scotland. To date the Company has not drawn on this facility due for renewal at the end of September this year. The Board will

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seek to replace this facility, subject to acceptable terms being received.

#### Events during the period

At the Company's Annual General Meeting on 9 December 2009, all resolutions, including the continuation vote, were passed. A final dividend of 1.61p was paid to shareholders on 11 December 2009. On 15 December 2009, the Company issued a circular to Shareholders setting out details of a Tender Offer for up to 15 per cent. of the Company's issued Shares at a discount of 3 per cent. to Formula Asset Value. A special resolution authorising the Company to buy back up to 34,643,156 ordinary shares in connection with the Tender Offer was passed at a General Meeting of the Company on 15 January 2010. A total of 62,862,548 shares were validly tendered under the Tender Offer. As a result, the Basic Entitlement of all shareholders who validly tendered their shares was accepted in full and excess tenders were satisfied to the extent of approximately 39.82 per cent. of the excess shares tendered. 34,643,156 Shares were repurchased by the Company at the Repurchase Price of 197.2794 pence per share and cancelled; this equated to 15 per cent. of the Company's shares in issue at 10 November 2009. Following the implementation of the Tender Offer, the Company had 196,311,219 shares in issue.

#### Ongoing management of the Company

The Manager has announced that Peter Hames, their head of Asian equities, and the named manager for the Company, will be leaving Aberdeen later in the year. Peter has made a major contribution to Aberdeen's enviable record in Asia and the Board would like to thank him for his efforts with regard to the Company over the past almost three years and wish him well for the future.

The Board has been actively engaged with the Manager in agreeing a succession plan to take on Peter's responsibilities with regard to the Company. We are pleased to report that Andrew Gillan has been appointed as the named manager, with Adrian Lim named as his deputy with regard to the Company. The naming of a deputy is an innovation for the Company and one the Board feels will allow investors to be better exposed to the depth of capability in Aberdeen's Asian team in Singapore. Andrew has been with Aberdeen in the region for nine years and is one of their most experienced senior managers. Adrian also has considerable experience, having also been with Aberdeen in the region for nine years. Both have considerable experience in working with investment trusts.

In approving these changes, the Board recognises the proven strength of Aberdeen's collective, team-based, investment approach over many years and many market cycles. Extensive and regular company contact is at the heart of an

investment process. They never invest in a company without having first met the management. Company visits are rotated amongst the Asian equity investment management team of over 30 investment professionals, led by Hugh Young.

#### Outlook

The near-term outlook for Asian equities remains uncertain. Despite the recent upswing in regional growth, exports to Western markets remain important for Asian economies. A sustained recovery is to a large degree still dependent on how quickly the debt-ridden West recovers. The signs are far from encouraging, with the process of repairing balance sheets expected to be long and painful.

Also, much of the pick-up in growth in Asia has been driven by government stimulus and accommodative monetary policy. There is a growing need to normalise these policies or face the risk of creating future asset bubbles, but this must be implemented without harming the incipient recovery. Timing the exit strategy will be crucial.

Fortunately, most Asian economies are on a stronger footing than they were during the Asian financial crisis of the late 90s, and hence appear relatively well insulated from potential setbacks. Given the current backdrop, the Board continues to endorse the Manager's well-tested strategy of picking and holding well-managed companies with sound businesses, resilient balance sheets and a keen regard for minority shareholders. We are confident that your Manager's adherence to its disciplined investment process will ensure that the portfolio continues to deliver consistent results over the long term.

#### Principal Risks and Uncertainties

The Board has adopted a matrix of the key risks that affect the company's business. The principal risks are as follows:

- 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'), a subsidiary of Aberdeen Asset Management PLC, 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 may involve a greater degree of risk than that usually associated with investment in the Western 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 issuers 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 keeps under review the investment policy of the Company, taking account of stockmarket factors, and compares the Company's performance to the MSCI All Country Asia (ex-Japan) benchmark index and peer group.

- **Currency risk:** The Company accounts for its activities and reports its results in sterling while its investment portfolio is invested in overseas securities. Accordingly, the movement of exchange rates between sterling and the other currencies in which the Company's investments are denominated or its borrowings are drawn down may have a material effect, unfavourable as well as favourable, on the returns otherwise experienced on the investments made by the Company. It is not the Company's policy to hedge this risk on a continuing basis but the Company may match specific overseas investments with foreign currency borrowings.
- **Gearing risk:** The Company has a £40 million multi-currency loan facility. Gearing has the effect of exacerbating market falls and enhancing 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 section 842 of the Income and Corporation Taxes Act 1988, 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 buyback shares within certain limits.

The Company has established a comprehensive framework for managing these risks which is evolving continually as the Company's investment activities change in response to market developments.

### Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement *Half-yearly financial reports* issued by the UK Accounting Standards Board;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For Edinburgh Dragon Trust plc

### **Allan McKenzie**

Chairman

29 April 2010

# Investment Portfolio

As at 28 February 2010

Company	Sector	Country	Valuation £'000	Total assets %
Swire Pacific 'B'	Real Estate Management & Development	Hong Kong	17,691	4.3
Oversea-Chinese Banking Corporation	Commercial Banks	Singapore	17,437	4.2
Samsung Electronics Pref	Semiconductors & Semiconductor Equipment	South Korea	17,117	4.1
Jardine Strategic Holdings	Industrial Conglomerates	Hong Kong	16,839	4.0
Standard Chartered	Commercial Banks	Hong Kong	15,057	3.6
Singapore Technologies Engineering	Aerospace & Defence	Singapore	14,532	3.5
Infosys Technologies	IT Services	India	14,457	3.5
Unilever Indonesia	Household Products	Indonesia	14,429	3.5
HDFC	Thriffs & Mortgage Finance	India	14,249	3.4
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	14,159	3.4
<b>Ten largest investments</b>			<b>155,967</b>	<b>37.5</b>
China Mobile	Wireless Telecommunication Services	China	13,278	3.2
CNOOC	Oil, Gas & Consumable Fuels	China	13,139	3.2
United Overseas Bank	Commercial Banks	Singapore	13,051	3.1
PTT Exploration & Production	Oil, Gas & Consumable Fuels	Thailand	13,008	3.1
City Developments	Real Estate Management & Development	Singapore	12,964	3.1
Taiwan Semiconductor Manufacturing Company	Semiconductors & Semiconductor Equipment	Taiwan	12,624	3.0
Hero Honda	Automobiles	India	11,397	2.7
Siam Cement	Construction Materials	Thailand	10,657	2.6
Grasim Industries	Construction Materials	India	10,182	2.5
Public Bank Berhad	Commercial Banks	Malaysia	9,184	2.2
<b>Twenty largest investments</b>			<b>275,451</b>	<b>66.2</b>
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	8,849	2.1
Sun Hung Kai Properties	Real Estate Management & Development	Hong Kong	8,194	2.0
ASM Pacific Technologies	Semiconductors & Semiconductor Equipment	Hong Kong	8,051	1.9
Shinsegae Company	Food & Staples Retailing	South Korea	7,924	1.9
Dairy Farm International	Food & Staples Retailing	Hong Kong	7,704	1.9
Hang Lung Group	Real Estate Management & Development	Hong Kong	6,773	1.6
Singapore Airlines	Airlines	Singapore	6,747	1.6
PetroChina	Oil, Gas & Consumable Fuels	China	6,725	1.6
Hang Lung Properties	Real Estate Management & Development	Hong Kong	6,272	1.5
CIMB Group	Commercial Banks	Malaysia	6,027	1.5
<b>Thirty largest investments</b>			<b>348,717</b>	<b>83.8</b>
John Keells Holdings	Industrial Conglomerates	Sri Lanka	6,007	1.4
Ayala Land	Real Estate Management & Development	Philippines	5,796	1.4
ICICI Bank	Commercial Banks	India	5,716	1.4
Wing Hang Bank	Commercial Banks	Hong Kong	5,550	1.3
Bank of Philippine Islands	Commercial Banks	Philippines	4,966	1.2
British American Tobacco	Tobacco	Malaysia	4,858	1.2
ABB India	Electrical Equipment & Instruments	India	4,760	1.1
Venture Corp	Electronic Equipment & Instruments	Singapore	4,733	1.1
Daegu Bank	Commercial Banks	South Korea	4,678	1.1
Busan Bank	Commercial Banks	South Korea	4,557	1.1
<b>Forty largest investments</b>			<b>400,338</b>	<b>96.1</b>
Gail (India)	Gas Utilities	India	3,835	0.9
Dah Sing Banking	Commercial Banks	Hong Kong	3,052	0.7
DFCC Bank	Commercial Banks	Sri Lanka	2,029	0.5
<b>Total investments</b>			<b>409,254</b>	<b>98.3</b>
<b>Net current assets</b>			<b>7,162</b>	<b>1.7</b>
<b>Total assets</b>			<b>416,416</b>	<b>100.0</b>

# Income Statement

	Six months ended 28 February 2010 (unaudited)			Six months ended 28 February 2009 (unaudited)			Year ended 31 August 2009 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	–	75,524	75,524	–	(91,650)	(91,650)	–	36,147	36,147
Net currency gains/(losses)	–	15	15	–	(306)	(306)	–	(1,502)	(1,502)
Income (note 2)	2,654	–	2,654	3,735	–	3,735	12,028	–	12,028
Investment management fee	(2,172)	–	(2,172)	(1,415)	–	(1,415)	(3,393)	–	(3,393)
Administrative expenses	(666)	–	(666)	(561)	–	(561)	(1,152)	–	(1,152)
<b>Net return before finance costs and taxation</b>	<b>(184)</b>	<b>75,539</b>	<b>75,355</b>	<b>1,759</b>	<b>(91,956)</b>	<b>(90,197)</b>	<b>7,483</b>	<b>34,645</b>	<b>42,128</b>
Interest payable and similar charges	(65)	–	(65)	(1,444)	–	(1,444)	(1,513)	–	(1,513)
<b>Return on ordinary activities before taxation</b>	<b>(249)</b>	<b>75,539</b>	<b>75,290</b>	<b>315</b>	<b>(91,956)</b>	<b>(91,641)</b>	<b>5,970</b>	<b>34,645</b>	<b>40,615</b>
Taxation	(178)	–	(178)	(99)	–	(99)	(633)	–	(633)
<b>Return on ordinary activities after taxation</b>	<b>(427)</b>	<b>75,539</b>	<b>75,112</b>	<b>216</b>	<b>(91,956)</b>	<b>(91,740)</b>	<b>5,337</b>	<b>34,645</b>	<b>39,982</b>
<b>Return per Ordinary share (pence)(note 4)</b>	<b>(0.19)</b>	<b>33.94</b>	<b>33.75</b>	<b>0.09</b>	<b>(39.81)</b>	<b>(39.72)</b>	<b>2.31</b>	<b>15.00</b>	<b>17.31</b>

The total columns of this statement represent the profit and loss account of the Company.

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

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

# Balance Sheet

	Notes	As at 28 February 2010 (unaudited) £'000	As at 28 February 2009 (unaudited) £'000	As at 31 August 2009 (audited) £'000
<b>Non-current assets</b>				
Investments at fair value through income statement		409,254	275,216	410,773
<b>Current assets</b>				
Debtors and prepayments		767	880	1,371
Cash and short term deposits		7,925	7,929	3,308
		8,692	8,809	4,679
<b>Creditors: amounts falling due within one year</b>				
Other creditors		(1,530)	(1,673)	(1,378)
<b>Net current assets</b>		7,162	7,136	3,301
<b>Net assets</b>		<b>416,416</b>	<b>282,352</b>	<b>414,074</b>
<b>Capital and reserves</b>				
Called-up share capital		39,262	46,190	46,190
Share premium account		4,285	4,285	4,285
Special reserve		6,718	75,770	75,770
Capital redemption reserve		16,945	10,017	10,017
Capital reserve		344,430	142,290	268,891
Revenue reserve		4,776	3,800	8,921
<b>Equity shareholders' funds</b>		<b>416,416</b>	<b>282,352</b>	<b>414,074</b>
<b>Net asset value per Ordinary share (pence)</b>	7	<b>212.12</b>	<b>122.26</b>	<b>179.29</b>

## Reconciliation of Movements in Shareholders' Funds

### Six months ended 28 February 2010 (unaudited)

	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	–	–	–	–	75,539	(427)	75,112
Dividend paid	–	–	–	–	–	(3,718)	(3,718)
Tender offer of own shares	(6,928)	–	(69,052)	6,928	–	–	(69,052)
<b>Balance at 28 February 2010</b>	<b>39,262</b>	<b>4,285</b>	<b>6,718</b>	<b>16,945</b>	<b>344,430</b>	<b>4,776</b>	<b>416,416</b>

### Six months ended 28 February 2009 (unaudited)

	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 2008	46,190	4,285	75,770	10,017	234,246	7,279	377,787
Return on ordinary activities after taxation	–	–	–	–	(91,956)	216	(91,740)
Dividend paid	–	–	–	–	–	(3,695)	(3,695)
<b>Balance at 28 February 2009</b>	<b>46,190</b>	<b>4,285</b>	<b>75,770</b>	<b>10,017</b>	<b>142,290</b>	<b>3,800</b>	<b>282,352</b>

### Year ended 31 August 2009 (audited)

	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 2008	46,190	4,285	75,770	10,017	234,246	7,279	377,787
Return on ordinary activities after taxation	–	–	–	–	34,645	5,337	39,982
Dividend paid	–	–	–	–	–	(3,695)	(3,695)
<b>Balance at 31 August 2009</b>	<b>46,190</b>	<b>4,285</b>	<b>75,770</b>	<b>10,017</b>	<b>268,891</b>	<b>8,921</b>	<b>414,074</b>

# Cash Flow Statement

	Six months ended 28 February 2010 (unaudited) £'000	Six months ended 28 February 2009 (unaudited) £'000	Year ended 31 August 2009 (audited) £'000
Net return on ordinary activities before finance costs and taxation	75,355	(90,197)	42,128
Adjustments for:			
(Gains)/losses on investments	(75,524)	91,650	(36,147)
Currency (gains)/losses	(15)	306	1,502
Decrease/(increase) in accrued income	689	343	(109)
(Increase)/decrease in other debtors	(76)	(19)	7
Increase/(decrease) in creditors	45	(188)	124
<b>Net cash inflow from operating activities</b>	<b>474</b>	<b>1,895</b>	<b>7,505</b>
Net cash outflow from servicing of finance	(66)	(1,959)	(2,030)
Total tax paid	(122)	(52)	(505)
Net cash inflow from financial investment	77,030	13,419	4,908
Equity dividend paid	(3,718)	(3,695)	(3,695)
<b>Net cash inflow before financing</b>	<b>73,598</b>	<b>9,608</b>	<b>6,183</b>
Tender offer of own shares (including expenses)	(68,996)	–	–
<b>Increase in cash</b>	<b>4,602</b>	<b>9,608</b>	<b>6,183</b>
<b>Reconciliation of net cash flow to movements in net funds</b>			
Increase in cash as above	4,602	9,608	6,183
Exchange movements	15	(306)	(1,502)
<b>Movement in net funds in the period</b>	<b>4,617</b>	<b>9,302</b>	<b>4,681</b>
Opening net funds/(debt)	3,308	(1,373)	(1,373)
<b>Closing net funds</b>	<b>7,925</b>	<b>7,929</b>	<b>3,308</b>
<b>Represented by:</b>			
Cash and short term deposits	7,925	7,929	3,308

# Notes to the Accounts

## 1. Accounting policies

The accounts have been prepared in accordance with applicable UK Accounting Standards, with pronouncements on half-yearly reporting issued by the Accounting Standards Board and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009. The adoption of the January 2009 SORP had no effect on the financial statements of the Company, other than the requirement to separately disclose capital reserves that relate to the revaluation of investments held at the reporting date. These are disclosed in note 6. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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

The half-yearly financial statements have been prepared using the same accounting policies as the preceding annual accounts.

	Six months ended 28 February 2010 £'000	Six months ended 28 February 2009 £'000	Year ended 31 August 2009 £'000
<b>2. Income</b>			
<b>Income from investments</b>			
UK dividend income	2	3	364
Overseas dividends	2,332	3,335	11,252
Scrip dividends	313	–	10
	2,647	3,338	11,626
<b>Other income</b>			
Deposit interest	7	397	402
<b>Total income</b>	<b>2,654</b>	<b>3,735</b>	<b>12,028</b>

3. The taxation charge for the period represents withholding tax suffered on overseas dividend income.

	Six months ended 28 February 2010 p	Six months ended 28 February 2009 p	Year ended 31 August 2009 p
<b>4. Return per Ordinary share</b>			
Revenue return	(0.19)	0.09	2.31
Capital return	33.94	(39.81)	15.00
<b>Total return</b>	<b>33.75</b>	<b>(39.72)</b>	<b>17.31</b>

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	(427)	216	5,337
Capital return	75,539	(91,956)	34,645
<b>Total return</b>	<b>75,112</b>	<b>(91,740)</b>	<b>39,982</b>

Weighted average number of Ordinary shares in issue	<b>222,532,834</b>	<b>230,954,375</b>	<b>230,954,375</b>
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## 5. Transaction costs

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

	Six months ended 28 February 2010 £'000	Six months ended 28 February 2009 £'000	Year ended 31 August 2009 £'000
Purchases	28	85	88
Sales	236	131	194
	<b>264</b>	<b>216</b>	<b>282</b>

## 6. Capital reserves

The capital reserve reflected in the Balance Sheet at 28 February 2010 includes gains of £179,932,000 (28 February 2009 – £12,168,000; 31 August 2009 – £136,809,000) which relate to the revaluation of investments held at the reporting date.

## 7. Net asset value

The net asset value per share and the net assets attributable to the Ordinary shareholders at the period end were as follows:

	As at 28 February 2010	As at 28 February 2009	As at 31 August 2009
Net assets attributable (£'000)	<b>416,416</b>	<b>282,352</b>	<b>414,074</b>
Net asset value per share (pence)	<b>212.12</b>	<b>122.26</b>	<b>179.29</b>

The net asset value per Ordinary share is based on net assets and on 196,311,219 (28 February 2009 – 230,954,375; 31 August 2009 – 230,954,375) Ordinary shares, being the number of Ordinary shares in issue at the period end.

8. There will be no interim dividend for the year to 31 August 2010; the objective of the Company is long term capital appreciation.

## 9. Called-up share capital

As at 28 February 2010 there were 196,311,219 (28 February 2009 – 230,954,375; 31 August 2009 – 230,954,375) Ordinary shares in issue. During the six months to 28 February 2010 the Company announced a Tender Offer for up to 15% of the Ordinary shares of the Company, which resulted in 15% being tendered (34,643,156 Ordinary shares). As a result, 15% of the assets of the Company (valued at £68,343,809) was distributed to exiting Ordinary shareholders. The costs of the Tender Offer were wholly incurred by the exiting Ordinary shareholders. The buyback of the Ordinary shares under the Tender Offer has been accounted for through the special reserve which was created in 1998 following court approval of the cancellation of the share premium account. During the six months ended 28 February 2009 and the year ended 31 August 2009 no Ordinary shares were bought back.

## 10. Half-Yearly Financial Report

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 28 February 2010 and 28 February 2009 has not been audited.

## Notes to the Accounts continued

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The information for the year ended 31 August 2009 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 of the Companies Act 2006.

The auditors have reviewed the financial information for the six months ended 28 February 2010 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The report of the auditors is on page 13.

11. This Half-Yearly Financial Report was approved by the Board on 29 April 2010.

# Independent Review Report to Edinburgh Dragon Trust plc

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## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2010 which comprises the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholder's Funds and Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

The annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement *Half-Yearly Financial Reports* as issued by the UK Accounting Standards Board.

## Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK

and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2010 is not prepared, in all material respects, in accordance with the Statement *Half-Yearly Financial Reports* as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

## Richard Hinton

for and on behalf of KPMG Audit Plc  
*Chartered Accountants*  
Edinburgh  
29 April 2010

# How to Invest in Edinburgh Dragon Trust plc

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## Direct

Investors can buy and sell shares in Edinburgh Dragon Trust plc directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser.

Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan, Investment Trust ISA and Investment Trust Pension.

## Aberdeen's Investment Plan for Children

Aberdeen Asset Managers ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including 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 £10,200 in Edinburgh Dragon Trust plc can be made in the tax year 2010/2011.

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

current legislation, investments in ISAs can grow free of capital gains tax.

## ISA Transfer

You can choose to transfer 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 a 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 and PEPs, 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, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP or e-mail at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com). Details are also available on [www.invtrusts.co.uk](http://www.invtrusts.co.uk)

## Keeping you Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times, and other national newspapers.

For internet users, detailed data on Edinburgh Dragon Trust plc, including price, performance information and a monthly fact sheet is available from the Trust's website ([www.edinburghdragon.co.uk](http://www.edinburghdragon.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). Alternatively you can call 0500 00 00 40 for trust information.

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.

# Corporate Information

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## **Directors**

Allan McKenzie, Chairman  
Frank Frame  
David Gairns  
Anthony Lowrie  
Peter Tyrie  
Iain Watt

## **Website**

[www.edinburghdragon.co.uk](http://www.edinburghdragon.co.uk)

## **Manager and Secretary**

Aberdeen Asset Managers Limited  
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## **Registrars**

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(<sup>1</sup>Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary)





**Mixed Sources**

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forests and other controlled sources  
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