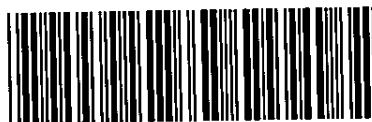


Edinburgh Dragon Trust plc

Annual Report
31 August 2012

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

Financial Highlights

	2012	2011
Share price total return ^A	+4.7%	+5.8%
Net asset value total return ^A	+6.7%	+5.4%
Benchmark total return ^A (in sterling terms)	(0.3%)	+3.7%
Dividend per share	2.20p	3.20p

^A Capital return plus dividends reinvested.

Net asset value per share

At 31 August – pence

Dividends per share

pence

Mid-market price per share

At 31 August – pence

Financial Calendar

31 August 2012	Company's financial year end
1 November 2012	Announcement of annual results for the year ended 31 August 2012
9 November 2012	Annual Report and Accounts published
11 December 2012 (12 noon)	Annual General Meeting
14 December 2012	Final dividend on Ordinary shares paid
3 January to 31 January 2013	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2018 (CULS) can elect to convert into Ordinary shares
31 January 2013	Conversion date for any CULS converted into Ordinary shares
31 January 2013	Half-yearly interest on CULS paid
28 February 2013	Company's financial half-year end
April 2013	Announcement of half-yearly financial report for the six months ended 28 February 2013
May 2013	Half-Yearly Report published
3 July to 31 July 2013	Period during which CULS holders can elect to convert into Ordinary shares
31 July 2013	Conversion date for any CULS converted into Ordinary shares
31 July 2013	Half-yearly interest on CULS paid

Corporate Summary

The Company

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

Investment Manager

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

Capital Structure and Borrowings

The Company's issued share capital as at 31 August 2012 was 196,360,259 fully paid Ordinary shares of 20p. The Company had £59,847,853 nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS) outstanding at 31 August 2012.

Total Net Assets and Net Asset Value

The Company had total net assets of £519.8 million and a net asset value of 264.7 pence per Ordinary share at 31 August 2012.

Websites

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

Company Secretary

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

Customer Services

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

Email: inv.trusts@aberdeen-asset.com

Principal Risk Factors

Investment in Far East securities or those of companies that derive significant revenue or profit from the Far East involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. Further details of the risks are disclosed in the Business Review contained within the Directors' Report on pages 21 and 22.

Duration

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

Share Dealing/ISA Status

Shares in Edinburgh Dragon Trust plc can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen Asset Managers Limited savings scheme and are fully qualifying for inclusion within tax efficient ISA wrappers (see page 51.)

Management Agreement

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

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

Investment Objective and Policy

Investment Objective

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

Benchmark

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

Investment Policy

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

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

The Company complies with Chapter 4 of Part 24 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 and does not invest more than 15% of its assets in the shares of any one company.

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

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

Achieving the Investment Policy

The Directors are responsible for determining the investment policy and the investment objective of the Company. Day-to-day management of the Company's assets has been delegated to the Manager who invests in a diversified range of companies throughout the Asia Pacific investment region in accordance with the investment policy. The Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct contact by its fund managers. Stock selection is the major source of added value. No stock is bought without the Manager having first met management. The Manager evaluates a company's worth in two stages; quality then price. Quality is defined by reference to management, business focus, the balance sheet

and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects. Stock selection is key in constructing a diversified portfolio of companies with top-down investment approach and benchmark weightings being secondary factors. The Manager is authorised to invest up to 15% of the Company's gross assets in any single stock, calculated at the time an investment is made.

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 12. A comprehensive analysis of the Company's portfolio by country and by sector is disclosed on pages 14 to 17, including a description of the ten largest investments, the full investment portfolio by value, sector/geographical analysis and currency/market performance. At 31 August 2012, the Company's portfolio consisted of 47 holdings.

The Board is responsible for determining the gearing policy for the Company and has set a maximum gearing limit of 20%. Gearing is used to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. At 31 August 2012, the Company's gearing was 10.3%.

As at 31 August 2012, the Company had no holdings in other listed investment companies (including listed investment trusts).

Results

Financial Highlights

	31 August 2012	31 August 2011	% change
Performance			
Equity shareholders' funds (£'000)	519,765	493,555	+5.3
Net asset value per share (including net revenue) (p)	264.70	251.37	+5.3
Share price (p)	237.30	230.00	+3.2
MSCI AC Asia (ex Japan) Index (in sterling terms; capital return basis)	572.34	590.17	-3.0
Revenue return per share (p)	3.30	4.31	
Total return per share (p)	16.53	11.07	
Gearing			
Maximum potential gearing (%) ^A	10.8	11.3	
Actual gearing (%) ^B	10.3	9.9	
Discount			
Level of discount at which the shares trade (%)	10.4	8.5	
Operating costs			
Ongoing charges ratio ^C	1.25	1.22	

^A Maximum potential gearing ratio is calculated as the total of the liability component of £56.4m (2011 – £55.8m) of the Convertible Unsecured Loan Stock divided by net assets.

^B Actual gearing ratio calculated as the total of the liability component of £56.4m (2011 – £55.8m) of the Convertible Unsecured Loan Stock less the cash and short term deposits, divided by net assets.

^C Ongoing charges ratio is calculated in accordance with recent guidance issued by the AIC as the total of the investment management fee and ongoing administrative expenses divided by the average undiluted net asset value in the year. The figure for 2011 has been restated, in line with this new guidance.

Year's Highs/Lows

	High	Low
Share price (p)	253.1	201.4
Net asset value (p)	278.2	221.9
Discount (%)	4.8	12.6

Performance (total return)

	1 year return %	3 year return %	5 year return %
Share price	+4.7	+46.2	+73.4
Net asset value	+6.7	+51.9	+71.2
MSCI AC Asia (ex Japan) Index (in sterling terms)	-0.3	+28.4	+27.7

Dividends

	Rate	xd date	Record date	Payment date
Proposed final 2012	2.20p	14 November 2012	16 November 2012	14 December 2012
Final 2011	3.20p	9 November 2011	11 November 2011	9 December 2011

Chairman's Statement

Allan McKenzie
Chairman

Highlights

- Net Asset Value Total Return +6.7% compared to a benchmark return of -0.3%
- Share Price Total Return +4.7%

Background

The year under review was marked by Europe's debt problems, a muted US recovery and, as a result, slowing growth in Asia. Despite these headwinds, I am happy to report that in the 12 months to 31 August 2012, the net asset value of your Company rose 6.7% on a total return basis compared to a 0.3% decline, in sterling terms, in the benchmark, the MSCI AC Asia ex Japan Index. During the year, the share price gained 4.7% to 237.3p. It is also pleasing to note your Company's outperformance of 23.5% and 43.5%, relative to the benchmark, over three and five years respectively.

Overview

Regional markets suffered losses in the last few months of 2011 as an unfolding debt crisis threatened to engulf Europe. The new year, however, saw optimism return and equities rebound, helped largely by the massive liquidity injection in Europe and the Federal Reserve's pledge to keep interest rates low. Nevertheless, renewed speculation over Greece's potential exit from the Eurozone, as well as deteriorating economic data from Europe, the US, China and India, triggered a sell-off in May. The prospect of further central bank stimulus then led shares to rise again through the summer.

Over the period, China and India were the two worst-performing stockmarkets in the region. In contrast, the Asean bourses mostly outperformed the benchmark. Improving economic fundamentals lifted the Philippines, while Malaysia and Thailand were driven by government spending and local consumption. Singapore, meanwhile, benefited from investors' search for safe haven and good dividend yields.

Sluggish recovery in the United States and the turmoil in Europe took a toll on Asia's exports, notably from China. China's slowdown, however, was partly the result of previous policy measures aimed at curbing inflation and defusing the property bubble. Of late, Beijing has reversed policy by boosting liquidity to the banking system. The same decisiveness cannot be said of India, whose problems have much to do with the slow pace of reforms. Government proposals to liberalise the retail sector (and, later, reduce costly fuel subsidies) were derailed by coalition politics. The majority Congress party's poor showing at key state elections in March underlined its ineffectiveness.

In spite of the above external weakness, certain regional economies were notably resilient. Indonesia and Thailand were examples of a broader trend, whereby local demand compensated for slowing exports. The Philippines saw healthy economic expansion thanks, largely, to lower interest rates and improved business sentiment. Given benign inflation, and to support growth, central banks in China,

Chairman's Statement continued

India, Indonesia, Korea and Thailand also lowered the cost of money and reduced the amount of cash that banks must hold as reserves. Should it be necessary, governments have room to spend more, with under-developed infrastructure an expected target.

Against a difficult global economic backdrop in general, Asia is coping well. Among your Company's holdings, profits have held up and there were only a few disappointments.

Gearing

At the year end the Company had in issue £59.8 million of 3.5% Convertible Unsecured Loan Stock 2018 (CULS), representing actual gearing of 10.3%. The CULS provides the company with long-term structural gearing at an acceptable cost and is in line with the Manager's long-term investment philosophy. The CULS provides holders with an attractive yield of 3.5% per annum, as well as capital protection (with the liability comfortably covered by the gross assets of the Company of £576 million). Holders of CULS may convert part, or all, of their holdings into Ordinary shares on 31 January and 31 July each year up to January 2018 at a fixed price of 310.1528p nominal of CULS for one Ordinary share.

Discount

The discount at which the Company's shares trade relative to their net asset value, as at 31 August 2012, was 10.4%. The Board monitors closely the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares within certain limits. There were no buy-backs of shares during the financial year and there have been no buy-backs subsequent to the year end.

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

Revenue Account

The revenue return per share was 3.30p, compared to 4.31p in the previous year. The lower return in the revenue account has resulted from a full year's interest on the CULS being charged and a slightly lower level of dividends, including special dividends, being received. It remains the Board's policy to pay a final dividend marginally in excess of the minimum required to maintain investment trust status, which may, of course, lead to some volatility in the level of dividend paid. The Board recommends the payment of a final dividend of 2.2p per Ordinary share (2011 – 3.2p) which, if approved by shareholders at the Annual General Meeting, will be paid on 14 December 2012.

The Board

The Board welcomes greater transparency in the fulfilment of its responsibilities to shareholders. New appointments are now routinely facilitated by an external recruitment firm. When appointing a new Director, the Board takes into account the diversity of the Board, the balance of skills, knowledge, experience and personality to complement the existing skills of the Board, as well as the ability of a new Director to devote sufficient time to the Company to carry out his or her duties effectively.

As part of a previously stated commitment to an orderly process of refreshment, the Board was pleased to appoint Kathryn Langridge as a non-executive Director of the Company on 29 October 2012. Iain Watt, who has been a Director of Edinburgh Dragon Trust since launch, will step down at the forthcoming Annual General Meeting after many years of valuable service to the Board. The Board joins me in thanking Iain for his enormous contribution to the Board and Company and wish him all the very best for the future.

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

In line with the recommendation of the UK Corporate Governance Code, the Board of Edinburgh Dragon Trust underwent an external evaluation during the year. Feedback from the evaluation confirmed that "The skills essential for the proper supervision of the activities of the Company appear to be present and the overall quality of the Board appears to be high. Board meetings are considered to be of a high standard, to be the right number and of the right length."

Annual General Meeting

The Annual General Meeting will be held at Aberdeen's London office on Tuesday 11 December 2012 at 12.00 noon followed by a lunch for shareholders. This will give shareholders the opportunity to meet the Directors and Manager after the formal AGM business has concluded and we welcome all shareholders to attend. The AGM will continue to be rotated between Edinburgh and London in successive years.

The three-yearly resolution for the continuation of the Company as an investment trust will be proposed at the AGM. Dragon is the largest investment trust specialising in the Asian (ex Japan) sector. The Board believes that the

Company offers investors a broad and marketable exposure to Asian equity markets, many of which continue to provide attractive long-term investment opportunities in the region. The Board believes that the prospects for Asian markets remain positive. Given the Company's excellent long-term performance, including out-performance over 3 and 5 years, and that it is managed by one of the leading Asian fund managers, we strongly recommend that shareholders vote in favour of the resolution.

Outlook

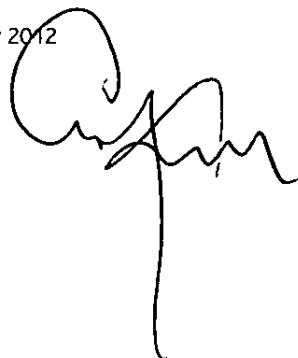
At the time of writing, central banks have taken concerted action to stimulate the global economy. The European Central Bank and the Federal Reserve surprised investors with the open-ended nature of their commitments. However, this latest round of quantitative easing appears a double-edged sword. While it should be positive for equities in the near term, there are concerns in emerging economies that the influx of capital from yield-seeking investors could stoke inflationary pressures and lift asset prices. Any downward pressure on the US dollar will make Asian exports less competitive.

Various political risks also lie ahead. If US lawmakers allow tax rises and budget cuts to occur as scheduled on 1 January 2013 – the so-called "fiscal cliff" – the US could well slip into recession. An Obama re-election, alongside a Republican majority in the Senate, makes gridlock more likely. Meanwhile, China is due to hold its once-in-a-decade leadership transition in November.

Against this backdrop, your Manager notes that, while corporate earnings growth is expected to be muted, there are few grounds for concern at this point. Companies have kept their cost discipline. Outside certain cyclical sectors such as mining, there is little evidence of excess capacity emerging. Debt levels are low and cashflow is solid. We believe your Manager's conservative stock-picking approach has identified companies that can adapt to tough times. This has certainly served your Company well in the past.

For Edinburgh Dragon Trust plc
Allan McKenzie
Chairman

31 October 2012

A handwritten signature in black ink, appearing to be 'Allan McKenzie', with a long vertical line extending downwards from the end of the signature.

Manager's Review

Background/Portfolio Review

The period under review was more challenging for Asia than the previous year as the weaker global growth outlook and the European debt crisis led to generally softer macroeconomic numbers. Despite that, the region's rate of economic growth was still healthier than that of the West. Inflation also receded across most of the region, allowing central banks to cut interest rates.

In terms of equity market performance, Asia's largest growth engines, namely China and India, were the main laggards while the Asean region outperformed once again, with the Philippines, Thailand and Malaysia all posting healthy gains. The portfolio benefited from the overweight to the Asean countries as well as the underweight to mainland China. As noted in the interim report, the overweight to India detracted, but this was mitigated by good performance from the portfolio's holdings relative to the Indian benchmark.

The Trust outperformed its benchmark for the 12 months to 31 August with the net asset value gaining 6.7%, compared with a 0.3% decline in the MSCI All Country Asia ex Japan index. Apart from fine performance of the Asean holdings, those in more defensive sectors, such as telecoms and consumer staples, also outperformed as the more secure earnings outlook underpinned valuations. Despite the portfolio's upbeat performance, it was not immune to earnings disappointments, in the cases of Infosys and Li & Fung, and news events such as the ongoing corruption investigation at Sun Hung Kai Properties and the regulatory probes at HSBC and Standard Chartered Bank.

It is worth emphasising that the portfolio's geographical preferences have remained fairly consistent over the long term and are a reflection of where we can find the best companies – at times this is in spite of a weaker macroeconomic environment. As noted last year, we continue to find China a challenging place to invest and prefer to gain exposure to the mainland via Hong Kong. This proved positive as slowing domestic growth, along with a number of corporate scandals, weighed on mainland shares. Conversely, the overweight to India and the non-benchmark exposure to Sri Lanka detracted as these markets, and more notably their currencies fell, owing to deteriorating fiscal positions. Encouragingly, the corporate results of our holdings in both markets were largely positive.

Turning towards stock selection, the portfolio's two Philippine holdings were among the top ten contributors. The improved domestic economic environment led to a pick-up in capital expenditure and investment, which in turn, benefited property developer Ayala Land and lender the Bank of the Philippine Islands (BPI). After posting record profits in 2011 and registering earnings growth of over 30%, Ayala Land maintained its positive trend in the first half of 2012,

with a similar level of year-on-year growth. This is a result of the developer's strategy to target more market segments and, to a lesser extent, successful geographical expansion outside the capital Manila. BPI's interim 2012 profits surged more than 50% on the back of rising revenue, albeit the numbers were somewhat flattered by trading gains. The bank is conservatively run, well capitalised and has adequate room to grow its loan-to-deposit ratio from the current level of just over 60%.

The holdings in Hong Kong and Singapore also proved favourable, with Jardine Strategic and its affiliate Dairy Farm again performing well. Results were supportive, particularly within its consumer-related businesses. In Singapore, ST Engineering and City Developments (CDL) led performance. The aerospace and defence company gained from double-digit profit growth in the first half and continued to win new orders, while its dividend yield of over 4% remained appealing. CDL rebounded from prior weakness over the government's property cooling measures. House prices remain firm although price appreciation and transaction volumes slowed recently. The developer is well positioned given its good, low-cost land bank and variety of residential projects targeted at different market segments.

Elsewhere, Taiwan Mobile and Taiwan Semiconductor repeated their good performance. Taiwan Mobile's results were steady, with the acquisition of the Momo shopping network boosting revenue growth. While profit growth was more muted, good capital management underpinned the company's earnings. Taiwan Semiconductor's quarterly numbers were more volatile but the company maintained a healthy dividend payout, a net cash balance sheet and still managed profit growth in the first half of 2012. Continued growth in mobile computing should go on supporting the semiconductor industry in the years ahead.

The holdings in Thailand – PTTEP and Siam Cement – lagged the local market, although they had a decent performance the previous year. Both companies, being less exposed to the domestic economy, did not rebound to the same degree as those boosted by the recovery from last year's floods, while minimum wage hikes buoyed consumption. PTTEP, like other national energy companies, set off on an acquisition trail with the aim of securing future resources; the company purchased Cove Energy during the year. Siam Cement's profits fell from a year ago, primarily because of weaker petrochemical margins.

In India, both Infosys and Hero Motocorp underperformed. The IT Services company is exposed to both the financial services sector and the US market which slowed its growth momentum. However, Infosys continued to deliver decent earnings growth, boosted in part by rupee weakness, although the numbers undershot analysts' expectations. It

was a different story for Hero Motocorp, which continued to report record quarterly sales volumes and profit growth throughout the review period. The second half of the calendar year, however, may prove a bit tougher as the currency weakness could put pressure on costs, while rural sales are dependent on the monsoon season. However, the company continues to invest in additional capacity and will target new export markets as it adjusts operationally without Honda's partnership.

Portfolio Activity

There was only one addition and two disposals during the year. As always, the bulk of our trading was done when pricing opportunities arose, with the aim of buying and holding the businesses that we chose to invest in. The new holding was Keppel Corporation, a leading Singapore-based conglomerate with a strong position in the offshore and marine segment. Despite operating in a cyclical industry, the company has established an excellent track record and its order book remains steady, given its ability to design proprietary jackups and semi-submersible rigs. We built up the position through the year and in a similar vein, we added to last year's new holdings in HSBC and AIA Group.

Against this we sold Indian fast-moving consumer goods company Hindustan Unilever and took partial profits in sister company, Unilever Indonesia. The companies performed well, both operationally and even stronger in share price terms, so valuations look relatively expensive. We maintained a holding in the Indonesian company given the less severe competitive environment compared to India and the higher margins of the business there. In fairness, both companies have continued to perform well but we will maintain our pricing discipline as much as possible.

We also sold the small holding in Dah Sing Banking. Although cheap, well-capitalised and always mooted as a potential takeover target by larger mainland institutions, the operating numbers disappointed, with net interest margins contracting on the back of competition and further provisions taken for its treasury portfolio. We took the decision to transfer this exposure to larger financials, HSBC and AIA Group.

Other trading activities were more opportunistic and those worthy of specific mention include the following: we topped up Infosys and DFCC Bank on weakness and added to Hong Kong property stocks, Hang Lung Group and Swire Pacific, during the September 2011 market sell-off. We also topsliced positions in more defensive companies, such as BAT Malaysia, Singapore Telecom and Taiwan Mobile following their strong relative performance and reallocated the proceeds to stocks that fell to more attractive levels. These included Grasim, Petrochina and Siam Cement. We took partial profits from ASM Pacific earlier, then bought back

shares towards the end of the financial year following a period of underperformance.

Outlook

As the Chairman highlighted, the outlook for corporate earnings growth in the region has moderated but remains positive. While inflationary pressures have eased, we cannot be certain that they will not resurface. Importantly, the valuations of Edinburgh Dragon Trust's underlying companies remain very reasonable, although many consumer-related companies appear to be trading on more expensive multiples, given the positive demographics and rising income levels across much of the region. As ever, the bulk of the portfolio's companies have solid balance sheets; all have experienced management teams and good market positions and we are confident in the future of their businesses.

Aberdeen Asset Management Asia Limited*

31 October 2012

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

Information About the Manager

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

AAM Asia have been the Aberdeen Group's principal managers of Asia-Pacific assets since 1992, and had over 394 staff across the region at 31 August 2012. Total funds in the region, which are also managed from Bangkok, Hong Kong, Kuala Lumpur, Singapore, Japan and Sydney are over £63.9 billion as at 31 August 2012.

The Aberdeen Group has its headquarters in Aberdeen with over 37 offices in 26 countries including Bangkok, Edinburgh, Hong Kong, Kuala Lumpur, London, Philadelphia, Singapore and Sydney.

Worldwide, the Aberdeen Group manages a combined £184.3 billion in assets (as at 31 August 2012) for a range of clients, including individuals and institutions, through mutual and segregated funds. The Aberdeen Group manages over 39 investment companies and other closed-ended funds representing £9.1 billion under management.

The Investment Team Senior Managers

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

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

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

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

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

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

The Investment Process

Philosophy and Style

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

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

Risk Controls

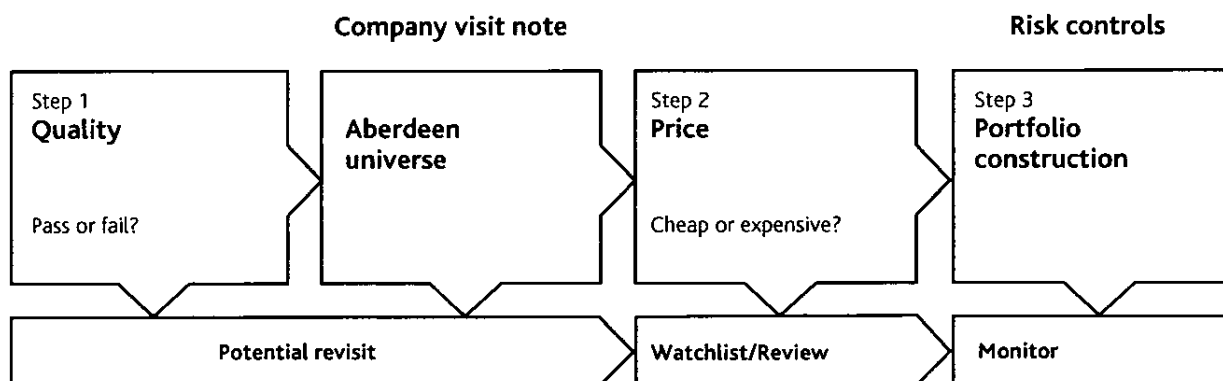
We seek to minimise risk by our in-depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation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

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

Aberdeen Asset Management Asia Limited*

* on behalf of Aberdeen Asset Managers Limited

Regional Teams



Performance

Share Price Discount to NAV

Five years to 31 August 2012

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

Five years to 31 August 2012 (rebased to 100 at 31 August 2007)

Ten Year Financial Record

Year ended 31 August	Equity shareholders' interest £'000	Net asset value per Ordinary share p	Revenue return per Ordinary share p	Ordinary share price p	Share price discount %	Expenses as a % of average shareholders' funds
2003	193,590	85.35	(0.52)	72.25	15.3	1.2
2004 ^A	190,450	83.93	0.04	70.00	16.8	1.4
2005 ^A	258,094	108.73	1.50	101.50	6.6	1.4
2006	301,553	127.06	1.41	117.75	7.3	1.3
2007	384,521	162.18	1.84	144.25	10.8	1.3
2008	377,787	163.58	2.35	146.00	10.5	1.3
2009	414,074	179.29	2.31	167.40	6.6	1.4
2010	471,324	240.09	2.62	219.00	8.8	1.3
2011 ^B	493,555	251.37	4.31	230.00	8.5	1.2
2012 ^B	519,765	264.70	3.30	237.30	10.4	1.3

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

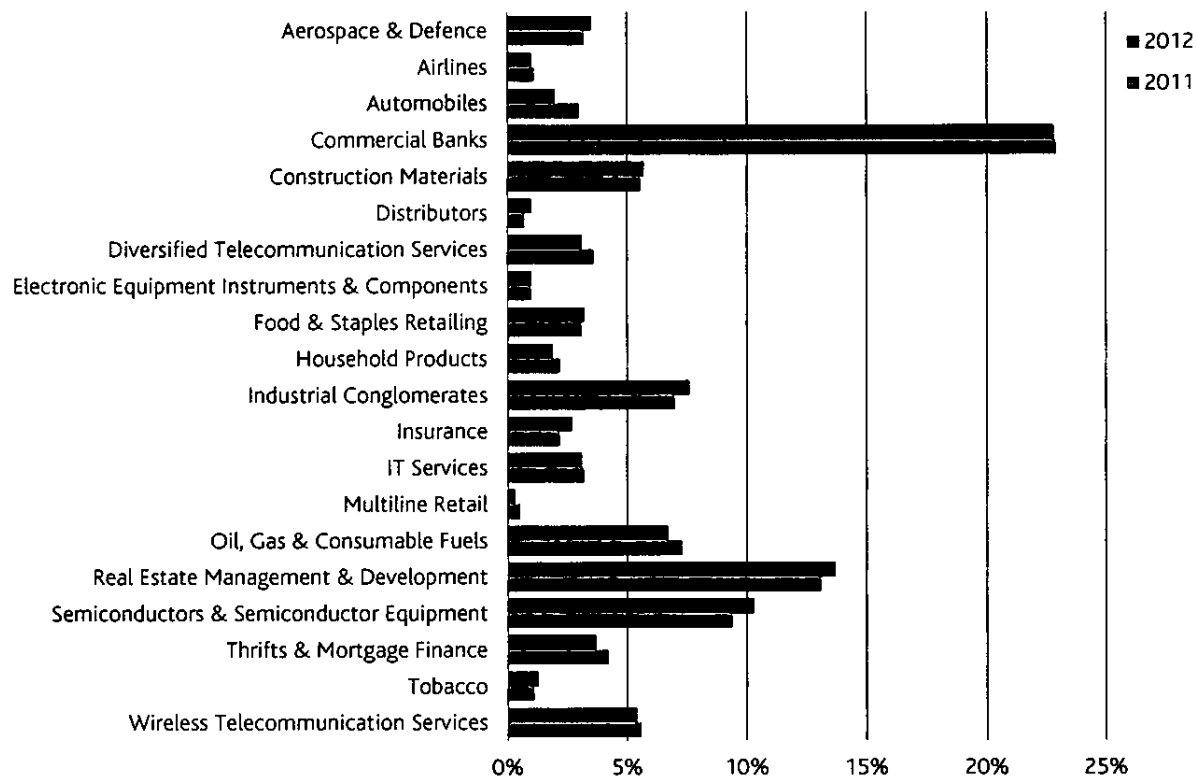
^B The 2011 and 2012 expenses as a % of average shareholders' funds have been calculated with reference to the recent guidance issued by the AIC on ongoing charges, which advises the use of the average daily net asset value throughout the year within the calculation. The figures for 2003 to 2010 disclosed were calculated using previous best practice, which used the average monthly net asset value throughout the year within the calculation.

Changes in Asset Distributions

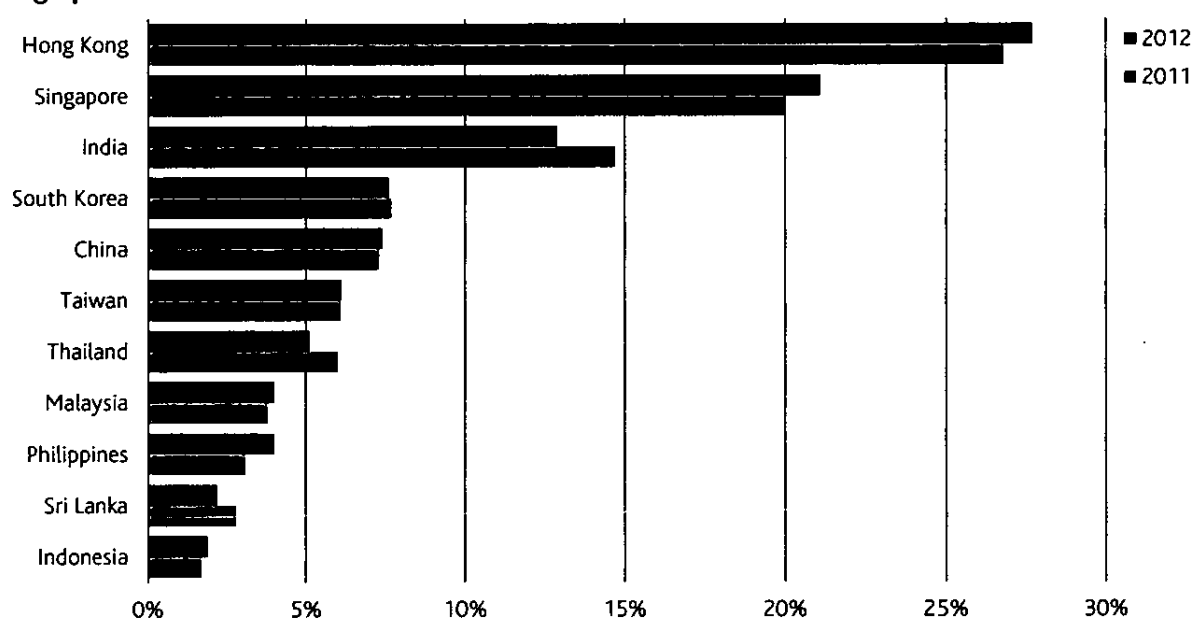
Country	Value at 31 August 2011 £'000	Purchases £'000	Sales proceeds £'000	Gains/ (losses) £'000	Value at 31 August 2012 £'000
China	39,330	2,774	–	424	42,528
Hong Kong	145,184	13,963	7,705	7,620	159,062
India	79,713	5,272	4,801	(6,275)	73,909
Indonesia	9,250	–	1,791	3,285	10,744
Malaysia	20,496	–	954	3,477	23,019
Philippines	16,777	–	–	6,453	23,230
Singapore	108,009	8,822	4,742	8,756	120,845
South Korea	41,531	–	–	2,058	43,589
Sri Lanka	15,229	528	–	(3,269)	12,488
Taiwan	33,293	–	4,762	6,624	35,155
Thailand	32,427	2,373	2,609	(3,158)	29,033
Total investments	541,239	33,732	27,364	25,995	573,602
Net current assets	8,066	–	–	(5,537)	2,529
Total assets less current liabilities	549,305	33,732	27,364	20,458	576,131

Sector/Geographical Analysis

Sector Breakdown



Geographic Breakdown



Investment Portfolio – Ten Largest Investments

As at 31 August 2012

Company	Sector	Country	Valuation 2012 £'000	Total assets %	Valuation 2011 £'000
Samsung Electronics Pref A leading semiconductor company which is also a major player in mobile phones and consumer electronics.	Semiconductors & Semiconductor Equipment	South Korea	27,412	4.8	21,212
Oversea-Chinese Banking Corporation A leading, well-run Singaporean banking group with assets and operations in South East Asia and China.	Commercial Banks	Singapore	25,953	4.5	24,314
Jardine Strategic Holdings A Singapore-listed conglomerate with interests across the region spanning property, hotels and consumer-related businesses.	Industrial Conglomerates	Hong Kong	25,881	4.5	26,202
Standard Chartered^A One of the leading emerging market banking groups.	Commercial Banks	Hong Kong	24,545	4.3	21,918
Taiwan Semiconductor Manufacturing Company The leading semiconductor foundry in Taiwan.	Semiconductors & Semiconductor Equipment	Taiwan	22,160	3.8	19,586
Housing Development Finance Corp A leading housing finance company in India with insurance, banking and asset management subsidiaries.	Thriffs & Mortgage Finance	India	21,154	3.7	22,561
Singapore Technologies Engineering Defence contractor with capabilities in aerospace, electronics, defence and marine.	Aerospace & Defence	Singapore	20,047	3.5	17,434
City Developments Based in Singapore, it is an international property group with developments and investments in commercial, residential and hospitality real estate.	Real Estate Management & Development	Singapore	19,978	3.5	18,257
Swire Pacific 'B' A Hong Kong-listed conglomerate, with interests in aviation (via Cathay Pacific), property, beverages, marine services and industrial activities.	Real Estate Management & Development	Hong Kong	18,510	3.2	20,200
China Mobile The number one mobile operator in China.	Wireless Telecommunication Services	China	18,129	3.1	16,822
Top ten investments			223,769	38.9	

Investment Portfolio – Other Investments

As at 31 August 2012

Company	Sector	Country	Valuation 2012 £'000	Total assets %	Valuation 2011 £'000
Infosys	IT Services	India	17,637	3.1	17,117
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	17,448	3.0	19,184
United Overseas Bank	Commercial Banks	Singapore	17,276	3.0	16,991
AIA Group	Insurance	Hong Kong	15,490	2.7	11,811
Siam Cement ^a	Construction Materials	Thailand	14,865	2.6	15,492
HSBC Holdings	Commercial Banks	Hong Kong	14,815	2.6	9,766
CNOOC	Oil, Gas & Consumable Fuels	China	14,557	2.5	14,291
PTT Exploration & Production (Alien)	Oil, Gas & Consumable Fuels	Thailand	14,168	2.5	16,935
Ayala Land	Real Estate Management & Development	Philippines	14,057	2.4	9,883
Grasim Industries	Construction Materials	India	13,176	2.3	9,619
Top twenty investments			377,258	65.6	
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	12,995	2.3	13,707
Dairy Farm International	Food & Staples Retailing	Hong Kong	12,925	2.2	9,631
Hero Motocorp	Automobiles	India	11,664	2.0	16,166
Unilever Indonesia	Household Products	Indonesia	10,744	1.9	9,250
Hang Lung Group	Real Estate Management & Development	Hong Kong	9,883	1.7	8,849
PetroChina	Oil, Gas & Consumable Fuels	China	9,842	1.7	8,217
ASM Pacific Technologies	Semiconductors & Semiconductor Equipment	Hong Kong	9,677	1.7	10,253
John Keells Holdings	Industrial Conglomerates	Sri Lanka	9,334	1.6	11,661
Bank of Philippine Islands	Commercial Banks	Philippines	9,173	1.6	6,894
CIMB Group Holdings	Commercial Banks	Malaysia	9,136	1.6	8,472
Top thirty investments			482,631	83.9	
Keppel Corp	Industrial Conglomerates	Singapore	8,458	1.5	–
Sun Hung Kai Props	Real Estate Management & Development	Hong Kong	8,255	1.4	8,528
British American Tobacco Malaysia	Tobacco	Malaysia	7,400	1.3	5,993
Public Bank (Alien)	Commercial Banks	Malaysia	6,483	1.1	6,031
Singapore Airlines	Airlines	Singapore	5,887	1.0	6,166
Venture Corp	Electronic Equipment Instruments & Components	Singapore	5,798	1.0	5,663
ICICI Bank	Commercial Banks	India	5,723	1.0	6,528
Wing Hang Bank	Commercial Banks	Hong Kong	5,661	1.0	5,907
Li & Fung	Distributors	Hong Kong	5,436	0.9	4,284
E Mart	Food & Staples Retailing	South Korea	5,357	0.9	7,114
Top forty investments			547,089	95.0	

Company	Sector	Country	Valuation 2012 £'000	Total assets %	Valuation 2011 £'000
BS Financial Group	Commercial Banks	South Korea	5,014	0.9	5,841
Hang Lung Properties	Real Estate Management & Development	Hong Kong	4,774	0.8	5,059
Ultratech Cement	Construction Materials	India	4,555	0.8	5,420
DGB Financial Group	Commercial Banks	South Korea	4,071	0.7	4,820
Swire Properties	Real Estate Management & Development	Hong Kong	3,210	0.6	–
DFCC Bank	Commercial Banks	Sri Lanka	3,154	0.5	3,568
Shinsegae Company	Multiline Retail	South Korea	1,735	0.3	2,544
Total investments			573,602	99.6	
Net current assets			2,529	0.4	
Total assets^c			576,131	100.0	

^a Valuation amalgamates both UK (£18,128,000; 2011 – £15,550,000) and Hong Kong (£6,417,000; 2011 – £6,368,000) listed equity holdings.

^b Valuation amalgamates both Alien (£13,708,000; 2011 – £15,492,000) and NVDR (£1,157,000; 2011 – £nil) listed equity holdings.

^c See definition on page 53.

Note: Unless otherwise stated, foreign stock is held and all investments are equity holdings.

Your Board of Directors

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

Allan McKenzie

Status: Independent Non-Executive Chairman

Length of service: 6 years, appointed a Director on 1 September 2006

Experience: former chief operating officer and a managing director of BlackRock International Limited prior to his retirement in 2006. He is the chairman of Impax Asian Environmental Markets plc. He is also a former director of BlackRock Global Series plc and a former chairman and director of the Thailand International Fund Limited. Between 1972 and 1991 he was actively involved in fund management, specialising in Asian equity markets. Since 1991 his role was in marketing and client relationship management at both Scottish Widows Investment Management and BlackRock International Limited.

Committee membership: Audit Committee and Remuneration Committee

Remuneration: £36,000 per annum with effect from 1 September 2012

All other public company

directorships: Impax Asian Environmental Markets plc

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 15,000 Ordinary shares and 28,820 CULS

David Gairns

Status: Senior Independent Non-Executive Director

Length of service: 9 years, appointed a Director on 1 July 2003

Experience: is a chartered accountant and has spent his professional career with KPMG, retiring in 1991 as senior partner of the Hong Kong firm. He is a former non-executive director of The Hongkong and Shanghai Banking Corporation and Mass Transit Railway Corporation.

Committee membership: Audit Committee (Chairman) and Remuneration Committee (Chairman)

Remuneration: £28,000 per annum with effect from 1 September 2012

All other public company

directorships: None

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other

Trust Directors: None

Shareholding in Company: None

Kathryn Langridge

Status: Independent Non-Executive Director

Length of service: Appointed on 29 October 2012

Experience: has 30 years' experience in the investment industry. She is currently fund management director at Jupiter Asset Management responsible for running the Jupiter Global Emerging Markets Fund. She was previously the Head of the Global Emerging Markets team at Lloyd George Management, where she was responsible for developing investment strategy and managing equity portfolios across a range of emerging markets. Prior to this, she was at INVESCO Perpetual for 17 years holding positions that included Head of Asian investments and Head of International Equity Products. She began her career in Asia with Jardine Fleming.

Committee membership: None

Remuneration: £24,000 per annum with effect from 29 October 2012

All other public company

directorships: None

Employment by the Manager: None

Other connections with Trust or

Manager: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: None

Tony Lowrie

Status: Independent Non-Executive Director

Length of service: 8 years, appointed a Director on 4 October 2004

Experience: has been involved in Asian investment for over 30 years, originally with Hoare Govett and HG Asia and ABN Amro where he was a managing director prior to his retirement in 2007. He is a director of Kenmare Resources plc and Petra Diamonds Limited and a former non-executive director of JD Wetherspoon and Allied Gold.

Committee membership:

Remuneration Committee

Remuneration: £24,000 per annum with effect from 1 September 2012

All other public company

directorships: Kenmare Resources plc and Petra Diamonds Limited

Employment by the Manager: None

Other connections with Trust or

Manager: None

Shared Directorships with any other

Trust Directors: None

Shareholding in Company: None

Iain McLaren

Status: Independent Non-Executive Director

Length of service: 2 years, appointed a Director on 6 September 2010

Experience: is a chartered accountant and was a partner at KPMG for 27 years, including Senior Partner in Scotland from 1999 to 2004, retiring from the firm in 2008. He is the Senior Independent Director and Audit Committee Chairman of Cairn Energy Plc. He is also chairman of Investors Capital Trust Plc and a non-executive director of Baillie Gifford Shin Nippon Plc, Ecofin Water & Power Opportunities plc and a director of a number of other companies. He is a former President of the Institute of Chartered Accountants of Scotland.

Committee membership: Audit Committee

Remuneration: £26,000 per annum with effect from 1 September 2012

All other public company

directorships: Cairn Energy Plc, Baillie Gifford Shin Nippon Plc, Ecofin Water & Power Opportunities plc and Investors Capital Trust Plc

Employment by the Manager: None

Other connections with Trust or

Manager: None

Shared Directorships with any other

Trust Directors: None

Shareholding in Company: 10,000

Ordinary shares and 20,379 CULS

Your Board of Directors continued

Peter Maynard

Status: Independent Non-Executive Director

Length of service: 1 year, appointed a Director on 12 October 2011

Experience: qualified as a solicitor and was Group Legal Director at Prudential plc from 1998 to 2009 and Company Secretary from July 1999. Prior to that he was with HSBC for 14 years during which time he was variously a Director of HSBC Investment Bank, President and Chief Executive Officer of James Capel Inc in New York and finally Deputy Group Legal Adviser. Recently he has been the Head of Group Governance and Regulatory Compliance at Old Mutual plc. He is a former chairman of the GC100 and was a supervisory board member of the London Business School Centre for Corporate Governance. He is a non-executive director of Brunner Investment Trust plc.

Committee membership: None

Remuneration: £24,000 per annum with effect from 1 September 2012

All other public company

directorships: Brunner Investment Trust plc

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 2,500 Ordinary shares

Iain Watt

Status: Independent Non-Executive Director

Length of service: 25 years, appointed a Director on 12 August 1987

Experience: has over 40 years' experience of the investment management industry and was former chief executive of Edinburgh Fund Managers plc.

Committee membership: None

Remuneration: £24,000 per annum with effect from 1 September 2012

All other public company

directorships: None

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 17,164 Ordinary shares and 29,844 CULS

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 August 2012.

Business Review

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

Principal Activity

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

The Company carries on business as an investment trust and the Directors do not envisage any change in this activity in the foreseeable future. The Company has received requisite approval of investment trust status from HM Revenue and Customs for accounting periods up to and including 31 August 2011.

The Directors are of the opinion, under advice, that the Company has conducted its affairs for the year ended 31 August 2012 so as to be able to obtain approval as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 for that year, although approval for the period would be subject to review were there to be any enquiry under the Corporation Tax Self Assessment regime.

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

Investment Objective and Policy

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

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

Review of Performance

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

Future Trends

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

Risk Management

The major risks associated with the Company are detailed below:

- **Resource risk:** The Company is an investment trust and has no employees. The responsibility for the management of the Company has been delegated to Aberdeen Asset Managers Limited ('the Manager') under the management agreement. The terms of the management agreement cover the necessary duties and conditions expected of the Manager. The Board reviews the performance of the Manager on a regular basis and their compliance with the management contract formally on an annual basis.
- **Investment and market risk:** The Company is exposed to the effect of variations in share prices due to the nature of its business. Investment in Asian equities involves a greater degree of risk than that usually associated with investment in the major securities markets. These include a greater risk of social, political and economic instability including changes in government which may restrict investment opportunities and have an adverse effect on economic reform. Changes in legal, regulatory and accounting policies can also affect the value of the Company's investments. The lower volumes of trading in certain securities of emerging markets may result in lack of liquidity and price volatility. In addition, currency fluctuations and high interest rates may affect the value of the Company's investments and the income derived therefrom.

The Board continually monitors the investment policy of the Company, taking account of stockmarket factors, and reviews the Company's performance compared to its benchmark index and peer group. Further details on other risks relating to the Company's investment activities, including market price, liquidity and foreign currency risks, are provided in note 18 to the financial statements.

- **Gearing risk:** As at 31 August 2012 the Company had £59.8 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS). Gearing has the effect of exacerbating market falls and gains. In order to manage the level of

Directors' Report continued

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 the tax rules for investment companies, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.
- **Discount volatility:** The Company's share price can trade at a discount to its underlying net asset value. The Board monitors the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares within certain limits.

Monitoring Performance – Key Performance Indicators

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

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

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

Social, Community, Employee Responsibilities and Environmental Policy

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

Capital Structure and Borrowings

During the year to 31 August 2012, the Company issued 13,909 (2011 – 35,131) Ordinary shares following elections by CULS holders to convert £43,160 (2011 – £108,987) nominal of CULS. There were no buybacks of Ordinary shares during the year.

At 31 August 2012, the Company had 196,360,259 (2011 – 196,346,350) fully paid Ordinary shares of 20p each in issue and £59,847,853 (2011 – £59,891,013) nominal of CULS. There have been no changes in the Company's issued share capital and borrowings subsequent to the year end and up to the date of this report.

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

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

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

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

Other Information

The rules concerning the appointment and replacement of Directors, amendments of the Articles of Association and powers to issue or buy back Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006. There are no agreements which the Company is party to that might affect its control following a takeover bid; and there are no agreements between the Company and its Directors concerning compensation for loss of office. Other than the Management Agreement with the Manager, further details of which are set out on page 23, the Company is not aware of any contractual or other

agreements which are essential to its business which ought to be disclosed in the Directors' Report.

Dividends

The Directors recommend that a final dividend of 2.20p per Ordinary share (2011 – 3.20p) be paid on 14 December 2012 to shareholders on the register on 16 November 2012. The ex-date is 14 November 2012.

Directors

Details of the current Directors of the Company are shown on pages 18 to 20.

Frank Frame retired from the Board on 7 December 2011. Iain Watt will retire from the Board at the conclusion of the Annual General Meeting to be held on 11 December 2012.

Kathryn Langridge was appointed as a non-executive Director on 29 October 2012.

The Articles of Association provide that Directors retire and are subject to election at the first Annual General Meeting following their appointment and thereafter must offer themselves for re-election at least once every three years. In a change to this practice and in order to meet the requirements of Section 8.7.1 of the new UK Corporate Governance Code published in June 2010, all of the Directors of the Company will stand for re-election. Resolutions 4 to 9 inclusive, which relate the re-election of each of the Directors, will be proposed at the Annual General Meeting.

	31 August 2012		1 September 2011	
	CULS	Ordinary shares	CULS	Ordinary shares
Allan McKenzie	28,820	15,000	28,820	15,000
David Gairns	—	—	—	—
Frank Frame (retired 7 December 2011)	n/a	n/a	2,164	8,500
Tony Lowrie	—	—	—	—
Iain McLaren	20,379	10,000	20,379	10,000
Peter Maynard (appointed 12 October 2011)	—	2,500	n/a	n/a
Iain Watt	29,844	17,164	29,844	17,164

Table 1 Directors and their interests in the Company

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

The Directors' interests in the shares of the Company as at 31 August 2012 are shown in Table 1. The Company has not been notified of any subsequent changes in Directors' interests.

Directors' Liability Insurance

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

Management Agreement

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

Auditor

The Company's auditor, KPMG Audit Plc, is willing to continue in office, and resolutions will be proposed at the forthcoming Annual General Meeting to re-appoint them, and to authorise the Directors to fix their remuneration. During the year ended 31 August 2012, £4,240 (2011 - £4,000) was paid to the auditor for non audit services. This related to further assurance work regarding the interim and regulatory reporting.

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

Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is contained on pages 26 to 29.

Payments Policy

It is the Company's policy to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses

Directors' Report continued

are paid on a timely basis in the ordinary course of business. In certain circumstances, settlement terms are agreed prior to business taking place.

Substantial Share Interests

At 31 October 2012 the substantial interests in the Ordinary share capital which had been notified to the Company during the period are shown in Table 2.

Holder	No. of Ordinary shares	%
Lazard Freres Asset Management	21,886,816	11.1
City of London Investment Management	19,621,411	10.0
Investec Wealth & Investment	16,285,358	8.3
Derbyshire County Council	12,000,000	6.1

Table 2: Substantial share interests

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 11 December 2012, the following resolutions will be proposed:

- (i) **Continuation of Company**
Resolution 12, which is an ordinary resolution, will, if approved, allow the Company to continue as an investment trust.
- (ii) **Section 551 Authority to Allot Shares**
Resolution 13, which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to an aggregate nominal value of £13,090,684 representing approximately 33.33 per cent. of the total Ordinary share capital of the Company in issue as at the date of this Directors' Report, such authority to expire on 28 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).
- (iii) **Limited dis-application of Pre-emption Provisions**
As noted above, resolution 13 will, if approved, give the Directors a general authority to allot securities up to an aggregate nominal amount of £13,090,684. Resolution 14, which is a special resolution, will, if approved, give the Directors power to allot unissued Ordinary shares up to a maximum aggregate nominal amount of £1,963,603 being 5% of the current issued share capital of the Company, for cash other than to existing shareholders pro rata to their holdings. A maximum of £13,090,684 of unissued Ordinary share capital may also be allotted for

cash, pursuant to a rights issue made pro rata to shareholders in the future. Ordinary shares would only be issued for cash pursuant to a rights issue at a price above the net asset value per share. This authority will expire on 28 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

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

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

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

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. Shares so repurchased will be cancelled. This authority will expire on 28 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(v) Notice period for general meetings

The Company's Articles of Association enable the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. In order for this to be effective, the shareholders must also approve the calling of meetings on 14 days' notice by separate resolution. Resolution 16, which will be proposed as a special resolution, seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will

be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations) before it can call a general meeting on 14 days' notice.

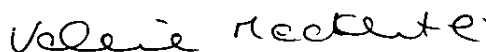
Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling, in aggregate, 44,664 Ordinary shares, and representing 0.02% of the existing issued Ordinary share capital of the Company.

By order of the Board,

Aberdeen Asset Managers Limited

Secretary



Edinburgh, 31 October 2012

Statement of Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. The Board is responsible for good governance, and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code published in May 2010 (the "Governance Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk, throughout the financial year. The Board confirms that the Company has complied throughout the accounting period to 31 August 2012 with the relevant provisions of the Governance Code.

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

The Board

The Board consists of seven non-executive Directors. Profiles of the Board members appear on pages 18 to 20 of the annual report. Each Director has the requisite range of business and financial experience to enable the Board to provide clear and effective leadership and proper stewardship of the Company. Mr Gairns is the Senior Independent Director and is available to shareholders in the event that there are concerns that cannot be resolved through discussion with the Chairman.

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

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

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

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

Meetings held and attendance	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Allan McKenzie ^{1,2}	5/5	3/3	1/1
Frank Frame	2/2	n/a	n/a
David Gairns ^{1,2}	5/5	3/3	1/1
Tony Lowrie ²	5/5	n/a	1/1
Iain McLaren ¹	5/5	3/3	n/a
Peter Maynard	5/5	n/a	n/a
Iain Watt	5/5	n/a	n/a

¹ Member of Audit Committee ² Member of Remuneration Committee

¹ Kathryn Langridge was appointed on 29 October 2012 and therefore did not attend meetings during the financial year

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

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

Performance Evaluation

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

During the year, the Board used an external consultant to carry out an evaluation of the Board's performance. Feedback

from the evaluation confirmed that "The skills essential for the proper supervision of the activities of the Company appear to be present and the overall quality of the Board appears to be high. Board meetings were considered to be of a high standard, to be the right number and of the right length". It is the Board's intention to use an external consultant to assist in the Board's performance evaluation every three years.

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

Succession Planning

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

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

The Board has agreed a succession planning programme in order to provide an appropriate balance between new blood and continuity, in line with good corporate governance. In accordance with that programme, Mr Watt will retire at the forthcoming Annual General Meeting. Following a review of its skills and expertise, the Board recognised the advantages of having representatives with investment management experience particularly in the Far East. An external consultant was used to identify potential candidates which resulted in the appointment of Kathryn Langridge as a non-executive director on 29 October 2012. Ms Langridge has 30 years' experience in the investment industry with particular focus on emerging and Asian markets. She will offer herself for re-election by shareholders at the forthcoming Annual General Meeting. The Board supports her candidature.

The Company's Articles of Association provide that a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting and that all Directors are required to submit

themselves for re-election at least once every three years. The Board has implemented the provisions of the Governance Code whereby all Directors of the Company will stand for re-election on an annual basis. The Board has reviewed the skills and experience of each Director, and supports their re-election.

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

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

Remuneration Committee

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

Internal Control

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

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

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

Statement of Corporate Governance continued

management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified and documented through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the FRC guidance, and includes financial, regulatory, market operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board, and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

Note 18 to the accounts provides further information on risks. The key components designed to provide effective internal control are outlined below:

- The Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.
- The Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate.
- As a matter of course, the Manager's compliance department continually reviews the Manager's operations.
- Written agreements are in place, which specifically define the roles and responsibilities of the Manager and other third party service providers.
- The Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Manager, has decided to place reliance on the Manager's systems and internal audit procedures.
- The Audit Committee carried out six monthly reviews of risk management and internal controls, including the internal audit and compliance functions. At its October 2012 meeting, the Audit Committee performed its annual assessment of internal controls for the year ended 31 August 2012 and taking account of events since 31 August 2012. The results of the assessment were reported to the Board.

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

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 30 and 32.

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

- to review and monitor the internal control systems and risk management systems on which the Company is reliant.
- to consider annually whether there is a need for the Company to have its own internal audit function.
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager.
- to meet with the external auditor to review their proposed audit programme of work and the findings of the auditor. The Committee also uses this as an opportunity to assess the effectiveness of the audit process.
- to develop and implement policy on the engagement of the external auditor to supply non-audit services. The non-audit fees for the year to 31 August 2012 were £4,240 (2011 - £4,000), relating to the review of the interim accounts. The Board will review any future non-audit fees in the light of the requirement to maintain the auditor's independence.
- to review the arrangements in place within the Manager whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- to monitor and review annually the external auditor's independence, objectivity, effectiveness, resources and qualification. At its October 2012 meeting, the Committee was satisfied that the auditor remained independent and objective.
- to review the performance of the Manager and its compliance with the Management Agreement.

Going Concern

Shareholders are given the opportunity to vote on the continuation of the Company every three years. The last continuation vote was in December 2009 when shareholders voted in favour of continuation. Shareholders have the right to vote at the forthcoming Annual General Meeting on whether to continue the Company as an investment trust.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale. The Directors believe that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts, and they consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

Review of Manager

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

Relations with Shareholders

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

It is the intention of the Board that, in the ordinary course, the notice of the Annual General Meeting included within the annual report and accounts is normally sent out at least 20 working days in advance of the meeting. All Directors

intend to be available at the forthcoming Annual General Meeting, and shareholders are encouraged to attend. Proxy voting figures for each resolution are announced to the meeting after voting on a show of hands.

Proxy Voting as an Institutional Shareholder

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

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

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

Corporate Governance and Socially Responsible Investment Policy

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

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

Statement of Directors' Responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

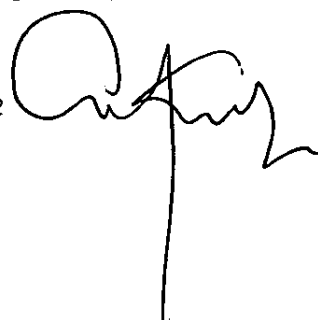
The Directors confirm that to the best of their knowledge that:

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

For Edinburgh Dragon Trust plc

Allan McKenzie
Chairman

31 October 2012



Directors' Remuneration Report

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

The law requires your Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 32.

Remuneration Committee

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

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. It is intended that this policy will continue for the year to 31 August 2013 and subsequent years. A review of Directors' fees is undertaken on an annual basis.

The Company's Articles of Association currently limits the aggregate fees payable to the Board of Directors to a total of £250,000 per annum. Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

The Board carried out a review of Directors' fees during the year, and concluded that the fees payable to Directors should increase, with effect from 1 September 2012, to £36,000 for the Chairman, £28,000 for the Chairman of the Audit Committee, £26,000 for each member of the Audit Committee and £24,000 for each Director. The last increase in fees was effective from 1 September 2011.

Directors' Service Contracts

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

Total Shareholder Return

The graph charts, for the five-year period to 31 August 2012 (rebased to 100 at 31 August 2007), the total shareholder return (assuming all dividends are reinvested) in each period for a holding in the Company's shares against the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the MSCI All Country Asia (ex Japan) Index is calculated. This index was chosen for comparison purposes only.

Directors' Emoluments for the Year (audited)

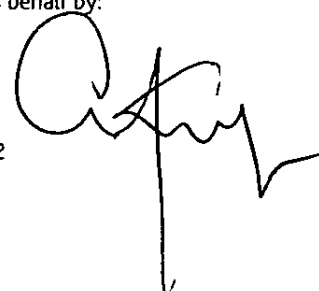
The Directors who served in the year received emoluments in the form of fees, as described in the Table below.

	Year to 31 August 2012 £	Year to 31 August 2011 £
Allan McKenzie	33,000	27,000
Frank Frame	5,914	18,000
David Gairns	26,000	20,000
Tony Lowrie	22,000	18,100
Peter Maynard	19,556	-
Iain McLaren	24,000	18,700
Peter Tyrie	-	4,900
Iain Watt	22,000	18,000
	152,470	124,700

Approval

The Directors' Remuneration Report on page 31 was approved by the Board of Directors on 31 October 2012 and signed on its behalf by:

Allan McKenzie
Chairman
31 October 2012



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

We have audited the financial statements of Edinburgh Dragon Trust plc for the period ended 31 August 2012 set out on pages 33 to 49. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the information given in the Corporate Governance Statement set out on pages 26 to 29 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

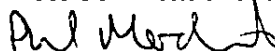
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 28, in relation to going concern;
- the part of the Corporate Governance Statement on pages 26 to 29 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



Phil Merchant (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh

31 October 2012

Income Statement

	Notes	Year ended 31 August 2012			Year ended 31 August 2011		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	9	–	25,995	25,995	–	12,809	12,809
Currency (losses)/gains		–	(14)	(14)	–	460	460
Income	2	16,054	–	16,054	17,075	–	17,075
VAT recovered on investment management fees	3	–	–	–	7	–	7
Investment management fee	3	(5,009)	–	(5,009)	(5,058)	–	(5,058)
Administrative expenses	4	(1,233)	–	(1,233)	(1,185)	–	(1,185)
Net return before finance costs and taxation		9,812	25,981	35,793	10,839	13,269	24,108
Interest payable and similar charges	5	(2,752)	–	(2,752)	(1,808)	–	(1,808)
Return on ordinary activities before taxation		7,060	25,981	33,041	9,031	13,269	22,300
Taxation on ordinary activities	6	(588)	–	(588)	(574)	–	(574)
Return on ordinary activities after taxation		6,472	25,981	32,453	8,457	13,269	21,726
Return per share (pence)							
Basic and diluted	8	3.30	13.23	16.53	4.31	6.76	11.07

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

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

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

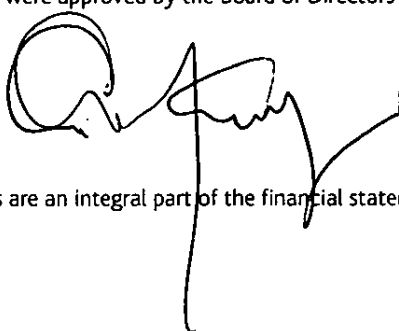
The accompanying notes are an integral part of the financial statements.

Balance Sheet

	Notes	As at 31 August 2012 £'000	As at 31 August 2011 £'000
Non-current assets			
Investments at fair value through profit or loss	9	573,602	541,239
Current assets			
Debtors and prepayments	10	1,598	2,795
Cash and short term deposits		2,651	6,930
		4,249	9,725
Creditors: amounts falling due within one year			
Other creditors	11	(1,720)	(1,659)
Net current assets		2,529	8,066
Total assets less current liabilities		576,131	549,305
Non-current liabilities			
3.5% Convertible Unsecured Loan Stock 2018	12	(56,366)	(55,750)
Net assets		519,765	493,555
Share capital and reserves			
Called-up share capital	13	39,272	39,269
Share premium account		4,427	4,387
Special reserve		6,726	6,726
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	12	3,163	4,126
Capital redemption reserve		16,945	16,945
Capital reserve		432,669	406,688
Revenue reserve		16,563	15,414
Equity shareholders' funds	14	519,765	493,555
Net asset value per Ordinary share (pence)	14	264.70	251.37

The financial statements were approved by the Board of Directors and authorised for issue on 31 October 2012 and were signed on its behalf by:

Allan McKenzie
Chairman



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

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 August 2012

	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
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	3	40	–	(3)	–	–	–	40
Dividend paid	–	–	–	–	–	–	(6,283)	(6,283)
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

For the year ended 31 August 2011

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

The capital reserve includes investment holding gains amounting to £232,881,000 (2011 – £217,280,000), as disclosed in note 9.

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

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

Cash Flow Statement

		Year ended 31 August 2012		Year ended 31 August 2011	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	15		9,819		10,225
Servicing of finance					
Bank, loan and CULS interest paid			(2,096)		(1,191)
Taxation					
Net tax paid			(579)		(583)
Financial investment					
Purchases of investments		(33,721)		(90,751)	
Sales of investments		28,595		28,451	
Net cash outflow from financial investment			(5,126)		(62,300)
Equity dividend paid			(6,283)		(3,730)
Net cash outflow before financing			(4,265)		(57,579)
Financing					
Issue of 3.5% Convertible Unsecured Loan Stock 2018			–		60,400
Expenses re the issue of 3.5% Convertible Unsecured Loan Stock 2018			–		(876)
Net cash inflow from financing			–		59,524
(Decrease)/increase in cash	16		(4,265)		1,945
Reconciliation of net cash inflow to movements in net funds					
(Decrease)/increase in cash as above			(4,265)		1,945
Exchange movements			(14)		460
Movement in net funds in the year			(4,279)		2,405
Net funds at 1 September			6,930		4,525
Net funds at 31 August			2,651		6,930

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

Notes to the Financial Statements For the year ended 31 August 2012

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of investments and in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Statement of Corporate Governance on pages 28 and 29.

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

(b) Investments

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

(c) Income

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

(d) Expenses

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

(e) Deferred taxation

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

(f) Capital reserves

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

Notes to the Financial Statements continued

(g) Foreign currency

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

(h) Dividends payable

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

(i) 3.5% Convertible Unsecured Loan Stock 2018

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

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

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

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

When CULS is repurchased for cancellation, the fair value of the liability at the redemption date is compared to its carrying amount, giving rise to a gain or loss on redemption that is recognised through 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.

	2012 £'000	2011 £'000
2. Income		
Income from investments		
UK dividend income	1,460	653
Overseas dividend income	14,390	14,791
Scrip dividends	195	1,623
	16,045	17,067
Other income		
Deposit interest	8	8
Interest from UK Treasury Bills	1	–
	9	8
Total income	16,054	17,075

	2012 £'000	2011 £'000
Income from investments		
Listed UK	626	482
Listed overseas	15,419	16,585
	16,045	17,067

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
3. Investment management fee						
Investment management fee	5,009	–	5,009	5,058	–	5,058

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

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

	2012 £'000	2011 £'000
4. Administrative expenses		
Share Plan marketing contribution	205	187
Directors' fees	152	125
Safe custody fees	395	406
Auditor's remuneration:		
• Fees payable to the Company's auditor for the audit of the Company's annual accounts	16	20
• Fees payable to the Company's auditor for the review of the Company's half yearly accounts	5	4
Secretarial fee	103	93
Other expenses	357	350
	1,233	1,185

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

The audit fee of £20,000 for the year ended 31 August 2011 included an amount of £5,000 paid to KPMG for additional audit work related to the issue of Convertible Unsecured Loan Stock 2018. No additional fees were due to KPMG for the year ended 31 August 2012.

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

The Company does not have any employees.

Notes to the Financial Statements continued

	2012 £'000	2011 £'000
5. Interest payable and similar charges		
Loans repayable in less than 1 year	–	10
Interest on 3.5% Convertible Unsecured Loan Stock 2018	2,096	1,337
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	596	364
Amortisation of 3.5% Convertible Unsecured Loan Stock 2018 issue expenses	60	97
	2,752	1,808

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
6. Taxation						
(a) Analysis of charge for the year						
Irrecoverable overseas withholding tax	588	–	588	574	–	574
Taxation on ordinary activities	588	–	588	574	–	574

(b) Factors affecting the tax charge for the year

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

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
Return on ordinary activities before taxation	7,060	25,981	33,041	9,031	13,269	22,300
Effective rate of corporation tax at 25.17% (2011 – 27.17%)	1,777	6,539	8,316	2,454	3,605	6,059
<i>Effects of:</i>						
UK dividend income	(367)	–	(367)	(178)	–	(178)
Gains on investments not taxable	–	(6,543)	(6,543)	–	(3,480)	(3,480)
Currency losses/(gains) not taxable	–	4	4	–	(125)	(125)
Other non-taxable income	(3,671)	–	(3,671)	(4,459)	–	(4,459)
Increase in excess expenses and loan relationship deficit	2,261	–	2,261	2,183	–	2,183
Irrecoverable overseas withholding tax	588	–	588	574	–	574
Current tax charge for year	588	–	588	574	–	574

(c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year or in the prior year.

The Company has not provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items because of its status as an investment trust company.

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset £5,495,000 (2011 – £3,617,000) arising as a result of excess management expenses and non-trade loan relationship deficits. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

7. Dividends

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

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

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 – 1159 are considered. The revenue available for distribution by way of dividend for the year is £6,472,000 (2011 – £8,457,000).

	2012 £'000	2011 £'000
Proposed final dividend for 2012 – 2.20p per Ordinary share (2011 – 3.20p)	4,320	6,283

The final dividend will be paid on 14 December 2012 to shareholders on the register at the close of business on 16 November 2012.

	2012		2011	
8. Return per Ordinary share	£'000	pence	£'000	pence
Revenue return	6,472	3.30	8,457	4.31
Capital return	25,981	13.23	13,269	6.76
Total return	32,453	16.53	21,726	11.07
Weighted average Ordinary shares in issue	196,349,420		196,313,144	

The impact of the 3.5% Convertible Unsecured Loan Stock 2018 issued in January 2011 on both the revenue return per Ordinary share and total return per Ordinary share was anti-dilutive for the year ended 31 August 2012 and 31 August 2011.

9. Investments	Listed overseas £'000	Listed in UK £'000	Total £'000
Fair value through profit or loss:			
Opening book cost	308,070	15,889	323,959
Opening fair value gains/(losses) on investments held	217,619	(339)	217,280
Opening fair value	525,689	15,550	541,239
Movements in year:			
Purchases at cost	31,094	2,638	33,732
Sales – proceeds	(27,364)	–	(27,364)
Sales – gains on sales	10,394	–	10,394
Current year fair value gains/(losses) on investments held	15,661	(60)	15,601
Closing fair value	555,474	18,128	573,602
	Listed overseas £'000	Listed in UK £'000	Total £'000
Closing book cost	322,194	18,527	340,721
Closing fair value gains/(losses) on investments held	233,280	(399)	232,881
Closing fair value	555,474	18,128	573,602

Notes to the Financial Statements continued

	2012 £'000	2011 £'000
Listed on a recognised overseas investment exchange	555,474	525,689
Listed in the UK	18,128	15,550
	573,602	541,239

	2012 £'000	2011 £'000
Gains on investments held at fair value through profit or loss		
Realised gains on sales	10,394	16,031
Increase/(decrease) in fair value gains on investments held	15,601	(3,222)
	25,995	12,809

Transaction costs

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

	2012 £'000	2011 £'000
Purchases	106	209
Sales	84	70
	190	279

	2012 £'000	2011 £'000
10. Debtors and prepayments		
Accrued income	1,528	1,497
Amounts due from brokers	–	1,231
Overseas withholding tax recoverable	–	9
Other debtors and prepayments	70	58
	1,598	2,795

	2012 £'000	2011 £'000
11. Creditors: amounts falling due within one year		
Amounts due to brokers	11	–
Other creditors	1,709	1,659
	1,720	1,659

12. Non-current liabilities

3.5% Convertible Unsecured Loan Stock 2018

	Number of units £'000	Liability component £'000	Equity component £'000
Balance at 31 August 2011	59,891	55,750	4,126
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary shares	(43)	(40)	(3)
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	–	596	–
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018 transferred to revenue reserve	–	–	(960)
Amortisation of issue expenses (see note 1(i))	–	60	–
Balance at 31 August 2012	59,848	56,366	3,163

	Number of units £'000	Liability component £'000	Equity component £'000
Balance at 31 August 2010	–	–	–
Issue of 3.5% Convertible Unsecured Loan Stock 2018	60,000	55,894	4,106
Premium on issue	–	373	27
Expenses of the issue	–	(816)	–
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary shares	(109)	(102)	(7)
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	–	364	–
Amortisation of issue expenses (see note 1(i))	–	37	–
Balance at 31 August 2011	59,891	55,750	4,126

On 12, 26 and 27 January 2011, the Company issued a total of £60,000,000 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS"). The CULS can be converted at the election of holders into Ordinary Shares during the months of January and July each year throughout their life, 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, of which 100% 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.

During the year ended 31 August 2012 the Company converted £43,160 (2011 – £108,987) nominal amount of CULS into 13,909 (2011 – 35,131) Ordinary shares.

As at 31 August 2012, there was £59,847,853 (2011 – £59,891,013) nominal amount of CULS in issue.

Notes to the Financial Statements continued

	2012 £'000	2011 £'000
13. Called-up share capital		
Allotted, called-up and fully paid:		
Ordinary shares of 20p		
Opening balance of 196,346,350 (2011 – 196,311,219) shares	39,269	39,262
Issue of 13,909 (2011 – 35,131) Ordinary shares on conversion of £43,160 (2011 – £108,987) nominal 3.5% Convertible Unsecured Loan Stock 2018	3	7
Closing balance of 196,360,259 (2011 – 196,346,350) shares	39,272	39,269

14. Net asset value per share

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

	2012	2011
Net assets attributable (£'000)	519,765	493,555
Number of Ordinary shares in issue	196,360,259	196,346,350
Net asset value per share (p)	264.70	251.37

The impact of the 3.5% Convertible Unsecured Loan Stock 2018 issued in January 2011 on the net asset value per share was anti-dilutive for the year ended 31 August 2012 and 31 August 2011.

	2012 £'000	2011 £'000
15. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities		
Net return before finance costs and taxation	35,793	24,108
<i>Adjustments for:</i>		
Gains on investments held at fair value through profit or loss	(25,995)	(12,809)
Exchange losses/(gains) charges to capital	14	(460)
Increase in accrued income	(31)	(728)
(Increase)/decrease in other debtors	(12)	10
Increase in sundry creditors including management fee due	50	104
Net cash inflow from operating activities	9,819	10,225

	1 September 2011 £'000	Cash flow £'000	Currency movements £'000	31 August 2012 £'000
16. Analysis of changes in net funds				
Cash and short term deposits	6,930	(4,265)	(14)	2,651

17. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board has imposed a maximum gearing level of 20% of net assets.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market, and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company has no externally imposed capital requirements.

18. Financial instruments

Risk management

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

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

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

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

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

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

Market risk

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

Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits.

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

Interest risk profile

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

Notes to the Financial Statements continued

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
At 31 August 2012				
Assets				
Indian Rupee	–	–	–	21
Sterling	–	0.23	–	2,617
Taiwanese Dollar	–	–	–	13
Total assets	n/a	n/a	–	2,651
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	5.33	3.50	56,366	–
Total liabilities	n/a	n/a	56,366	–
At 31 August 2011				
Assets				
Indian Rupee	–	–	–	48
Sterling	–	0.44	–	6,682
Taiwanese Dollar	–	–	–	13
US Dollar	–	0.10	–	187
	n/a	n/a	–	6,930
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	6.33	3.50	55,750	–
Total liabilities	n/a	n/a	55,750	–

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

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

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

Interest rate sensitivity

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

Foreign currency risk

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

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

Foreign currency risk exposure by currency of denomination:

	31 August 2012			31 August 2011		
	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
Hong Kong Dollar	144,656	–	144,656	142,762	–	142,762
Indian Rupee	73,908	21	73,929	79,713	48	79,761
Indonesian Rupiah	10,744	–	10,744	9,250	–	9,250
Korean Won	43,589	–	43,589	41,531	–	41,531
Malaysian Ringgit	23,019	–	23,019	20,496	–	20,496
Philippine Peso	23,231	–	23,231	16,777	–	16,777
Singapore Dollar	120,847	–	120,847	134,211	–	134,211
Sri Lankan Rupee	12,488	–	12,488	15,229	–	15,229
Taiwanese Dollar	35,154	13	35,167	33,293	13	33,306
Thailand Baht	29,032	–	29,032	32,427	–	32,427
US Dollar	38,806	–	38,806	–	187	187
	555,474	34	555,508	525,689	248	525,937
Sterling	18,128	2,617	20,745	15,550	6,682	22,232
Total	573,602	2,651	576,253	541,239	6,930	548,169

Foreign currency sensitivity

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

Other price risk

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

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

Other price risk sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 August 2012 would have increased/decreased by £57,360,000 (2011 – increased/decreased by £54,124,000) and equity reserves would have increased/decreased by the same amount.

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not considered to be significant, as the Company's assets mainly comprise readily realisable securities which can be sold to meet funding requirements if necessary. In order to monitor the concentration of Dragon's investee companies with Aberdeen, the total percentage holdings of those securities owned by Aberdeen-managed funds is reviewed by the Board.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions, and reviews these on a regular basis. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 20%.

Notes to the Financial Statements continued

Short-term flexibility can be achieved through the use of loan and overdraft facilities. At 31 August 2011 and 2012 the Company had no loan or overdraft facility in place. Details of the Board's policy on gearing are shown in the interest rate risk section of this note.

Liquidity risk exposure

At 31 August 2012 the Company had borrowings in the form of the £59,847,853 nominal of 3.5% Convertible Unsecured Loan Stock 2018 (2011 – £59,891,013).

Credit risk

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

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

- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty, including the custodian, exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, the Custodian carries out a stock reconciliation to third party administrators' records on a daily basis to ensure discrepancies are picked up on a timely basis. The Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's Risk Management Committee. This review will also include checks on the maintenance and security of investments held;
- cash is held only with reputable banks with high quality external credit enhancements.

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

Credit risk exposure

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

	2012		2011	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	£'000	£'000	£'000	£'000
Current assets				
Loans and receivables	1,598	1,598	2,795	2,795
Cash at bank and in hand	2,651	2,651	6,930	6,930
	4,249	4,249	9,725	9,725

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

Maturity of financial liabilities

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

	2012	2011
	£'000	£'000
In more than one year	56,366	55,750

At 31 August 2012 the full contractual liability for the CULS assuming no further conversions was £71,013,000 (2011 – £73,160,000).

19. Fair value hierarchy

FRS 29 'Financial Instruments: Disclosures' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

All of the Company's investments are in quoted equities (2011 – same) actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (2012 – £573,602,000; 2011 – £541,239,000) have therefore been deemed as Level 1.

General Information

Marketing Strategy

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

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

These aims can be met in several ways:

Investor Relations Programme

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

Group Schemes

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

Newsletter

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

Public Relations

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

Shareholder Services

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

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

Internet

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

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

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

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

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

How to Invest in Edinburgh Dragon Trust plc

How to Invest

Investors can buy and sell shares directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children and Aberdeen's Investment Trust Share Plan, Investment Trust ISA or ISA Transfer.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Edinburgh Dragon Trust plc. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10+VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Edinburgh Dragon Trust plc can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10+ VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £11,280 in Edinburgh Dragon Trust plc can be made through the Aberdeen Investment Trust ISA in the tax year 2012/2013.

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 deducted on 31 March (or the last

business day in March) 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, may be changed by future legislation.

Trust Information

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

Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:
Telephone: 0500 00 40 00
Email: aam@lit-request.com

Keeping You Informed

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

How to Invest in Edinburgh Dragon Trust plc continued

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

Contact Us

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

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

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

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

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

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

Glossary of Terms and Definitions

Actual Gearing

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

Asset Cover

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

Discount

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

Dividend Cover

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

Dividend Yield

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

Net Asset Value

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

Ongoing Charges

Ratio of ongoing expenses expressed as percentage of average daily shareholders' funds calculated as per the industry standard.

Potential Gearing

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

Premium

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

Price/Earnings Ratio

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

Prior Charges

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

Total Assets

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

Total Return

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

Winding-up Date

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

Notice of Annual General Meeting

Notice is hereby given that the twenty-fifth Annual General Meeting of Edinburgh Dragon Trust plc will be held at Bow Bells House, 1 Bread Street, London on 11 December 2012 at 12 noon to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 13 inclusive will be proposed as ordinary resolutions and resolutions 14 to 16 inclusive will be proposed as special resolutions:

1. To receive the reports of the Directors and auditor and the audited financial statements for the year to 31 August 2012.
2. To approve the Directors' Remuneration Report for the year to 31 August 2012.
3. To approve payment of a final dividend of 2.2p per Ordinary share.
4. To re-elect Mr McKenzie as a Director of the Company
5. To re-elect Mr Gairns as a Director of the Company.
6. To re-elect Mr Lowrie as a Director of the Company.
7. To re-elect Mr Maynard as a Director of the Company.
8. To re-elect Mr McLaren as a Director of the Company.
9. To re-elect Ms Langridge as a Director of the Company.
10. To re-appoint KPMG Audit Plc as auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
11. To authorise the Directors to determine the remuneration of the auditor for the year to 31 August 2013.
12. To continue the company as an investment trust company.
13. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("securities") up to an aggregate nominal amount of £13,090,684, such authority to expire on 28 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
14. That, subject to the passing of resolution 13 in the notice convening the meeting at which this resolution is to be proposed ("the notice of meeting") and in substitution for all existing powers, the Directors be and are hereby generally empowered pursuant to Section 570 of Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 (1) of the Act) for cash pursuant to the authority under Section 551 of the Act conferred by resolution 13 in the notice of meeting as if Section 561 of the Act did not apply to any such allotment, up to an aggregate nominal amount of £13,090,684, provided that this power shall be limited:
 - (i) to the allotment of equity securities in connection with any issue in favour of the holders of Ordinary shares on the register on a date fixed by the Directors where the equity securities respectively attributable to the interests of all the holders of Ordinary shares are proportionate (as nearly as practicable) to the respective numbers of Ordinary shares held by them on that date, provided that the Directors may make such exclusions or other arrangements as they may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and
 - (ii) to the allotment (otherwise than pursuant to paragraph (i) of this resolution) of equity securities up to an aggregate nominal amount of £1,963,603, being 5% of the nominal value of the existing issued share capital of the Company; and shall expire on 28 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.
15. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 20p each in the capital of the Company ("shares") provided that:

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- (i) the maximum aggregate number of shares hereby authorised to be purchased is 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
 - (ii) the minimum price which may be paid for a share shall be 20p (exclusive of expenses);
 - (iii) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and
 - (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 28 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.
16. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution.

Valerie Reddick

By order of the Board
Aberdeen Asset Managers Limited
Secretary
9 November 2012

Registered office:
40 Princes Street
Edinburgh EH2 2BY

Notes:

- (i) A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share.
- (ii) A form of proxy for use by shareholders is enclosed with these accounts. Completion and return of the form of proxy will not prevent any shareholder from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power or authority at the address stated thereon, so as to be received not less than 48 hours (excluding non-working days) before the time of the meeting.
- (iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than 6.00pm on 7 December 2012 (or, in the event that the Meeting is adjourned, at 6.00pm on the day which is two business days before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting referred to above.
- (iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After

Notice of Annual General Meeting continued

this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

- (vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (viii) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been *nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006* ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes i) and ii) above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.
- (ix) No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting.
- (x) As at close of business on 2 November 2012 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 196,360,259 Ordinary shares of 20p each. The total number of voting rights in the Company as at 2 November 2012 was 196,360,259.
- (xi) Any person holding 3% or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
- (xii) Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
- (xiii) The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: The Company Secretary, Edinburgh Dragon Trust plc, 40 Princes Street, Edinburgh EH2 2BY.
- (xiv) Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website, www.edinburghdragon.co.uk.
- (xv) Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
 - a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - b) the answer has already been given on a website in the form of an answer to a question; or
 - c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xvi) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

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

Corporate Information

Directors

Allan McKenzie (Chairman)
David Gairns
Kathryn Langridge
Tony Lowrie
Peter Maynard
Iain McLaren
Iain Watt

Registered Office

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

Manager and Secretary

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

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

Registrars

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

Custodian/Banker

BNP Paribas Securities Services
55 Moorgate
London EC2R 6PA

Auditor

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

Company Broker

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

Company Registration Number

SC106049

Summary of Capital History

Issued Share Capital and Borrowings at 31 August 2012

196,360,259	Ordinary shares of 20p
£59,847,853	3.5% Convertible Unsecured Loan Stock 2018 (CULS) nominal

Capital History

Year to 31 August 2012	During the year to 31 August 2012, 13,909 Ordinary shares were issued following elections by CULS holders to convert £43,160 nominal of CULS.
Year to 31 August 2011	In January 2011, the Company issued £60 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS). In August 2011, 35,131 Ordinary shares were issued following elections by CULS holders to convert £108,987 nominal of CULS.
Year to 31 August 2010	Following the Tender Offer for up to 15% of the Ordinary shares of the Company at a discount of 3 per cent. to Formula Asset Value, 15% of the Ordinary shares (34,643,156 shares) were repurchased for cancellation at the repurchase price of 197.2794p per share.
Year to 31 August 2009	No changes
Year to 31 August 2008	6,122,500 Ordinary shares were repurchased for cancellation at prices ranging from 131.75p to 164.25p
Year to 31 August 2007	200,000 Ordinary shares were repurchased for cancellation at prices ranging from 135.0p to 142.5p
Year to 31 August 2006	No changes
Year to 31 August 2005	Final conversion of 10,508,903 warrants 2005 into shares.
2001 to 31 August 2004	191,369 warrants 2005 were converted into Ordinary shares in the period up to 31 August 2004.
1993 - 2000	During the period 1995 -1996 the Company issued 841,571 Ordinary shares at a premium to the NAV. All of the 5,864,444 warrants 1996 were converted in the period up to 31 January 1996, the final conversion date. 230,171 warrants 2005 were converted into Ordinary shares in the period to 31 January 2000. The Company repurchased for cancellation 8,426,394 warrants 2005 in 1997 and 499,624 warrants 2005 in 2000. During the period 1998 - 2000 the Company repurchased 43,760,874 Ordinary shares for cancellation at prices ranging from 39.5p to 75.0p.
1987 - 1993	The Company was launched in 1987 with a share capital of 120,000,000 Ordinary 5p shares and 24,000,000 warrants 1996. In 1989, following a placing and open offer, 192,000,000 Ordinary 5p shares and 38,400,000 warrants 2005 were issued. In April 1993, following the acquisition Drayton Asia Trust plc, the Company issued 740,002,520 Ordinary shares and 42,086,268 warrants 2005. During the period 1987-1993, 542,223 warrants 1996 and 1,060,423 warrants 2005 were converted into Ordinary shares. In November 1993, following a four for one consolidation, the Company's issued share capital was 263,401,291 Ordinary 20p shares, 5,864,444 warrants 1996 and 19,856,461 warrants 2005.

