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Edinburgh Dragon Trust plc

Interim Report

Six months ended 28 February 2009



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Highlights and Financial Calendar

Financial Highlights

	28 February 2009	31 August 2008	% change
Total equity shareholders' funds (£'000)	282,352	377,787	-25.3
Net asset value per share	122.3p	163.6p	-25.3
Share price (mid-market)	109.5p	146.0p	-25.0
Discount to net asset value	10.4%	10.7%	
MSCI All Country Asia (ex Japan) Index (in sterling terms)	333.4	454.4	-26.6

Performance (total return)

	Six months ended 28 February 2009	Year ended 31 August 2008
Share price per share	-23.9%	+1.9%
Net asset value per share	-24.2%	+1.5%
MSCI All Country Asia (ex Japan) Index (in sterling terms)	-25.8%	-8.8%

Financial Calendar

22 April 2009	Announcement of interim results for the six months ended 28 February 2009
October 2009	Announcement of annual results for year ending 31 August 2009
December 2009	Annual General Meeting
December 2009	Final Ordinary dividend payable for year ending 31 August 2009

Interim Board Report

Background

The half year under review was a testing time for Asia's stockmarkets and economies, which could not escape the fallout from the global financial crisis. The Company suffered a 24.2% fall in net asset value on a total return basis and the share price declined by 25.0% from 146.0p to 109.5p over the six months to 28 February 2009. While these are disappointing returns in absolute terms, the Company, nonetheless, outperformed its peer group and the benchmark MSCI All Country Asia (ex Japan) Index, which fell by 25.8% in sterling terms on a total return basis. This outperformance reflected the Company's investment approach, which involves substantial due diligence on each underlying investment, concentrating on management quality, balance sheet strength, growth prospects and cash flow generation.

Overview

As with the rest of the world, Asian equities were buffeted by exceptional volatility during the period under review. What began as a problem in the US subprime mortgage market evolved into a full-blown global economic crisis. The final weeks of September and the month of October were particularly unsettling; the decision by the US authorities to allow Lehman Brothers to fail resulted in a paralysis of credit markets, a collapse in confidence and steep market declines worldwide. Unprecedented coordinated government intervention around the globe, and record bailouts in both the US and Europe, could not calm nervous investors.

Asia's economies had at first looked largely insulated from these international financial woes. In early 2008 Asian policymakers had been more preoccupied with overheating economies and rising inflation. Although it was apparent in the first half of 2008 that the region's stockmarkets were very sensitive to foreign outflows, it did not become clear until later in the year how dependent its economies still were on Western demand. Earlier beliefs that Asia had decoupled from the developed world were quickly dispelled, as plummeting exports exposed the extent to which much of Asia's intra-regional trade was in hard commodities or intermediate goods ultimately destined for the West.

By the period end, recession had claimed Hong Kong, Singapore and Taiwan. Even China, which had become accustomed to double-digit growth rates, saw fourth-quarter growth slow to its weakest rate in seven years. India's economy also stalled.

With the once thriving export sector battered by the slump in Western consumption, governments in Asia rolled out big stimulus measures. Largest among these was China's US\$586 billion package that included investment in infrastructure and social welfare. Central banks were also able to offer

support with aggressive interest rate cuts, thanks to the receding threat of inflation as commodity prices tumbled.

While these concerted efforts brought some relief to markets in December, the mood turned bearish once more at the start of 2009 as the global economy deteriorated further. Falling corporate earnings and large downgrades of the year's economic forecasts contributed to the negative mood. Moreover, problems securing credit – banks have remained wary of lending – prompted firms to lower investment and cut jobs, which in turn hurt consumers' spending capacity. Adding to the bleak sentiment were escalating concerns that troubled global banks, in urgent need of recapitalisation, may be on the verge of being nationalised.

Further complicating matters was the fractious political landscape. Terrorist attacks in India's financial hub of Mumbai; the siege of Thailand's main airports, which ended with Abhisit Vejjajiva's being elected as the country's third prime minister in as many months; and ongoing political drama in Malaysia impaired already shaky investor confidence. The recent unrest in Thailand seems to have been resolved, at least for the time being, but your Manager continues to monitor developments very closely.

Portfolio

In a period characterised by extreme volatility, the Manager maintained a good balance regionally in the portfolio, with the significant underweight to China working in our favour. The Manager remains wary of many listed Chinese companies, given concerns such as levels of transparency and government intervention in a number of industries. As such, the preference is to gain exposure to China via Hong Kong stocks, or Chinese entities listed in Hong Kong. The Company remained underweight towards Taiwan, where many companies are involved in cyclical and export-oriented industries that have been hit particularly hard in recent months. Conversely, the overweight position in Malaysia, which offers a variety of higher yielding stocks, particularly within the financial and consumer sectors, helped boost relative performance.

At the stock level, your Company's holdings in consumer-related businesses, such as India's motorbike maker Hero Honda, Unilever Indonesia, Malaysia's British American Tobacco and Singapore-listed food retailer Dairy Farm, proved defensive. In particular, Hero Honda enjoyed decent volume growth, reinforcing its leading market position. Its low dependence on financing and greater exposure to the rural sector, where customers do not tend to rely on credit, have helped cushion it from the worst of the economic downturn.

Other noteworthy relative outperformers included China Mobile, which has continued to expand its subscriber base

and gain market share, reflecting its ability to maintain its advantage in the mobile telecom segment in the face of government-led restructuring efforts. Gail, in India, and Singapore Airlines, meanwhile, benefited from lower oil prices. Also in Singapore, ST Engineering's earnings were underpinned by its solid order book; the company remains committed to its generous dividend policy. In Taiwan, chip foundry Taiwan Semiconductor Manufacturing Company (TSMC) outperformed and is well positioned – on account of its healthy balance sheet and strong cash flow – to continue to make the necessary investment in research and development, while its main competitors struggle.

On a less optimistic note, some of your Company's banks and property holdings stumbled amid the weak macroeconomic environment: Hong Kong's Dah Sing Banking, Wing Hang Bank and Sun Hung Kai Properties; India's ICICI Bank and Housing Development Finance Corporation (HDFC); Korea's Daegu Bank and Busan Bank; Ayala Land in the Philippines; and Singapore's City Developments all detracted from relative performance. That said, particular mention should be made here about the quality of Asian banks: they are generally more tightly regulated, boast stronger balance sheets, and typically have very limited exposure to toxic assets, certainly in comparison with many of their foreign peers. It is also instructive to note that our property holdings generally have low gearing, sound balance sheets and quality assets and landbanks.

Other holdings that fared poorly include Hong Kong lender Standard Chartered Bank, which fell in the run-up to its results release as well as in anticipation of its rights issue. The stock has since rebounded, buoyed by better-than-expected earnings results, while its capital base remains sound. Hong Kong-listed ASM Pacific Technology also gave poor return, its business prospects declining in parallel with the weakening technology sector. Encouragingly, though, this semiconductor equipment-maker's good financial position has allowed it to maintain research and development efforts, which should help strengthen its competitive position amid sector consolidation.

Turning to portfolio activity, one new stock was introduced during the period under review: ABB India, the local subsidiary of one of the world's leading power and automation engineering companies. Elsewhere, your Manager increased positions in several holdings that we believe would emerge stronger from the current turmoil and had been oversold. Among these were Hong Kong-listed CNOOC, Standard Chartered Bank, China Mobile and Hang Lung Group; India's HDFC and Infosys Technologies; Ayala Land in the Philippines; Singapore's City Developments, Fraser and Neave, Singapore Telecommunications and Jardine Strategic Holdings; and Thailand's PTT Exploration & Production. Against this, seven holdings were divested. These included

Korea's Hyundai Motor and Taiwan's Fubon Financial, given deteriorating prospects, and China's Zhejiang Expressway, because of stagnating revenue growth from its toll roads and a lack of clear direction in its securities arm. In India, the Manager exited Satyam Computer Services, after founder-chairman Ramalinga Raju's astonishing admission of fraud. Investigations are ongoing but the company's results and financial data had obviously been manipulated. Hong Kong-listed utility CLP and Pos Malaysia, which had outperformed the broader market, were also sold, along with Korea's Kookmin Bank, whose repurchase offer we accepted. In addition, we took partial profits from holdings that had seen sharp run-ups, including India's ICICI Bank, Taiwan's TSMC, and Malaysia's Bumiputra-Commerce and Public Bank.

Finally, we participated in the rights issue of Standard Chartered Bank, which was priced at a sizeable discount to its ordinary shares.

Revenue account

For the six months to 28 February 2009 the revenue account recorded a return of £216,000, representing 0.09p per share compared with a return of £221,000 for the six months to 29 February 2008. The majority of the Company's portfolio income, in common with the majority of Asian dividend income, is accounted for in the second half of the Company's financial year.

Gearing

The Company repaid the \$80 million Loan Notes with effect on 30 December 2008, the final repayment date. The Board has continued to have a gearing facility, and a £40 million multi-currency loan facility with the Royal Bank of Scotland was put in place in September 2008. To date the Company has not drawn on this facility.

Events during the period

At the Company's Annual General Meeting on 17 December 2008, all resolutions were passed. A final dividend of 1.6p was paid to shareholders on 19 December 2008.

Outlook

The near-term outlook for Asia remains difficult and markets will likely continue nervous and volatile as the recession puts pressure on corporate earnings. In the longer term, however, Asia's sound fundamentals remain – its huge foreign reserves, high savings rates and modest debt provide a solid foundation; and arguably the region is less exposed to the problems currently faced by the West. Massive global fiscal pump-priming should also help spur economic recovery in due course. In addition, we view positively the measures taken to redirect economies towards the more sustainable path of domestic-led growth.

Equally important, Asian companies and households generally have less debt than their Western counterparts. As cheaper commodities alleviate pressures on businesses, falling food and energy costs will also help boost consumers' purchasing power.

In this environment, the Dragon Board continues to endorse the Manager's strategy to scrutinise both current holdings and new investment opportunities, focusing only on well-managed companies with robust business models, sound finances and regard for minority shareholders. We are confident that the portfolio's focus on such companies will deliver good results over the long term.

Principal Risks and Uncertainties

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

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

The Board keeps under review the investment policy of the Company, taking account of stockmarket factors, and compares the Company's performance to the MSCI All Country Asia (ex-Japan) benchmark index and peer group. Further details on other risks relating to the Company's investment activities, including market price, liquidity and foreign currency risks, are provided in the annual report.

- **Gearing risk:** The Company has a £40 million multi-currency loan facility. Gearing has the effect of exacerbating market falls and enhancing gains. In order to

manage the level of gearing, the Board has set a maximum gearing ratio of 20%.

- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. Serious breaches of regulations, such as section 842 of the Income and Corporation Taxes Act 1988, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.
- **Discount volatility:** The Company's share price can trade at a discount to its underlying net asset value. The Board monitors the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buyback shares within certain limits.

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

Directors' Responsibility Statement

The Directors are responsible for preparing the half yearly financial report, in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements within the half yearly financial report has been prepared in accordance with Accounting Standards Board's Statement "Half Yearly Financial Reports"; and
- the Interim Board Report includes a fair view of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

For Edinburgh Dragon Trust plc

Tony Cassidy

Chairman

22 April 2009

Investment Portfolio

As at 28 February 2009

Company	Sector	Country	Valuation £'000	Total assets %
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	12,391	4.4
Swire Pacific 'B'	Real Estate Management & Development	Hong Kong	12,299	4.4
China Mobile	Wireless Telecommunication Services	China	11,689	4.1
Jardine Strategic Holdings	Industrial Conglomerates	Hong Kong	11,591	4.1
Oversea-Chinese Banking Corporation	Commercial Banks	Singapore	11,384	4.0
Singapore Technologies Engineering	Aerospace & Defence	Singapore	10,346	3.7
Taiwan Semiconductor Manufacturing Company	Semiconductors & Semiconductor Equipment	Taiwan	10,281	3.6
Public Bank Berhad	Commercial Banks	Malaysia	9,820	3.5
Samsung Electronics Pref	Semiconductors & Semiconductor Equipment	South Korea	9,796	3.5
CNOOC	Oil, Gas & Consumable Fuels	China	8,859	3.1
Ten largest investments			108,456	38.4
United Overseas Bank	Commercial Banks	Singapore	8,613	3.1
HDFC	Thriffs & Mortgage Finance	India	8,544	3.0
PTT Exploration & Production	Oil, Gas & Consumable Fuels	Thailand	8,534	3.0
Hero Honda	Automobiles	India	8,329	2.9
Singapore Airlines	Airlines	Singapore	7,486	2.7
Unilever Indonesia	Household Products	Indonesia	7,027	2.5
Sun Hung Kai Properties	Real Estate Management & Development	Hong Kong	6,847	2.4
Infosys Technologies	IT Services	India	6,757	2.4
Dairy Farm International	Food & Staples Retailing	Hong Kong	6,294	2.2
Shinsegae Company	Food & Staples Retailing	South Korea	6,031	2.1
Twenty largest investments			182,918	64.7
City Developments	Real Estate Management & Development	Singapore	5,990	2.1
British American Tobacco Malaysia	Tobacco	Malaysia	5,642	2.0
Siam Cement	Construction Materials	Thailand	5,567	2.0
Standard Chartered	Commercial Banks	Hong Kong	5,557	2.0
Hang Lung Properties	Real Estate Management & Development	Hong Kong	5,473	1.9
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	5,376	1.9
Gail (India)	Gas Utilities	India	5,028	1.8
Grasim Industries	Construction Materials	India	4,992	1.8
Fraser & Neave	Industrial Conglomerates	Singapore	4,718	1.7
Wing Hang Bank	Commercial Banks	Hong Kong	4,609	1.6
Thirty largest investments			235,870	83.5
Bank of Philippine Islands	Commercial Banks	Philippines	4,286	1.5
PetroChina	Oil, Gas & Consumable Fuels	China	4,002	1.4
Hang Lung Group	Real Estate Management & Development	Hong Kong	3,867	1.4
Bumiputra Commerce	Commercial Banks	Malaysia	3,603	1.3
Venture	Electronic Equipment Instruments & Components	Singapore	3,446	1.2
Ayala Land	Real Estate Management & Development	Philippines	3,424	1.2
ASM Pacific Technologies	Semiconductors & Semiconductor Equipment	Hong Kong	3,113	1.1
Giordano International	Speciality Retail	Hong Kong	2,305	0.8
ABB India	Electrical Equipment	India	2,254	0.8
Dah Sing Banking	Commercial Banks	Hong Kong	2,135	0.8
Forty largest investments			268,305	95.0
Daegu Bank	Commercial Banks	South Korea	2,000	0.7
Busan Bank	Commercial Banks	South Korea	1,664	0.6
ICICI Bank	Commercial Banks	India	1,348	0.5
DFCC Bank	Commercial Banks	Sri Lanka	1,037	0.4
Keells (John) Holdings	Industrial Conglomerates	Sri Lanka	574	0.2
Dialog Telekom	Wireless Telecommunication Services	Sri Lanka	288	0.1
Total investments			275,216	97.5
Net current assets			7,136	2.5
Total assets			282,352	100.0

Income Statement

	Six months ended 28 February 2009 (unaudited)			Six months ended 29 February 2008 (unaudited)			Year ended 31 August 2008 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	–	(91,650)	(91,650)	–	24,594	24,594	–	805	805
Net currency losses	–	(306)	(306)	–	(833)	(833)	–	(980)	(980)
Income (note 2)	3,735	–	3,735	4,572	–	4,572	14,316	–	14,316
Investment management fee	(1,415)	–	(1,415)	(2,047)	–	(2,047)	(4,025)	–	(4,025)
Administrative expenses	(561)	–	(561)	(617)	–	(617)	(1,162)	–	(1,162)
Net return before finance costs and taxation	1,759	(91,956)	(90,197)	1,908	23,761	25,669	9,129	(175)	8,954
Finance costs	(1,444)	–	(1,444)	(1,444)	–	(1,444)	(2,985)	–	(2,985)
Net return on ordinary activities before taxation	315	(91,956)	(91,641)	464	23,761	24,225	6,144	(175)	5,969
Taxation	(99)	–	(99)	(243)	–	(243)	(642)	–	(642)
Return on ordinary activities after taxation	216	(91,956)	(91,740)	221	23,761	23,982	5,502	(175)	5,327
Return per Ordinary share (pence)(note 4)	0.09	(39.81)	(39.72)	0.09	10.10	10.19	2.35	(0.07)	2.28

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 presented as all gains and losses are recognised in the Income Statement.

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

Balance Sheet

	Notes	As at 28 February 2009 (unaudited) £'000	As at 29 February 2008 (unaudited) £'000	As at 31 August 2008 (audited) £'000
Non-current assets				
Investments at fair value through profit or loss		275,216	416,446	378,173
Current assets				
Debtors		880	2,381	2,614
Certificates of deposit		–	–	27,419
Cash and short term deposits		7,929	24,240	15,069
		8,809	26,621	45,102
Creditors: amounts falling due within one year				
Loan Notes		–	(40,202)	(43,861)
Other creditors		(1,673)	(1,740)	(1,627)
		(1,673)	(41,942)	(45,488)
Net current assets/(liabilities)		7,136	(15,321)	(386)
Net assets		282,352	401,125	377,787
Capital and reserves				
Called-up share capital		46,190	46,800	46,190
Share premium account		4,285	4,285	4,285
Special reserve		75,770	80,453	75,770
Capital redemption reserve		10,017	9,407	10,017
Capital reserve		142,290	258,182	234,246
Revenue reserve		3,800	1,998	7,279
Equity shareholders' funds		282,352	401,125	377,787
Net asset value per Ordinary share (pence)	7	122.26	171.41	163.58

Reconciliation of Movements in Shareholders' Funds

Six months ended 28 February 2009 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2008	46,190	4,285	75,770	10,017	234,246	7,279	377,787
Return on ordinary activities after taxation	–	–	–	–	(91,956)	216	(91,740)
Dividend paid	–	–	–	–	–	(3,695)	(3,695)
Balance at 28 February 2009	46,190	4,285	75,770	10,017	142,290	3,800	282,352

Six months ended 29 February 2008 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2007 (restated)	47,415	4,285	85,242	8,792	234,421	4,366	384,521
Return on ordinary activities after taxation	–	–	–	–	23,761	221	23,982
Dividend paid	–	–	–	–	–	(2,589)	(2,589)
Purchase of Ordinary shares for cancellation	(615)	–	(4,789)	615	–	–	(4,789)
Balance at 29 February 2008	46,800	4,285	80,453	9,407	258,182	1,998	401,125

Year ended 31 August 2008 (audited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2007 (restated)	47,415	4,285	85,242	8,792	234,421	4,366	384,521
Return on ordinary activities after taxation	–	–	–	–	(175)	5,502	5,327
Dividend paid	–	–	–	–	–	(2,589)	(2,589)
Purchase of Ordinary shares for cancellation	(1,225)	–	(9,472)	1,225	–	–	(9,472)
Balance at 31 August 2008	46,190	4,285	75,770	10,017	234,246	7,279	377,787

Cash Flow Statement

	Six months ended 28 February 2009 (unaudited) £'000	Six months ended 29 February 2008 (unaudited) £'000	Year ended 31 August 2008 (audited) £'000
Net return on ordinary activities before finance costs and taxation	(90,197)	25,669	8,954
Adjustments for:			
Losses/(gains) on investments	91,650	(24,594)	(805)
Currency losses	306	833	980
Decrease/(increase) in accrued income	343	(945)	(351)
(Increase)/decrease in other debtors	(19)	139	154
(Decrease)/increase in creditors	(188)	80	(97)
Net cash inflow from operating activities	1,895	1,182	8,835
Net cash outflow from servicing of finance	(1,959)	(1,422)	(2,915)
Total tax paid	(52)	(59)	(601)
Net cash inflow from financial investment	13,419	23,204	37,021
Equity dividend paid	(3,695)	(2,589)	(2,589)
Net cash inflow before financing	9,608	20,316	39,751
Buy back of Ordinary shares (including expenses)	–	(4,789)	(9,472)
Increase in cash	9,608	15,527	30,279
Reconciliation of net cash flow to movements in net debt			
Increase in cash as above	9,608	15,527	30,279
Amortised Loan Note expenses	–	(15)	(31)
Exchange movements	(306)	(833)	(980)
Movement in net debt in the period	9,302	14,679	29,268
Opening net debt	(1,373)	(30,641)	(30,641)
Closing net funds/(debt)	7,929	(15,962)	(1,373)
Represented by:			
Cash and short term deposits	7,929	24,240	15,069
Certificates of deposit	–	–	27,419
Debt falling due in less than one year	–	(40,202)	(43,861)
	7,929	(15,962)	(1,373)

Notes to the Accounts

1. Accounting policies

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

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

The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

	Six months ended 28 February 2009 £'000	Six months ended 29 February 2008 £'000	Year ended 31 August 2008 £'000
2. Income			
Income from investments			
UK dividend income	3	–	218
Overseas dividends	3,335	4,193	13,209
Scrip dividends	–	–	10
	3,338	4,193	13,437
Other income			
Deposit interest	397	366	844
Stock lending income	–	13	35
	397	379	879
Total income	3,735	4,572	14,316

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

	Six months ended 28 February 2009 p	Six months ended 29 February 2008 p	Year ended 31 August 2008 p
4. Return per share			
Revenue return	0.09	0.09	2.35
Capital return	(39.81)	10.10	(0.07)
Total return	(39.72)	10.19	2.28

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	216	221	5,502
Capital return	(91,956)	23,761	(175)
Total return	(91,740)	23,982	5,327

Weighted average number of Ordinary shares in issue	230,954,375	235,300,776	233,807,053
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5. Transaction costs

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

	Six months ended 28 February 2009 £'000	Six months ended 29 February 2008 £'000	Year ended 31 August 2008 £'000
Purchases	85	39	57
Sales	131	99	146
	216	138	203

6. Capital reserves

The capital reserve reflected in the Balance Sheet at 28 February 2009 includes gains of £12,168,000 (29 February 2008 – £126,492,000; 31 August 2008 – £100,779,000) which relate to the revaluation of investments held at the reporting date.

7. Net asset value per equity share

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

	As at 28 February 2009 p	As at 29 February 2008 p	As at 31 August 2008 p
Net asset value per equity share	122.26	171.42	163.58
Deduct: Loan Note issue expenses	–	(0.01)	–
Adjusted net asset value per equity share	122.26	171.41	163.58
	£'000	£'000	£'000
Net assets attributable	282,352	401,125	377,787
Deduct: Loan Note issue expenses	–	(15)	–
Adjusted net assets attributable	282,352	401,110	377,787

The net asset value per Ordinary share is based on net assets (adjusted to reflect the deduction of Loan Notes at par) and on 230,954,375 (29 February 2008 – 234,000,375; 31 August 2008 – 230,954,375) Ordinary shares, being the number of Ordinary shares in issue at the period end.

8. There will be no interim dividend for the year to 31 August 2009; the objective of the Company is long term capital appreciation.

9. Called up share capital

As at 28 February 2009 there were 230,954,375 (29 February 2008 – 234,000,375; 31 August 2008 – 230,954,375) Ordinary shares in issue. During the six months to 28 February 2009 no Ordinary shares were bought back. During the six months ended 29 February 2008 3,076,500 Ordinary shares were bought back for cancellation at a total cost of £4,789,000 including expenses. During the year ended 31 August 2008 6,122,500 Ordinary shares were bought back for cancellation at a total cost of £9,472,000 including expenses.

10. Interim Report

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 28 February 2009 and 29 February 2008 have not been audited.

The information for the year ended 31 August 2008 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 237 (2) or (3) of the Companies Act 1985.

The auditors have reviewed the financial information for the six months ended 28 February 2009 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The report of the auditors is on page 13.

11. This Half-Yearly Financial Report was approved by the Board on 22 April 2009.

Independent Review Report to Edinburgh Dragon Trust plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2009 which comprises the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds and Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

Our Responsibility

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

Scope of Review

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2009 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

KPMG Audit Plc

Chartered Accountants
Edinburgh
22 April 2009

How to Invest in Edinburgh Dragon Trust plc

Direct

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

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

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers ("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 £7,200 in Edinburgh Dragon Trust plc can be made in the tax year 2009/2010.

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

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

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in Edinburgh Dragon Trust plc while retaining your ISA wrapper. The minimum lump sum for a ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs and PEPs, may be changed by future legislation.

Trust Information

If investors would like details of Edinburgh Dragon Trust plc or information on the Children's Plan, Share Plan, ISA or ISA Transfers please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP or e-mail at inv.trusts@aberdeen-asset.com. Details are also available on www.invtrusts.co.uk

Keeping you Informed

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

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

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

Corporate Information

Directors

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

Website

www.edinburghdragon.co.uk

Manager and Secretary

Edinburgh Fund Managers plc
A subsidiary of Aberdeen Asset Management PLC
Website: www.aberdeen-asset.com

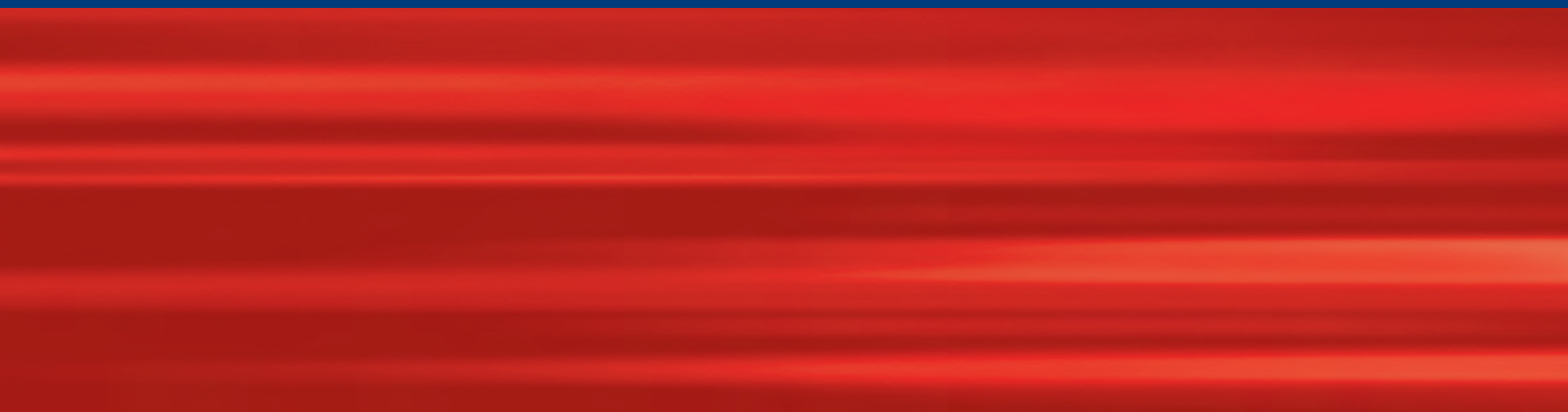
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(¹Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary)



Aberdeen