Edinburgh Dragon Trust plc

Half Yearly Report
28 February 2013

2013

Aberdeen

Contents

Highlights and Financial Calendar

Financial Highlights

	28 February 2013	31 August 2012	% change
Equity shareholders' funds (£'000)	**624,773**	519,765	+20.2
Net asset value per share – basic	**318.2p**	264.7p	+20.2
Net asset value per share – diluted	**316.1p**	–	–
Share price (mid-market)	**294.0p**	237.3p	+23.9
MSCI All Country Asia (ex Japan) Index (in sterling terms)	**684.4**	572.3	+19.6
Discount to net asset value – basic	**7.6%**	10.4%	
Discount to net asset value – diluted[C]	**7.0%**	–	
Net gearing[A]	**8.9%**	10.3%	

[A] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR".

Performance (total return[B])

	Six months ended 28 February 2013	Year ended 31 August 2012
Share price per share	**+25.0%**	+4.7%
Net asset value per share – basic	**+21.2%**	+6.7%
Net asset value per share – diluted[C]	**+20.4%**	n/a
MSCI All Country Asia (ex Japan) Index (in sterling terms)	**+20.3%**	–0.3%

[B] Capital return plus dividends reinvested.

[C] See note 7 to the accounts.

Financial Calendar

30 April 2013	Announcement of half yearly results for the six months ended 28 February 2013
November 2013	Announcement of annual results for year ending 31 August 2013
December 2013	Annual General Meeting
December 2013	Final Ordinary dividend payable for year ending 31 August 2013

Interim Board Report – Chairman's Statement

Background

I am pleased to report that your Company's net asset value rose by 21.2% in sterling terms on a total return basis, outperforming the total return of 20.3% posted by the benchmark, the MSCI All Country Asia (ex Japan) Index. While the underlying portfolio broadly matched the gain in the benchmark, there was also a positive impact from gearing. Returns also benefited from sterling weakness relative to Asian currencies over the period. The share price gained 23.9% to 294.0p, while the discount to its net asset value narrowed to 7.6% from 10.4% at the start of the period.

Overview

Overall, Asian stockmarkets performed well, following quantitative (monetary) easing by Central Banks both in Europe and the US throughout 2012. Markets were also encouraged by improvements in the US economy, receding worries over the European crisis, and an apparent stabilisation in economic activity in China. Meanwhile, the re-election of President Obama in November and the last-gasp deal to avert automatic tax increases and spending cuts at the turn of the year underpinned sentiment on the outlook for the US economy. Most markets in Asia posted double-digit gains, particularly those in Southeast Asia, namely Indonesia, the Philippines and Thailand, where corporate earnings were buttressed by domestic spending. In contrast, the export-reliant markets of Korea, Taiwan and Singapore recorded smaller increases amid weak external demand. Also of note was China, where expectations improved following the leadership transition and a seeming end to a property-led slowdown that had seen the domestic market underperform its peers. Only India has disappointed, held back by high interest rates and political feuding.

In the West, monetary easing has had limited impact so far. Much of Europe remains in recession, while in the US, there were few signs of a return to sustainable growth. As a result, demand for Asian exports slumped. The more open economies bore the brunt of the decline. Singapore, for example, saw shipments fall to their lowest level in three years, while narrowly escaping from recession in the fourth quarter. Thankfully, governments in the region have significant firepower in the form of foreign currency reserves and low debt levels to stimulate their economies if need be. An interesting long-term development is China's vow to alter its economic model from one driven by investment, to one based on domestic demand. It plans to accelerate urban development and address the widening wealth gap. In comparison, India is liberalising key industries in the hope of attracting foreign participation, but there is scepticism that proposals will be watered down.

Meanwhile, slower global growth has muted inflation concerns, although cheap borrowing costs have fed asset price rises. In Hong Kong and Singapore, record property prices fanned fears of housing bubbles. Both governments responded aggressively: Hong Kong raised stamp duties for all types of properties, while Singapore imposed tougher mortgage requirements in addition to higher taxes.

Portfolio

Over the period, the holdings that did well were largely those benefiting from domestic consumption. These include Philippine property group Ayala Land and the Bank of the Philippine Islands, both of which reported good profit growth. Even though the Philippine benchmark rose by more than 40% in the half year under review, your Manager feels that the domestic economy is on the cusp of a longer term uptrend, having missed out on Southeast Asia's earlier head-start and hence is content to maintain present levels of exposure there. Banking sector holdings, especially those in Korean regional financial groups, DGB and BS, as well as in Hong Kong's HSBC and UK-listed Standard Chartered, also added to your Company's performance. Of note was HSBC's better operating results that stemmed, in part, from progress in divesting non-core businesses. Also doing well were global technology leaders, Taiwan Semiconductor Manufacturing Corp (TSMC) and Korea's Samsung Electronics. Both of them led their respective stockmarkets despite the anaemic export environment, as they continued to capitalise on strong global demand for smartphones. Samsung recorded excellent results, while TSMC's fourth-quarter profits exceeded expectations, while it improved the yield of its advanced chip technology.

In contrast, Singaporean lenders Oversea-Chinese Banking Corporation (OCBC) and United Overseas Bank detracted from overall performance, as their share prices were affected by harsh cooling measures aimed at the buoyant property sector. This was despite their reporting good quarterly results, with OCBC in particular, seeing solid growth from its overseas operations that had compensated for a narrowing of net interest margins at home. The Company did miss out on the rebound by Chinese banks, as they led the mainland rally. Your Manager remains uncomfortable with the mainland banks and prefers to gain exposure to the banking sector elsewhere in the region. Given the rate of lending growth and large exposure to state-linked enterprises, your manager expects some deterioration in asset quality as the rate of Chinese growth slows.

Changes in your Company's holdings were limited over the half year, as equities, together with other assets in Asia, were buoyed by the inflows of cash seeking better return. The only significant transaction was the sale of Hong Kong-listed Sun Hung Kai Properties, which was divested on concerns over investigations involving its top executives and following a rebound in its share price. Your Manager also took advantage of the rise in share prices to trim several holdings, including Singapore developer City Developments and Indonesian consumer goods producer Unilever Indonesia early in the period. The proceeds were re-invested in existing holdings, such as OCBC and Siam Cement.

Revenue Account

For the six months to 28 February 2013, the revenue account recorded a deficit on ordinary activities after taxation of £1,418,000, representing (0.72p) per share compared with a deficit of £807,000 for the six months to 29 February 2012. Changes in ex-dividend dates by a number of investee companies resulted in lower income being accounted for in the period under review. 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 and the Company anticipates to make a positive revenue return for its full financial year.

Events during the Period

At the Company's Annual General Meeting on 11 December 2012, all resolutions were passed. A final dividend of 2.2p was paid to shareholders on 14 December 2012.

Alternative Investment Fund Managers Directive

The Board continues to review the impact that the above Directive will have upon the Company, noting that the deadline for its transposition into national laws is in July 2013, with a year's transitional period in the UK before full compliance is required. While uncertainty remains about the exact impact that it may have, it will certainly add to the Company's operating costs but we would hope that, given the Company's size, that this should not be too significant.

Outlook

At the time of writing, global equity markets are digesting a strong rally from November 2012 against a background of continuing EU efforts to deal with banking problems; stalled negotiations over the US debt ceiling with spending cuts remaining unresolved; while rising tensions in North Korea add to the uncertainty. However, there are local factors that could underpin positive sentiment over the longer term. These developments include China's new leadership, who appear committed to rebalancing its economy and Japan's determination to end decades of deflation and economic malaise through aggressive fiscal and monetary loosening.

Overall, your Manager is optimistic about Asia, as economic fundamentals are still robust and economic activity is likely to continue outpacing the developed world. While corporate earnings growth has been positive over the past six months, it has not matched the rise in equity prices. This means that valuations have become a little more stretched than they were at this point last year. Your Manager expects a similar level of growth in profits over the rest of 2013. The Board believes that the conservative stock-picking approach taken by your Manager will continue to serve your Company well.

For Edinburgh Dragon Trust plc

Allan McKenzie
Chairman
29 April 2013

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 £59.8 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 buy back 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
29 April 2013

Investment Portfolio

As at 28 February 2013

Company	Sector	Country	Valuation £'000	Total assets[C] %
Samsung Electronics Pref	Semiconductors & Semiconductor Equipment	South Korea	36,331	5.3
Oversea-Chinese Banking Corporation	Commercial Banks	Singapore	32,550	4.8
Jardine Strategic Holdings	Industrial Conglomerates	Hong Kong	31,880	4.7
Standard Chartered[A]	Commercial Banks	Hong Kong	31,631	4.7
Taiwan Semiconductor Manufacturing Company	Semiconductors & Semiconductor Equipment	Taiwan	27,507	4.0
Singapore Technologies Engineering	Aerospace & Defence	Singapore	26,162	3.8
Housing Development Finance Corp	Thrifts & Mortgage Finance	India	23,699	3.5
Siam Cement[B]	Construction Materials	Thailand	23,349	3.4
Infosys	IT Services	India	23,305	3.4
Swire Pacific 'B'	Real Estate Management & Development	Hong Kong	22,079	3.2
Ten largest investments			**278,493**	**40.8**
United Overseas Bank	Commercial Banks	Singapore	20,747	3.1
AIA Group	Insurance	Hong Kong	20,608	3.0
HSBC Holdings	Commercial Banks	Hong Kong	19,826	2.9
China Mobile	Wireless Telecommunication Services	China	19,581	2.9
Ayala Land	Real Estate Management & Development	Philippines	19,578	2.9
City Developments	Real Estate Management & Development	Singapore	19,578	2.9
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	18,672	2.8
Dairy Farm International	Food & Staples Retailing	Hong Kong	16,579	2.4
PTT Exploration & Production (Alien)	Oil, Gas & Consumable Fuels	Thailand	16,505	2.4
CNOOC	Oil, Gas & Consumable Fuels	China	14,860	2.2
Twenty largest investments			**465,027**	**68.3**
Bank of the Philippine Islands	Commercial Banks	Philippines	14,075	2.1
Grasim Industries	Construction Materials	India	13,812	2.0
Hero Motocorp	Automobiles	India	13,260	1.9
John Keells Holdings	Industrial Conglomerates	Sri Lanka	13,167	1.9
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	12,858	1.9
ASM Pacific Technology	Semiconductors & Semiconductor Equipment	Hong Kong	12,218	1.8
PetroChina	Oil, Gas & Consumable Fuels	China	11,734	1.7
Keppel Corp	Industrial Conglomerates	Singapore	10,215	1.5
Hang Lung Group	Real Estate Management & Development	Hong Kong	10,129	1.5
CIMB Group Holdings	Commercial Banks	Malaysia	8,920	1.3
Thirty largest investments			**585,415**	**85.9**

Investment Portfolio continued

Company	Sector	Country	Valuation £'000	Total assets[C] %
Public Bank (Alien)	Commercial Banks	Malaysia	7,722	1.1
Wing Hang Bank	Commercial Banks	Hong Kong	7,413	1.1
BS Financial Group	Commercial Banks	South Korea	7,291	1.1
British American Tobacco Malaysia	Tobacco	Malaysia	7,267	1.1
Li & Fung	Distributors	Hong Kong	7,110	1.1
ICICI Bank	Commercial Banks	India	7,106	1.0
E Mart	Food & Staples Retailing	South Korea	6,880	1.0
Venture Corp	Electronic Equipment & Instruments	Singapore	6,757	1.0
Singapore Airlines	Airlines	Singapore	6,349	0.9
Unilever Indonesia	Household Products	Indonesia	6,241	0.9
Forty largest investments			**655,551**	**96.2**
Hang Lung Properties	Real Estate Management & Development	Hong Kong	5,659	0.8
DGB Financial Group	Commercial Banks	South Korea	5,536	0.8
Ultratech Cement	Construction Materials	India	5,397	0.8
Swire Properties	Real Estate Management & Development	Hong Kong	4,409	0.7
DFCC Bank	Commercial Banks	Sri Lanka	3,425	0.5
Shinsegae Company	Multiline Retail	South Korea	1,902	0.3
Total investments			**681,879**	**100.1**
Net current liabilities			**(433)**	**(0.1)**
Total assets[C]			**681,446**	**100.0**

[A] Valuation amalgamates both UK (£23,397,000) and Hong Kong (£8,234,000) listed equity holdings.

[B] Valuation amalgamates both Alien (£19,513,000) and NVDR (£3,836,000) listed equity holdings.

[C] Total assets less current liabilities.

Income Statement

	Six months ended 28 February 2013 (unaudited)			Six months ended 29 February 2012 (unaudited)			Year ended 31 August 2012 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	110,750	110,750	–	43,188	43,188	–	25,995	25,995
Net currency (losses)/gains	–	(18)	(18)	–	12	12	–	(14)	(14)
Income (note 2)	3,146	–	3,146	3,912	–	3,912	16,054	–	16,054
Investment management fee	(2,948)	–	(2,948)	(2,470)	–	(2,470)	(5,009)	–	(5,009)
Administrative expenses	(649)	–	(649)	(639)	–	(639)	(1,233)	–	(1,233)
Net return before finance costs and taxation	(451)	110,732	110,281	803	43,200	44,003	9,812	25,981	35,793
Interest payable and other charges	(1,351)	–	(1,351)	(1,365)	–	(1,365)	(2,752)	–	(2,752)
Return on ordinary activities before taxation	(1,802)	110,732	108,930	(562)	43,200	42,638	7,060	25,981	33,041
Taxation (note 3)	384	–	384	(245)	–	(245)	(588)	–	(588)
Return on ordinary activities after taxation	**(1,418)**	**110,732**	**109,314**	**(807)**	**43,200**	**42,393**	**6,472**	**25,981**	**32,453**
Return per Ordinary share (pence)(note 4)									
Basic	**(0.72)**	**56.39**	**55.67**	**(0.41)**	**22.00**	**21.59**	**3.30**	**13.23**	**16.53**
Diluted	**(0.18)**	**51.35**	**51.17**	**–**	**–**	**–**	**–**	**–**	**–**

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 2013 (unaudited) £'000	As at 29 February 2012 (unaudited) £'000	As at 31 August 2012 (audited) £'000
Non-current assets				
Investments at fair value through profit or loss		681,879	581,960	573,602
Current assets				
Debtors and prepayments	9	2,167	749	1,598
Cash and short term deposits		773	4,710	2,651
		2,940	5,459	4,249
Creditors: amounts falling due within one year				
Other creditors		(3,373)	(1,675)	(1,720)
Net current (liabilities)/assets		(433)	3,784	2,529
Total assets less current liabilities		681,446	585,744	576,131
Non-current liabilities				
3.5% Convertible Unsecured Loan Stock 2018	10	(56,673)	(56,066)	(56,366)
Net assets		**624,773**	**529,678**	**519,765**
Capital and reserves				
Called-up share capital		39,273	39,270	39,272
Share premium account		4,441	4,400	4,427
Special reserve		6,726	6,726	6,726
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	10	2,869	3,462	3,163
Capital redemption reserve		16,945	16,945	16,945
Capital reserve		543,401	449,888	432,669
Revenue reserve		11,118	8,987	16,563
Equity shareholders' funds		**624,773**	**529,678**	**519,765**
Net asset value per Ordinary share (pence)	7			
Basic		**318.17**	**269.76**	**264.70**
Diluted		**316.06**	**–**	**–**

Reconciliation of Movements in Shareholders' Funds

Six months ended 28 February 2013 (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 2012	39,272	4,427	6,726	3,163	16,945	432,669	16,563	519,765
Return on ordinary activities after taxation	–	–	–	–	–	110,732	(1,418)	109,314
Dividend paid	–	–	–	–	–	–	(4,320)	(4,320)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	14	–	(1)	–	–	–	14
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(293)	–	–	293	–
Balance at 28 February 2013	**39,273**	**4,441**	**6,726**	**2,869**	**16,945**	**543,401**	**11,118**	**624,773**

Six months ended 29 February 2012 (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 2011	39,269	4,387	6,726	4,126	16,945	406,688	15,414	493,555
Return on ordinary activities after taxation	–	–	–	–	–	43,200	(807)	42,393
Dividend paid	–	–	–	–	–	–	(6,283)	(6,283)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	13	–	(1)	–	–	–	13
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(663)	–	–	663	–
Balance at 29 February 2012	**39,270**	**4,400**	**6,726**	**3,462**	**16,945**	**449,888**	**8,987**	**529,678**

Year ended 31 August 2012 (audited)

	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 2011	39,269	4,387	6,726	4,126	16,945	406,688	15,414	493,555
Return on ordinary activities after taxation	–	–	–	–	–	25,981	6,472	32,453
Dividend paid	–	–	–	–	–	–	(6,283)	(6,283)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	3	40	–	(3)	–	–	–	40
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(960)	–	–	960	–
Balance at 31 August 2012	**39,272**	**4,427**	**6,726**	**3,163**	**16,945**	**432,669**	**16,563**	**519,765**

Cash Flow Statement

	Six months ended 28 February 2013 (unaudited) £'000	Six months ended 29 February 2012 (unaudited) £'000	Year ended 31 August 2012 (audited) £'000
Net return on ordinary activities before finance costs and taxation	110,281	44,003	35,793
Adjustments for:			
Gains on investments	(110,750)	(43,188)	(25,995)
Currency losses/(gains)	18	(12)	14
Decrease/(increase) in accrued income	389	706	(31)
Decrease/(increase) in other debtors	23	(3)	(12)
Increase in creditors	1,681	28	50
Net cash inflow from operating activities	1,642	1,534	9,819
Net cash outflow from servicing of finance	(1,047)	(1,048)	(2,096)
Net tax paid	(139)	(133)	(579)
Net cash inflow/(outflow) from financial investment	2,004	3,698	(5,126)
Equity dividend paid	(4,320)	(6,283)	(6,283)
Decrease in cash	**(1,860)**	**(2,232)**	**(4,265)**
Reconciliation of net cash flow to movements in net funds			
Decrease in cash as above	(1,860)	(2,232)	(4,265)
Exchange movements	(18)	12	(14)
Movement in net funds in the period	(1,878)	(2,220)	(4,279)
Opening net funds	2,651	6,930	6,930
Closing net funds	**773**	**4,710**	**2,651**
Represented by:			
Cash and short term deposits	**773**	**4,710**	**2,651**

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'. 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.

2. Income	**Six months ended 28 February 2013 £'000**	**Six months ended 29 February 2012 £'000**	**Year ended 31 August 2012 £'000**
Income from investments			
UK dividend income	137	136	1,460
Overseas dividends	3,007	3,576	14,390
Scrip dividends	–	195	195
	3,144	3,907	16,045
Other income			
Deposit interest	2	4	8
Interest from UK Treasury bills	–	1	1
	2	5	9
Total income	**3,146**	**3,912**	**16,054**

3. The taxation for the period represents withholding tax suffered on overseas dividend income and Taiwan withholding tax recoverable. An amount of TWD 31,096,000, equivalent to £691,000, has been agreed for repayment and therefore a receivable has been recognised. Following clarification from the Taiwanese Ministry of Finance, claims for withholding taxes were successfully filed for the five year period from 2007.

4. Return per Ordinary share	**Six months ended 28 February 2013 p**	**Six months ended 29 February 2012 p**	**Year ended 31 August 2012 p**
Basic			
Revenue return	(0.72)	(0.41)	3.30
Capital return	56.39	22.00	13.23
Total return	**55.67**	**21.59**	**16.53**

The figures above are based on the following:

	£'000	**£'000**	**£'000**
Revenue return	(1,418)	(807)	6,472
Capital return	110,732	43,200	25,981
Total return	**109,314**	**42,393**	**32,453**
Weighted average number of Ordinary shares in issue	**196,360,685**	**196,346,819**	**196,349,420**

Notes to the Accounts continued

	Six months ended 28 February 2013 p	Six months ended 29 February 2012 p	Year ended 31 August 2012 p
Diluted			
Revenue return	(0.18)	–	–
Capital return	51.35	–	–
Total return	**51.17**	**–**	**–**

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	(386)	–	–
Capital return	110,732	–	–
Total return	**110,346**	**–**	**–**
Number of dilutive shares	**19,291,421**	**–**	**–**
Diluted shares in issue	**215,652,106**	**–**	**–**

The calculation of the diluted total, revenue and capital returns per Ordinary share is carried out in accordance with Financial Reporting Standard No. 22 "Earnings per Share". For the purposes of calculating diluted total, revenue and capital returns per Ordinary share, the number of Ordinary shares is the weighted average used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on conversion of all 3.5% Convertible Unsecured Loan Stock 2018 ("CULS").

For the period ended 29 February 2012 and year ended 31 August 2012 there was no dilution. Where dilution occurs, the net returns for the period are adjusted for items relating to the CULS. Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted for the savings in finance costs for the period relating to the CULS, which are reversed.

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 2013 £'000	Six months ended 29 February 2012 £'000	Year ended 31 August 2012 £'000
Purchases	46	48	106
Sales	63	54	84
	109	**102**	**190**

6. Capital reserves

The capital reserve reflected in the Balance Sheet at 28 February 2013 includes gains of £333,458,000 (29 February 2012 – £252,386,000; 31 August 2012 – £232,881,000) 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 2013	As at 29 February 2012	As at 31 August 2012
Basic:			
Net assets attributable (£'000)	624,773	529,678	519,765
Number of Ordinary shares in issue	196,365,082	196,350,842	196,360,259
Net asset value per share (pence)	318.17	269.76	264.70
Diluted:			
Net assets attributable assuming conversion of CULS (£'000)	681,607	–	–
Number of potential Ordinary shares in issue	215,656,503	196,350,842	196,360,259
Net asset value per share (pence)	316.06	–	–

The diluted net asset value per Ordinary share has been calculated in accordance with guidelines issued by the Association of Investment Companies ("AIC") on the assumption that the £59,832,882 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") are converted at a rate of 1 Ordinary share for every 310.1528p nominal of CULS at the period end, resulting in 19,291,421 additional Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the CULS.

Net asset value per share – debt converted

In accordance with AIC guidance, convertible bond instruments are deemed to be 'in the money' if the cum income (debt at fair value) net asset value ("NAV") exceeds the conversion price per share (310.1528p). In such circumstances a NAV is produced and disclosed assuming the convertible debt is fully converted. At 28 February 2013 the cum income (debt at fair value) NAV was 318.17p and thus the CULS were 'in the money'. At 29 February 2012 and 31 August 2012 the CULS were not 'in the money'.

8. Dividends

	Six months ended 28 February 2013 £'000	Six months ended 29 February 2012 £'000	Year ended 31 August 2012 £'000
2011 final dividend – 3.2p	–	6,283	6,283
2012 final dividend – 2.2p	4,320	–	–
	4,320	**6,283**	**6,283**

There will be no interim dividend for the year to 31 August 2013 (2012 – nil); the objective of the Company is long-term capital appreciation.

9. Debtors and prepayments

Included in debtors is an amount of USD 696,000, equivalent to £458,000, being the estimated recovery of funds following the settlement between Aberdeen Asset Managers Limited and Satyam Computer Services in relation to a claim made following the discovery of a financial fraud, which lead to the sale of the stock at a weakened price.

Notes to the Accounts continued

10. Non-current liabilities

3.5% Convertible Unsecured Loan Stock 2018 ("CULS")	Number of units £000	Liability component £000	Equity component £000
Balance at beginning of period	59,848	56,366	3,163
Conversion of CULS into Ordinary shares	(15)	(14)	(1)
Notional interest element on CULS	–	293	–
Notional interest element on CULS transferred to revenue reserve	–	–	(293)
Amortisation of discount and issue expenses	–	28	–
Balance at end of period	**59,833**	**56,673**	**2,869**

In 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. 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.

The Company has decided to make an annual transfer between the equity component of the CULS and the revenue reserve so that the revenue reserve reflects distributable reserves as defined by company law.

Following the receipt of election instructions from CULS holders, on 12 February 2013 the Company converted £14,971 nominal amount of CULS into 4,823 Ordinary shares.

As at 28 February 2013, there was £59,832,882 nominal amount of CULS in issue.

11. Called-up share capital

As at 28 February 2013 there were 196,365,082 Ordinary shares in issue (29 February 2012 – 196,350,842; 31 August 2012 – 196,360,259).

12. 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 2013 and 29 February 2012 has not been audited.

The information for the year ended 31 August 2012 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under Section 498 of the Companies Act 2006.

The auditor has reviewed the financial information for the six months ended 28 February 2013 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The report of the auditor is on page 15.

13. This Half-Yearly Financial Report was approved by the Board on 29 April 2013.

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 2013, which comprises the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 2013 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 FCA.

Philip Merchant
For and on behalf of KPMG Audit Plc
Chartered Accountants
Edinburgh

29 April 2013

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.

The Company's shares are designed for private investors in the UK (including retail investors), professional-advised private clients and institutional investors who seek income and capital growth from investment in global markets and who understand and are willing to accept the risks of exposure to equities. Private investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

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 £11,520 in Edinburgh Dragon Trust plc can be made in the tax year 2013/2014.

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 annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. 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 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, PO Box 11020, Chelmsford, Essex CM99 2DB 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.

Investor Warning

Aberdeen is aware that some investors have received telephone calls from people purporting to work for Aberdeen, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided.

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 Conduct Authority.

Corporate Information

Directors

Allan McKenzie, Chairman
David Gairns
Kathryn Langridge
Tony Lowrie
Peter Maynard
Iain McLaren

Website

www.edinburghdragon.co.uk

Manager and Secretary

Aberdeen Asset Managers Limited
(a subsidiary of Aberdeen Asset Management PLC)
Website: www.aberdeen-asset.com

Registered Office

40 Princes Street
Edinburgh EH2 2BY
Telephone: 0131 528 4000

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2499[1]
Website: www.equiniti.com

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

Aberdeen