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Edinburgh Dragon Trust plc

Half Yearly Report
Six months ended 28 February 2011

Aberdeen

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Highlights and Financial Calendar

Financial Highlights

	28 February 2011	31 August 2010	% change
Total equity shareholders' funds (£'000)	**490,650**	471,324	+4.1
Net asset value per share	**249.9p**	240.1p	+4.1
Share price (mid-market)	**224.9p**	219.0p	+2.7
Discount to net asset value	**10.0%**	8.8%	
MSCI All Country Asia (ex Japan) Index (in sterling terms)	**620.1**	583.9	+6.2

Performance (total return*)

	Six months ended 28 February 2011	Year ended 31 August 2010
Share price per share	**+3.5%**	+32.0%
Net asset value per share	**+4.8%**	+35.0%
MSCI All Country Asia (ex Japan) Index (in sterling terms)	**+6.9%**	+24.2%

* Capital return plus dividends reinvested

Financial Calendar

28 April 2011	Announcement of interim results for the six months ended 28 February 2011
October 2011	Announcement of annual results for year ending 31 August 2011
December 2011	Annual General Meeting
December 2011	Final Ordinary dividend payable for year ending 31 August 2011

Interim Board Report

Background

The Company's net asset value for the six months ended 28 February 2011 rose by 4.8% in sterling terms on a total return basis, underperforming the MSCI All Country Asia (ex Japan) Index, which rose 6.9%. During the six months, the share price gained 2.7%, reflecting an expansion of the discount from 8.8% to 10.0%.

Overview

Strong fund inflows early in the period lifted Asian stockmarkets to new post-crisis highs. While there were some signs of moderation towards the period end, most Asian economies continued to lead the global recovery, with corporate earnings remaining well underpinned. Notably, China's GDP expanded by 10.3% for the year, overtaking Japan to become the second largest economy in the world, while Singapore set a record with its 14.5% GDP growth.

In the latter part of the period, markets hit headwinds as sentiment was dented by a slew of bad news, ranging from the debt crisis in Europe, to fears of more aggressive monetary policy tightening in Asia in response to rising inflation. At the same time, capital inflows were driving domestic currencies higher, thereby eroding export competitiveness. In addition to direct intervention in foreign exchange markets, governments also introduced a variety of targeted policies aimed at negating the ill effects of fund inflows. China, for instance, lifted reserve ratio requirements and introduced fresh measures to cool its property sector. In October, it also raised interest rates for the first time in almost three years. Both Korea and Thailand imposed withholding taxes for bonds.

Political upheaval across Arab nations towards the end of the period triggered a spike in the oil price, adding to inflation worries. These issues precipitated a reversal in fund flows, as investors exited Asia and other emerging markets for developed markets that were considered more able to handle higher oil prices. Generally, markets which had seen the biggest inflows previously saw the biggest outflows. A notable example of this was India, which was one of the poorest performing markets in January and February.

Portfolio

As a result of this shift in market sentiment, your Company's short-term performance was adversely affected even though long-term returns have remained robust. During the six months, South Korea and Singapore were the key detractors, whereas China and Thailand contributed positively to the Company's performance.

The underweight to Korea proved detrimental as the market rallied on hopes that the export–oriented market would benefit from a recovery in US consumer demand, whereas the overweight to Singapore also detracted from relative performance due to the negative impact on overall sentiment of more stringent anti-speculation rules for the real estate sector.

Conversely, the Company's underweight to China added to relative performance because mainland equities were weighed down by the central bank's interest rate hikes and inflationary concerns. Meanwhile, the overweight to Thailand benefited from a marked improvement in market sentiment following the government crackdown on red-shirt protestors, which restored order.

At the stock level, Hero Honda underperformed because of the termination of its joint venture with Japan's Honda Motor and news that the Hero Group would buy out Honda's stake. Short-term worries that demand for its motorcycles would be undermined by interest rate hikes, declining profit margins because of higher input costs, along with the rising price for petrol and vehicles dampened its share price. However, your Manager remains comfortable with this holding, given its long-term prospects. Similarly, Ayala Land in the Philippines also detracted from performance, with its share price held back by local market sentiment even though it reported record annual profits and appears well-positioned for long-term growth.

Among the stronger performers were ASM Pacific Technology and Taiwan Semiconductor (TSMC). Both companies posted strong results and had lagged previously. These technology companies were also seen as potential beneficiaries of an expected recovery in US consumption.

During the review period, two new names were introduced to the portfolio: Li & Fung, one of the world's leading trading companies, and life insurer AIA Group Ltd, American International Group's Asian arm. Li & Fung has an excellent track record of growing organically, as well as via acquisitions, and boasts a top-tier client base. Earlier in the year, it signed a landmark sourcing agreement with US chain Wal-mart. Similarly, AIA Group is well-positioned for long-term growth. Its addition provides a broad exposure to the under-developed life insurance industry in the region. It has strong market positions, with 100% ownership of subsidiaries in most markets in which it operates. Your Manager also invested the proceeds from the Convertible Unsecured Loan Stock (CULS) across several existing positions. The CULS provides the company with long-term structural gearing at an acceptable cost and is in line with the Company's previously stated objective of exploring options to leverage sensibly the Company's capital base.

Revenue Account

For the six months to 28 February 2011 the revenue account recorded a return on ordinary activities after taxation of

£115,000, representing 0.06p per share compared with a deficit of £427,000 for the six months to 28 February 2010. 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.

Gearing

In my last Chairman's statement, I reported that the Board was exploring gearing options, following the expiry of the Company's £40 million multi-currency loan facility in September 2010, including the possibility of extending the Company's capital base. The Board is pleased to report the successful issue of £60 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS) in January 2011. The CULS provides holders with an attractive yield of 3.5% per annum, significantly above the dividend yield on the Ordinary Shares, as well as capital protection through repayment at par and will be covered many times by the assets of the Company. The CULS also provides option value for CULS holders through the ability, semi-annually (commencing 31 July 2011 to 31 January 2018), to convert into new Ordinary Shares over the next seven years at a pre-determined price. The accounting treatment of the CULS resulted in an uplift in the NAV of just under 1%.

Events During the Period

At the Company's Annual General Meeting on 8 December 2010, all resolutions were passed. A final dividend of 1.90p was paid to shareholders on 10 December 2010. On 10 December 2010, the Company announced a Placing and Open offer for up to £50 million nominal of CULS at 100p per £1 nominal. At the General Meeting of the Company held on 11 January 2011 the resolution to approve the issue of £50 million nominal of CULS was passed. Accordingly £50 million nominal of CULS was issued on 12 January 2011 and a further £10 million nominal of CULS were subsequently issued at the end of January 2011.The Company has a total of £60 million nominal of CULS in issue which trades on the London Stock Exchange's main market for listed securities.

Outlook

There has been a significant change in market mood and risk perception since the start of 2011, driven by the confluence of external and local factors. The upheaval across Arab nations in the Middle East and North Africa caused oil prices to rise sharply, adding to the inflationary pressures that were already building in the region. At the same time, the pace of economic growth in Asia has been moderating and this is likely to continue, particularly in light of the aftermath of the tragic earthquake in Japan.

However, the prospects for Asian equities remain good over the longer term because the region's superior economic fundamentals have not changed drastically. Moreover, valuations are still reasonable. Most importantly, your Company's holdings have strong market positions, are financially robust, run by excellent managers, and thus, are well placed to withstand any short-term economic turbulence and the longer-term cycles of slowing growth and rising prices.

Principal Risks and Uncertainties

The principal risks identified by the Board 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 £60 million nominal of CULS in issue. 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 1158 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 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.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the portfolio of readily realisable securities and the ability of the Company to meet all its liabilities and ongoing expenses from its assets.

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
28 April 2011

Investment Portfolio

As at 28 February 2011

Company	Sector	Country	Valuation £'000	Total assets %
Standard Chartered[A]	Commercial Banks	Hong Kong	25,449	4.7
Oversea-Chinese Banking Corporation	Commercial Banks	Singapore	23,841	4.4
Jardine Strategic Holdings	Industrial Conglomerates	Singapore	23,235	4.3
Samsung Electronics Pref	Semiconductors & Semiconductor Equipment	South Korea	22,364	4.1
HDFC	Thrifts & Mortgage Finance	India	21,898	4.0
Infosys Technologies	IT Services	India	20,597	3.8
Swire Pacific 'B'	Real Estate Management & Development	Hong Kong	19,688	3.6
Taiwan Semiconductor Manufacturing Company	Semiconductors & Semiconductor Equipment	Taiwan	19,424	3.6
PTT Exploration & Production	Oil, Gas & Consumable Fuels	Thailand	18,727	3.4
Singapore Technologies Engineering	Aerospace & Defence	Singapore	17,976	3.3
Ten largest investments			**213,199**	**39.2**
City Developments	Real Estate Management & Development	Singapore	17,412	3.2
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	17,292	3.2
CNOOC	Oil, Gas & Consumable Fuels	China	15,855	2.9
China Mobile	Wireless Telecommunication Services	China	15,562	2.8
United Overseas Bank	Commercial Banks	Singapore	15,243	2.8
Siam Cement	Construction Materials	Thailand	15,009	2.7
John Keells Holdings	Industrial Conglomerates	Sri Lanka	11,868	2.2
ASM Pacific Technologies	Semiconductors & Semiconductor Equipment	Hong Kong	11,666	2.1
Hero Honda	Automobiles	India	11,648	2.1
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	11,408	2.1
Twenty largest investments			**356,162**	**65.3**
Public Bank Berhad	Commercial Banks	Malaysia	11,170	2.0
AIA Group	Insurance	Hong Kong	9,778	1.8
Sun Hung Kai Props	Real Estate Management & Development	Hong Kong	9,775	1.8
CIMB Group	Commercial Banks	Malaysia	9,384	1.7
Dairy Farm International	Food & Staples Retailing	Hong Kong	9,279	1.7
Hang Lung Group	Real Estate Management & Development	Hong Kong	9,268	1.7
Grasim Industries	Construction Materials	India	9,225	1.7
PetroChina	Oil, Gas & Consumable Fuels	China	8,728	1.6
Ayala Land	Real Estate Management & Development	Philippines	8,596	1.6
Unilever Indonesia	Household Products	Indonesia	8,533	1.6
Thirty largest investments			**449,898**	**82.5**
Wing Hang Bank	Commercial Banks	Hong Kong	7,850	1.4
Hindustan Unilever	Household Products	India	7,838	1.4
ICICI Bank	Commercial Banks	India	7,396	1.4
Singapore Airlines	Airlines	Singapore	7,220	1.3
Shinsegae Company	Food & Staples Retailing	South Korea	7,204	1.3
Venture Corp	Electronic Equipment & Instruments	Singapore	6,819	1.2
British American Tobacco	Tobacco	Malaysia	6,399	1.2
Li & Fung	Household Products	Hong Kong	6,289	1.2
Bank of Philippine Islands	Commercial Banks	Philippines	6,271	1.1
Hang Lung Properties	Real Estate Management & Development	Hong Kong	5,839	1.1
Forty largest investments			**519,023**	**95.1**
Busan Bank	Commercial Banks	South Korea	5,652	1.0
DFCC Bank	Commercial Banks	Sri Lanka	4,881	0.9
Ultratech	Construction Materials	India	4,826	0.9
Daegu Bank	Commercial Banks	South Korea	4,652	0.9
Dah Sing Banking	Commercial Banks	Hong Kong	3,995	0.7
Total investments			543,029	99.5
Net current assets			3,108	0.5
Total assets			**546,137**	**100.0**

[A]Valuation amalgamates both UK (£18,072,000) and Hong Kong (£7,377,000) listed equity holdings.

Income Statement

	Six months ended 28 February 2011 (unaudited)			Six months ended 28 February 2010 (unaudited)			Year ended 31 August 2010 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	18,348	18,348	–	75,524	75,524	–	124,323	124,323
Net currency gains	–	459	459	–	15	15	–	205	205
Income (note 2)	3,830	–	3,830	2,654	–	2,654	12,067	–	12,067
VAT recovered on investment management fees	6	–	6	–	–	–	–	–	–
Investment management fee	(2,523)	–	(2,523)	(2,172)	–	(2,172)	(4,476)	–	(4,476)
Administrative expenses	(571)	–	(571)	(666)	–	(666)	(1,279)	–	(1,279)
Net return before finance costs and taxation	742	18,807	19,549	(184)	75,539	75,355	6,312	124,528	130,840
Interest payable and other charges	(425)	–	(425)	(65)	–	(65)	(130)	–	(130)
Return on ordinary activities before taxation	317	18,807	19,124	(249)	75,539	75,290	6,182	124,528	130,710
Taxation	(202)	–	(202)	(178)	–	(178)	(698)	–	(698)
Return on ordinary activities after taxation	**115**	**18,807**	**18,922**	**(427)**	**75,539**	**75,112**	**5,484**	**124,528**	**130,012**
Return per Ordinary share (pence)(note 4)	**0.06**	**9.58**	**9.64**	**(0.19)**	**33.94**	**33.75**	**2.62**	**59.49**	**62.11**

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 2011 (unaudited) £'000	As at 28 February 2010 (unaudited) £'000	As at 31 August 2010 (audited) £'000
Non-current assets				
Investments at fair value through profit or loss		543,029	409,254	467,876
Current assets				
Debtors and prepayments		721	767	910
Cash and short term deposits		4,477	7,925	4,525
		5,198	8,692	5,435
Current liabilities				
Creditors		(2,090)	(1,530)	(1,987)
Net current assets		3,108	7,162	3,448
Total assets less current liabilities		546,137	416,416	471,324
Non-current liabilities				
3.5% Convertible Unsecured Loan Stock 2018	9	(55,487)	–	–
Net assets		**490,650**	**416,416**	**471,324**
Capital and reserves				
Called-up share capital		39,262	39,262	39,262
Share premium account		4,285	4,285	4,285
Special reserve		6,726	6,718	6,718
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	9	4,133	–	–
Capital redemption reserve		16,945	16,945	16,945
Capital reserve		412,226	344,430	393,419
Revenue reserve		7,073	4,776	10,687
Equity shareholders' funds		**490,650**	**416,416**	**471,316**
Net asset value per Ordinary share (pence)	7	**249.93**	**212.12**	**240.09**

Reconciliation of Movements in Shareholders' Funds

Six months ended 28 February 2011 (unaudited)

	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	–	–	–	–	–	18,807	115	18,922
Dividend paid	–	–	–	–	–	–	(3,729)	(3,729)
Issue of 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	4,133	–	–	–	4,133
Balance at 28 February 2011	**39,262**	**4,285**	**6,726**	**4,133**	**16,945**	**412,226**	**7,073**	**490,650**

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)
Balance at 28 February 2010	**39,262**	**4,285**	**6,718**	**16,945**	**344,430**	**4,776**	**416,416**

Year ended 31 August 2010 (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 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
Dividend 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**

Cash Flow Statement

	Six months ended 28 February 2011 (unaudited) £'000	Six months ended 28 February 2010 (unaudited) £'000	Year ended 31 August 2010 (audited) £'000
Net return on ordinary activities before finance costs and taxation	19,549	75,355	130,840
Adjustments for:			
Gains on investments	(18,348)	(75,524)	(124,323)
Currency gains	(459)	(15)	(205)
Decrease in accrued income	83	689	561
Increase in other debtors	(63)	(76)	(3)
Increase in creditors	4	45	166
Net cash inflow from operating activities	766	474	7,036
Net cash outflow from servicing of finance	(33)	(66)	(130)
Total tax paid	(112)	(122)	(867)
Net cash (outflow)/inflow from financial investment	(56,953)	77,030	67,735
Equity dividend paid	(3,729)	(3,718)	(3,718)
Net cash (outflow)/inflow before financing	(60,061)	73,598	70,056
Tender offer of own shares (including expenses)	–	(68,996)	(69,044)
Issue of 3.5% Convertible Unsecured Loan Stock 2018	59,554	–	–
(Decrease)/increase in cash	**(507)**	**4,602**	**1,012**
Reconciliation of net cash flow to movements in net funds			
(Decrease)/increase in cash as above	(507)	4,602	1,012
Exchange movements	459	15	205
Movement in net funds in the period	(48)	4,617	1,217
Opening net funds	4,525	3,308	3,308
Closing net funds	**4,477**	**7,925**	**4,525**
Represented by:			
Cash and short term deposits	**4,477**	**7,925**	**4,525**

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. 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, with the addition of the following accounting policy which is in accordance with the relevant accounting standard;

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 of assigned to the liability. The accounting treatment of the CULS resulted in an uplift in the NAV of just under 1%. The liability component is subsequently measured at amortised cost using the effective cost interest rate and the equity component remains unchanged.

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.

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 profit or loss. 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	Six months ended 28 February 2011 £'000	Six months ended 28 February 2010 £'000	Year ended 31 August 2010 £'000
Income from investments			
UK dividend income	–	2	436
Overseas dividends	3,316	2,332	11,043
Scrip dividends	510	313	579
	3,826	2,647	12,058
Other income			
Deposit interest	4	7	9
Total income	**3,830**	**2,654**	**12,067**

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

4. Return per Ordinary share	Six months ended 28 February 2011 p	Six months ended 28 February 2010 p	Year ended 31 August 2010 p
Revenue return	0.06	(0.19)	2.62
Capital return	9.58	33.94	59.49
Total return	**9.64**	**33.75**	**62.11**

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	115	(427)	5,484
Capital return	18,807	75,539	124,528
Total return	**18,922**	**75,112**	**130,012**
Weighted average number of Ordinary shares in issue	**196,311,219**	**222,532,834**	**209,314,267**

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

	Six months ended 28 February 2011 £'000	Six months ended 28 February 2010 £'000	Year ended 31 August 2010 £'000
Purchases	165	28	111
Sales	36	236	268
	201	**264**	**379**

6. Capital reserves

The capital reserve reflected in the Balance Sheet at 28 February 2011 includes gains of £229,579,000 (28 February 2010 – £179,932,000; 31 August 2010 – £220,502,000) 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 2011	As at 28 February 2010	As at 31 August 2010
Net assets attributable (£'000)	**490,650**	**416,416**	**471,316**
Net asset value per share (pence)	**249.93**	**212.12**	**240.09**

The net asset value per Ordinary share is based on net assets and on 196,311,219 Ordinary shares (28 February 2010 and 31 August 2010 – 196,311,219), 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 2011; the objective of the Company is long-term capital appreciation.

9. Non-current liabilities

3.5% Convertible Unsecured Loan Stock 2018	Number of Units £000	Liability Component £000	Equity Component £000
Balance at beginning of period	–	–	–
Issue of 3.5% Convertible Unsecured Loan Stock 2018	60,000	55,894	4,106
Premium on issue	–	373	27
Issue expenses	–	(795)	–
Amortisation	–	15	–
Balance at end of period	**60,000**	**55,487**	**4,133**

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. The loan stock 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 3.5% Convertible Unsecured Loan Stock 2018. Interest is paid on the 3.5% Convertible Unsecured Loan Stock 2018 on 31 January and 31 July each year, commencing 31 July 2011. Interest is charged 100% to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

10. Called-up share capital

As at 28 February 2011 there were 196,311,219 Ordinary shares in issue (28 February 2010 and 31 August 2010 – 196,311,219).

11. 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 2011 and 28 February 2010 has not been audited.

The information for the year ended 31 August 2010 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 2011 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The report of the auditors is on page 14.

12. This Half-Yearly Financial Report was approved by the Board on 28 April 2011.

Independent Review Report to Edinburgh Dragon Trust plc

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 2011 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 2011 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
28 April 2011

How to Invest in Edinburgh Dragon Trust plc

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 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 2011/2012.

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. Details are also available on 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) and the TrustNet website (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

Directors
Allan McKenzie, Chairman
Frank Frame
David Gairns
Iain McLaren
Anthony Lowrie
Iain Watt

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

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