

# 09

## Edinburgh Dragon Trust plc

Annual Report  
Year ended 31 August 2009



# Contents

---

1	Financial Highlights
---	----------------------

## Annual Report

2	Corporate Summary
3	Investment Objective and Policy
4	Results
5	Chairman's Statement
8	Manager's Review
11	Information about the Manager
12	The Investment Process
13	Performance
14	Changes in Asset Distributions
15	Sector/Geographical Analysis
16	Currency/Market Performance
17	Investment Portfolio – Ten Largest Investments
18	Investment Portfolio – Other Investments

## Directors' Reports and Financial Statements

20	Your Board of Directors
23	Directors' Report
28	Statement of Corporate Governance
32	Statement of Directors' Responsibilities
33	Directors' Remuneration Report
34	Independent Auditors' Report to the Members of Edinburgh Dragon Trust plc
35	Income Statement
36	Balance Sheet
37	Reconciliation of Movements in Shareholders' Funds
38	Cash Flow Statement
39	Notes to the Financial Statements

## General Information

50	Marketing Strategy
51	How to Invest in Edinburgh Dragon Trust plc
53	Glossary of Terms and Definitions
54	Notice of Annual General Meeting
62	Corporate Information
63	Your Company's History

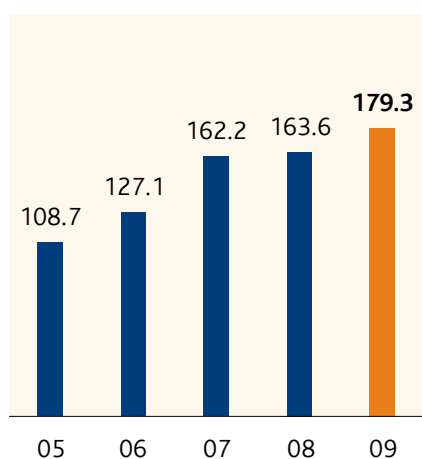
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under 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

	2009	2008
Share price total return	<b>+16.4%</b>	+1.9%
Net asset value total return	<b>+11.1%</b>	+1.5%
Benchmark total return	<b>+9.0%</b>	-8.8%
Dividend per share	<b>1.61p</b>	1.60p

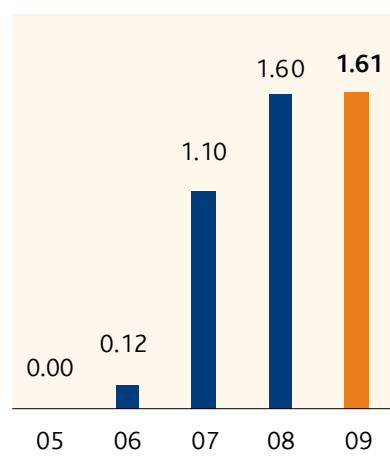
### Net Asset Value per share

At 31 August – pence



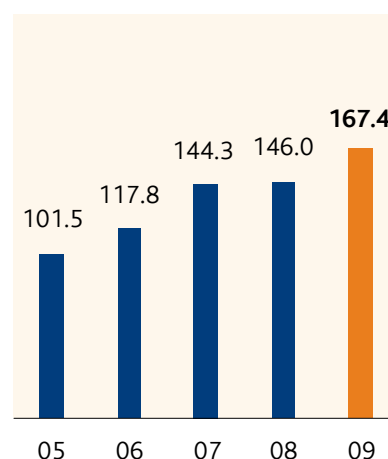
### Dividends per share

pence



### Mid-market price per share

At 31 August – pence



## Financial Calendar

5 November 2009	Announcement of annual results for the year ended 31 August 2009
16 November 2009	Posting of annual report to shareholders
9 December 2009	Annual General Meeting
11 December 2009	Payment of final dividend
April 2010	Announcement of half-yearly financial report for the six months ended 28 February 2010
May 2010	Posting of interim report to shareholders

# Corporate Summary

---

## The Company

The Company is an investment trust and its shares 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 subsidiary of Aberdeen Asset Management PLC ("AAM").

## Capital Structure

At 31 August 2009 the Company had a capital structure comprising 230,954,375 Ordinary shares of 20p.

## Total Assets and Net Asset Value

The Company had total assets of £414.1 million and a net asset value of 179.3 pence per Ordinary share at 31 August 2009.

## Websites

[www.edinburghdragon.co.uk](http://www.edinburghdragon.co.uk)  
[www.aberdeen-asset.com](http://www.aberdeen-asset.com)

## Company Secretary

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

## Customer Services

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

Email: [inv.trusts@aberdeen-asset.com](mailto: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 page 23.

## 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 2009.

## 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 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.

In September 2009 the Management Agreement was transferred under a novation agreement from Edinburgh Fund Managers plc, a wholly-owned subsidiary of Aberdeen Asset Management PLC to Aberdeen Asset Managers Limited, also a wholly-owned subsidiary of Aberdeen Asset Management PLC. Certain terms of the agreement were amended to bring the agreement in line with market practice. However, the main commercial terms of the Management Agreement were unchanged.

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. The shares that make up the portfolio are selected from companies that have quality 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 section 842 of ICTA 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 visits by its fund managers. Stock selection is the major source of added value. No stock is bought without the fund managers having first met management. The Manager estimates 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. Top-down investment factors are secondary in the Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights. 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 19, including a description of the ten largest investments, the full investment portfolio by value, sector/geographical analysis and currency/market performance. At 31 August 2009, 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 selectively 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 2009, the Company's actual gearing was nil.

As at 31 August 2009, the Company had no holdings in other listed investment companies (including listed investment trusts).

# Results

## Financial Highlights

	31 August 2009	31 August 2008	% change
<b>Performance</b>			
Equity shareholders' funds (£'000)	414,074	377,787	+9.6
MSCI AC Asia (ex Japan) Index (capital return basis)	481.71	454.40	+6.0
Net asset value per share (including net revenue) (p)	179.29	163.58	+9.6
Adjusted NAV per share with debt at market value (p)	n/a	163.09	
Share price (p)	167.40	146.00	+14.7
Revenue return per share (p)	2.31	2.35	
Total return per share (p)	17.31	2.28	
<b>Gearing</b>			
Actual gearing ratio (%)	–	0.1	
Maximum potential gearing (%)	9.7 <sup>A</sup>	11.6	
<b>Discount</b>			
Level of discount at which the shares trade:			
– to adjusted NAV	6.6	10.5 <sup>B</sup>	
<b>Expense ratio</b>			
– as % of average total assets less current liabilities	1.31	1.18	
– as % of average shareholders' funds	1.36	1.29	

<sup>A</sup> based on £40 million facility available

<sup>B</sup> adjusted to reflect the deduction of loan notes at par

## Year's Highs/Lows

	High	Low
Share price (p)	171.4	94.3
Net asset value (p)	184.0	111.1
Discount (%)	3.3	17.1

## Performance (total return)

	1 year return %	3 year return %	5 year return %
Share price	+16.4	+45.4	+144.7
Net asset value	+11.1	+44.0	+118.1
MSCI AC Asia (ex Japan) Index (currency adjusted)	+9.0	+39.5	+112.9

# Chairman's Statement

---



**Tony Cassidy**  
Chairman

## Highlights

- **Net Asset Value Total Return +11.1% compared to a benchmark return of 9.0%**
- **Share Price Total Return +16.4%**

## Background

During an uncertain twelve-month period to 31 August 2009, your Company performed well. The net asset value at the financial year end was 179.3p, a rise of 11.1% on a total return basis, compared with a gain in the benchmark, the MSCI All Country Asia (ex Japan) Index, of 9.0%. The share price rose by 16.4% to 167.4p, reflecting a contraction in the discount from 10.5% to 6.6%.

The outperformance of the Company is pleasing in what were very difficult conditions, and follows the previous financial year when the net asset value held up relatively well as markets corrected.

It is unclear whether the recent strong rally can be sustained in the short term given the doubts over the ongoing tough economic conditions. However, the long-term prospects for Asian economies are positive, unlike those of their Western counterparts, which are likely to continue to struggle for some time with debt constraints.

## Overview

Global markets were characterised by two distinct phases during the review period. The first few months saw many investors gripped by panic, most notably when Lehman Brothers collapsed on 14 September 2008. In the first few days of October 2008, fears of a meltdown of the global financial system caused the Dow Jones Industrial Average Index to plunge by nearly 30%, before authorities were able to step in with financial guarantees, enabling markets to stabilise. That quarter also saw economic growth plunge around the world, as the banking crisis caused global trade to slow down. By the end of 2008, the US and Europe, together with trade-dependent Asian economies, had slipped into recession.

The latter half of the period saw markets rebound almost as quickly as they had collapsed. Thanks to unprecedented monetary and fiscal stimulus, it became apparent that an extended global depression would be avoided, for the time being at least. Equity markets started to rise in March 2009, and momentum was maintained throughout the rest of the reporting period. Economic data appeared to improve, but as a result of the immense stimulation effort and restocking, rather than a recovery of private demand. A number of Asian economies posted quarter-on-quarter growth in the three months to June 2009, following previous contractions.

It is worth noting that the holdings that contributed most to Dragon's outperformance were those able to benefit from growing domestic demand, such as India's Hero Honda and Grasim Industries, Unilever Indonesia and Thailand's Siam Cement. These companies typify the long-term growth potential of Asia, serving markets with large populations and low consumer penetration rates. They are also companies

with strong financial positions which have been able to strengthen their competitive positions during the downturn, as rivals struggled. It is also worth noting that many of the top performers were in India. Indeed, our overweight to India was a major contributor to relative return, and reflects your Manager's conviction that the country, despite having a number of key macroeconomic challenges, is home to many well-run companies with a well-established culture.

Conversely, Dragon remains underweight to China, where markets, in addition to being subject to the forces driving all markets globally, were the beneficiaries of bank credit growth exceeding 30% in the first half of 2009. That said, the sharp fall in the Shanghai and Shenzhen markets in August 2009 supported the view that excess liquidity had created a bubble and a correction was to be expected. Notwithstanding the current speculative nature of this market, your Manager remains very cautious about Chinese companies generally.

The past year's events, though concerning, have seen Asia rise in stature, in contrast to its somewhat blemished reputation following the 1997 financial crisis. On this occasion, Asian banks had minimal exposure to toxic assets in the West and debt levels remain generally low at a government, corporate and personal level. Also, while the performance of Asian markets in 2008 suggested that the region was still heavily dependent on the West, in 2009 it appears that the dependency flow is starting to reverse.

### Discount

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. During the financial year to 31 August 2009 there were no buybacks of the Company's shares. However, the Board believes the authority to buy back shares for cancellation should remain in place. A resolution to renew the authority to buy back shares for cancellation will be proposed at this year's Annual General Meeting as an ordinary resolution. The Board is proposing the resolution in this way to ensure that the Company has the ability to use share buy backs to manage its discount during the coming 12 months.

### Gearing

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

### Revenue Account

The revenue return per share was 2.31p, compared to 2.35p in the previous year. The Board recommends the payment of

a final dividend of 1.61p per ordinary share which, if approved by shareholders at the Annual General Meeting, will be paid on 11 December 2009.

### The Board

Having been delighted to serve as a Director of Dragon since its launch, I have now decided to step down from the Board after this year's Annual General Meeting. I am happy to report that Allan McKenzie, who has been a Director of the Company since 2006 and a member of the Audit Committee, will become Chairman of the Company.

Shareholders will also be interested to know that, in line with Dragon'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 and experience for the good conduct of the Company's business. As part of this process the Board has now agreed a programme of refreshment, which will see its membership change as current Directors retire in an orderly manner, and new directors are recruited.

### Continuation Vote

Edinburgh Dragon Trust is the largest investment trust specialising in the Asian (ex Japan) sector. The Dragon Board believes that the Trust 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. As shareholders will be aware, they are given the opportunity to vote on the continuation of the Company every three years. The Directors believe that the prospects for Asian markets remain positive, and your Company is managed by one of the leading Asian fund managers. Your Board thus strongly recommends that shareholders vote in favour of the resolution.

The Board has an ongoing programme of contact with shareholders. From recent contact, it has become clear that one of the Company's larger shareholders wished the Board to present a tender offer in conjunction with this year's Annual General Meeting at which the three yearly continuation vote will be considered.

The Board and the Company's advisers have consulted a number of the other larger shareholders of Dragon and, as a result, the Board will propose a tender offer for up to 15 per cent. of the Company's issued shares at a discount of 3 per cent. to formula asset value (being net asset value less the costs of the tender offer) on the calculation date, which will be at the end of the tender offer process.

The record date for the tender offer will be the close of business on 10 November 2009. The tender offer is expected to be conducted, following the necessary shareholder

---

approval, in early 2010. A document setting out the terms of the tender offer will be sent to shareholders shortly.

In these circumstances, the Board believes that this proposal is in the interests of shareholders. It ensures that shareholders who do not tender any shares are protected against the costs of the tender offer and receive benefit from a modest uplift in their net asset value. It also provides an exit mechanism for the shareholders who have asked for one.

#### Annual General Meeting

In accordance with the corporate governance procedures endorsed by the Board, all Directors who have attained more than nine years' service or are aged over 70 years will retire from the Board and submit themselves for re-election on an annual basis. Messrs Frame, Gairns, Tyrie and Watt will retire and be proposed for re-election at the Annual General Meeting. In accordance with the Company's Articles of Association, Mr McKenzie will retire from the Board and will offer himself for re-election of the Annual General Meeting. The Board recommends that shareholders vote in favour of the re-election of these Directors at the Annual General Meeting.

The Directors are proposing at this year's Annual General Meeting to make amendments to the Company's Articles of Association to take account of changes to company law, principally, as a result of the implementation of the Companies Act 2006 and the EU Shareholders' Rights Directive. The proposed changes are detailed in the Appendix to the Notice of Meeting.

#### Outlook

Tentative signs have emerged that the worst of the recession may be over, but a clear view of a strong, sustainable recovery remains elusive, even in Asia. There may be as yet unseen consequences of the extraordinary stimulatory measures taken to prop up economies and financial systems. While in the near term deflation remains a major threat, inflation and its damaging side-effects may return at some point. Economies may experience a double-dip recession as governments are forced to withdraw stimulus spending, perhaps late next year, leaving what may be a still weak private sector to drive growth.

Asia is better prepared to face this uncertainty than the West. However, what is required is more effort to create a concerted shift from export reliance to domestic consumption – a more sustainable growth model for the region in the long term. Stockmarkets, meanwhile, may stay volatile, and fears of destabilising asset bubbles remain amid the surfeit of liquidity.

In this environment, well-run Asian companies with strong financial positions have the opportunity to grow and expand their market reach, at the expense of competitors. Dragon will continue to invest in and search out such companies, expected to be stronger performers in the long run.

For Edinburgh Dragon Trust plc  
**Tony Cassidy**  
Chairman

5 November 2009

# Manager's Review

---

## Overview

Without doubt, the review period was one of the most volatile twelve months for financial markets and economies in living memory. Stocks fell sharply during the latter half of 2008 as one financial sector rescue followed another but it took the failure of Lehman Brothers to wake politicians up to the grave reality that a total collapse of the financial system was possible. Markets stabilised in October as various stimulus packages were hammered out, but uncertainty persisted until March, when fears of a repeat of the Great Depression began to ease somewhat. Having been sold off heavily, markets then rebounded strongly, and the momentum of the rally was maintained throughout the rest of the review period. In Asia, most markets ended the period above where they had started it, at least in sterling terms.

In such an environment, the most important response for us as fund managers was to remain calm and avoid being overly reactive. Late in 2008, the inclination for many investors was to increase cash weightings, a decision which they may subsequently have regretted. Our investment philosophy has always been to think long term and to avoid making short-term market predictions and so we stayed focused on the long-term outlook for our companies, maintaining close-to-fully-invested portfolios throughout the period.

To a large segment of market participants and policymakers, the realisation that the free market system, and financial markets in particular, could be deeply flawed meant that many all of a sudden assumed crisis management roles. Government intervention, the apostasy of the free market, was suddenly the order of the day as a number of companies deemed too large or, rather, too interconnected, to fail collapsed in rapid succession. At first, politicians, either fearing reprisal or not appreciating the severity of the situation, were reluctant to step in to help, but soon appeared to relish the role of saviour.

During the twelve months to October 2008, Asian markets had significantly underperformed their developed counterparts. This underperformance was driven by the belief that Asian economies, still very dependent upon demand from the West, would come off worse in a global economic downturn. The problem was compounded by the fact that regional stockmarkets saw large outflows of foreign portfolio capital.

Paradoxically, however, serious problems with the global economic system seemed to give Asia a newfound confidence. Despite earlier fears, it became clear that companies, governments and individuals in Asia had entered the downturn in sound financial health, having learned many lessons following the Asian financial crisis of the late 1990s. While much has been written in recent years about the 21st century belonging to the region, the fact that Asia appears to

have weathered the crisis relatively well thus far, particularly with regards to its financial system, has only served to strengthen this thesis.

In March, cash unleashed from expansionary monetary and fiscal policies began to drive equity markets. The rally in share prices was also supported by a belief that this massive economic stimulus would avert a repeat of a 1930s-style depression. Together, these factors combined to provide the perfect conditions for a market rebound that was as violent as its previous collapse.

The more share prices rose, the more investors, flush with cash, worried that they had been left behind. Thus the rally became self-perpetuating as corrections, perceived as opportunities to reduce cash positions, were brief. Top performing markets in the region were the more peripheral, such as Malaysia, the Philippines and Indonesia.

Towards the end of the review period, it was observed by many that perhaps, markets had risen too quickly and had "got ahead of fundamentals". While this may prove to be true, it has been impossible, given the extent of artificial stimulus, to know exactly what the "fundamentals" look like. The term can mean many things, but in the context of equity investing, it is broadly understood to refer to corporate earnings. Certainly, economies everywhere have been given a boost by increased government spending, low borrowing rates and other forms of cost cutting. However, it is far from clear what will happen when the effects of these wear off. In other words, whether currently-weak final private demand will have recovered by then.

## Performance Attribution Analysis

The portfolio's net asset value rose 11.1% in the twelve months to the end of August 2009, outperforming its benchmark by 2.1 percentage points.

The portfolio's heavy position in India boosted relative performance. Also being light in Taiwan was beneficial as the technology-laden market lagged its peers. Although warming relations between mainland China and Taiwan are expected to be positive for the island's economy, the effects of this rapprochement will take time to flow through. Meanwhile, we will retain our small exposure, given the narrowness of the market and the fact that it is dominated by large, complex entities with poor transparency and corporate governance. As well, many of them operate in highly cyclical sectors. That said, the portfolio's holding in Taiwan Semiconductor Manufacturing Company added to absolute returns. We like the chip foundry because it is a global leader, both in terms of size, as well as research and development, not only enabling it to remain profitable during the downturn, but also to gain market share at the expense of its rivals. It has a strong balance sheet while its management,

---

which is both proven and transparent, has a consistent dividend policy, and continues to seek new growth areas, the latest being alternative energy.

In India, the Congress Party's victory at the general elections was received positively by the market. The party's enlarged mandate will lessen the need for reliance on coalition partners and, hopefully, enable it to push through key reforms. In addition to the strong performance of the stockmarket, the portfolio's Indian holdings themselves mostly outperformed their country index, the notable exception being fraud-hit Satyam Computer. Of note was Hero Honda. The motorcycle maker posted healthy earnings growth that exceeded expectations. Its exposure to the rural sector underpinned its resilience, as demand for its two-wheelers outside the urban centres held up well, helping the company gain market share in spite of the presence of comparable rivals.

The revelation of fraud at Satyam Computer Services (see Portfolio Activity) came as a great shock. However, although the tumble of its share price on 7 January 2009 hurt performance, it should be noted that the portfolio's Indian holdings, as a whole, added significantly to relative performance during the period. In contrast, China subtracted from performance, largely because of stock selection. Our mainland holdings, CNOOC, PetroChina and China Mobile, underperformed a local market driven by mainland banks and property companies, of which we remain cautious. Indeed the market rally was to some extent the result of bank credit growth in the first half of 2009 that exceeded 30%. While such growth naturally boosts economic activity in the short term, we think that it was at the expense of credit quality, as indeed the country's industry regulator recently conceded. The impact of this will likely only be felt in years to come.

Indeed this issue highlights why we are more comfortable investing in India than in China, where we continue to maintain an underweight position. In the mainland's command economy, the state often interferes with business decisions. India, by contrast, leaves such choices primarily to the marketplace and the companies themselves. Another concern is the lack of transparency. For example, it is hard to understand exactly where shareholders of Chinese companies stand, in terms of priority, relative to other stakeholders such as employees, suppliers, major shareholders or the government. In addition, many of the large listed companies are state owned, while many of the private sector companies have limited track records.

Another positive contributor to performance has been Unilever Indonesia, a unit of the giant Anglo-Dutch consumer goods group. Despite the tough operating environment, the company has continued to do well, benefiting from its wide array of products and a well-established distribution network.

Indeed, investing in the local offshoots of Multi National Companies can be one of the most fruitful ways to get exposure to emerging markets because they generally enjoy the backing of a well-established parent, are managed by teams that have a proven track record, and provide exposure to incipient consumer markets where penetration rates are low and working populations young.

Singapore, where the portfolio has been heavily invested, performed poorly in the early part of the review period, as it was seen as an economy that was particularly dependent on trade. This perception was not helped by the sharp contraction in GDP between September and March. However, the Singapore market bounced back strongly during the rally, led by banks and property companies, and ended the period as a positive contributor to relative performance.

Other holdings that performed well over the period were generally those with an exposure to domestic consumption in their respective markets. These include Grasim Industries in India, Siam Cement in Thailand and Standard Chartered in Hong Kong. Grasim and Siam Cement have done relatively well, supported by rural demand and on expectations that they will be beneficiaries of increased government spending on infrastructure projects. Standard Chartered, meanwhile, has weathered the crisis better than its counterparts in the West because it has a diversified exposure to Asia and minimal exposure to the US and Europe. The lender was also helped by simply remaining open for business at a time when struggling rivals were pulling out of Asia.

#### Portfolio Activity

During the year, we introduced India's Hindustan Unilever, part of the Unilever family of companies. The reasons for liking the company are similar to those for Unilever Indonesia: huge growth potential in rural areas thanks to rising disposable incomes and low penetration levels for fast moving consumer goods. As with its Indonesian counterpart, the company has well-established channels of distribution for its broad mix of products that range from personal and health care, to household consumables, as well as food and beverages. The other introduction, made in the first half of the review period, was ABB India, the local subsidiary of one of the world's leading power and automation engineering companies, both areas offering huge growth potential in India.

Against this, we sold Hong Kong Exchanges and Clearing, having held the position for only a couple of months. This was uncharacteristic of our usual buy-and-hold approach but, after a rapid rise in the share price, we felt the stock price had become overvalued. The company has a well-run business, deriving the bulk of its turnover from China share trading, and we would consider repurchasing shares if

valuations returned to reasonable levels. Other divestments that occurred in the first half include Korea's Hyundai Motor and Taiwan's Fubon Financial and China's Zhejiang Expressway, because of concerns over their business prospects amid tougher economic conditions. In India, we exited Satyam Computer Services, after founder-chairman Ramalinga Raju admitted to fraud. We also sold Pos Malaysia, which had outperformed the broader market, along with Korea's Kookmin Bank, whose repurchase offer we accepted. Finally, the share price of Hong Kong-listed utility CLP had held up well when markets were falling and we took profits.

### Gearing

As highlighted in the Chairman's statement, the Company has a £40 million multi-currency loan facility in place. To date, there have been no drawdowns on this facility.

### Outlook

Stockmarkets are back at "pre-Lehman" levels and economies appear to have stabilised. This suggests that the worst of the crisis is behind us but it is still unclear what any recovery will look like. The optimists argue that the unprecedented monetary and fiscal responses will allow a sustainable economic recovery, aided by naturally high growth in emerging countries such as China and India. The pessimists, on the other hand, argue that the stimulus is simply creating artificial growth and that when its effects

wear off it will be apparent that economies remain, fundamentally, in a very weak state.

Where do we stand? In short, somewhere between the two, though tending towards the view of the pessimists.

That said, Asia is in a relatively strong position, given its prudent government finances, stable banking systems and generally low levels of debt among corporates and consumers alike. We, thus, remain optimistic about the long-term prospects for the region but near term caution may well be warranted.

As always, our investment process focuses on businesses with strong, clear competitive advantages run by proven management teams. Hence, we believe that the companies that make up the portfolio will continue to deliver positive results for shareholders over the long term.

### **Aberdeen Asset Management Asia Limited\***

5 November 2009

\* 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 the Aberdeen Group. AAM Asia is based in Singapore and is a wholly-owned subsidiary and the Asia Pacific headquarters of Aberdeen Asset Management PLC (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 364 staff across the region at 31 August 2009. Total funds in the region, which are also managed from Bangkok, Hong Kong, Kuala Lumpur and Sydney are over £34.5 billion as at 31 August 2009.

The Aberdeen Group has its headquarters in Aberdeen with over 20 global offices including Bangkok, Edinburgh, Hong Kong, Kuala Lumpur, London, Philadelphia, Singapore and Sydney.

Worldwide, the Aberdeen Group manages a combined £141.4 billion in assets (as at 31 August 2009) for a range of clients, including individuals and institutions, through mutual and segregated funds. The Aberdeen Group manages over 41 investment companies and other closed-ended funds representing £8.3 billion under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

## The Investment Team Senior Managers



**Peter Hames**

Investment Director

BSc in Economics & Accountancy from Bristol University. Started investment career in 1985. Joined Aberdeen in 1989. Peter is responsible for the day-to-day management of Edinburgh Dragon Trust.



**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.



**Flavia Cheong**

Senior Investment Manager

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.



**Nicholas Yeo,**

Investment Manager.

Chartered Financial Analyst, BA (Hons) from Manchester University, and MSc from Warwick Business School. Joined Aberdeen in 2000 and was seconded to the London GEM team for two years where he covered EMEA and Latin American companies.



**Adrian Lim**

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 & acquisitions in South East Asia.



**Andrew Gillan**

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.

# The Investment Process

## Philosophy and Style

The Manager's 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 and Peter Hames, the founding managing and investment director, respectively.

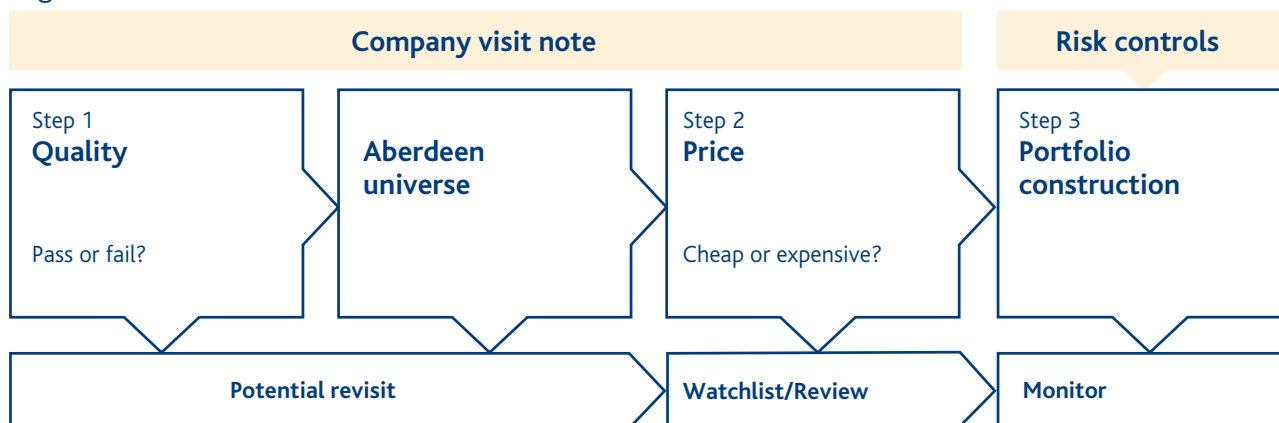
They oversee a team of nine portfolio managers in Singapore who act as generalists, cross-covering the region. In addition, AAM Asia has offices in Kuala Lumpur, Hong Kong, Sydney and Bangkok.

## 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.

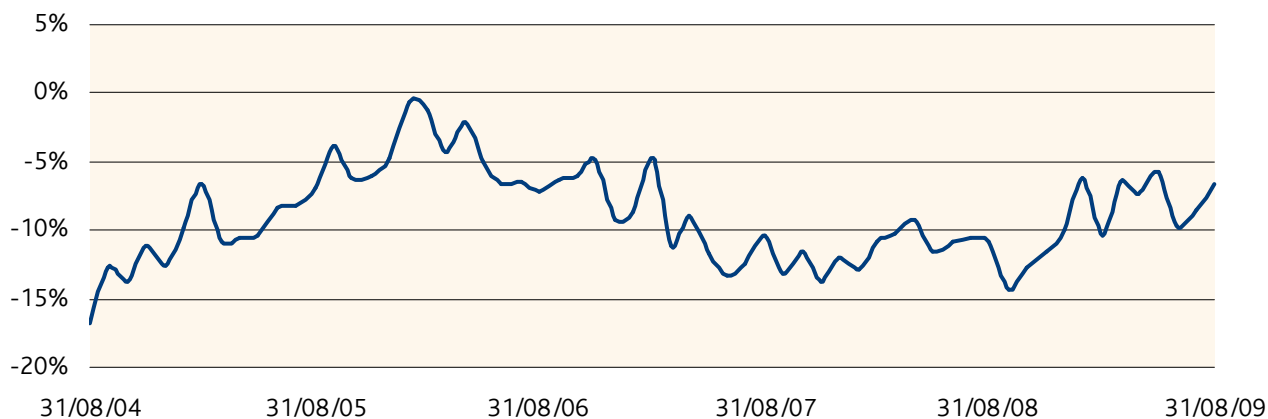
## Regional Teams



# Performance

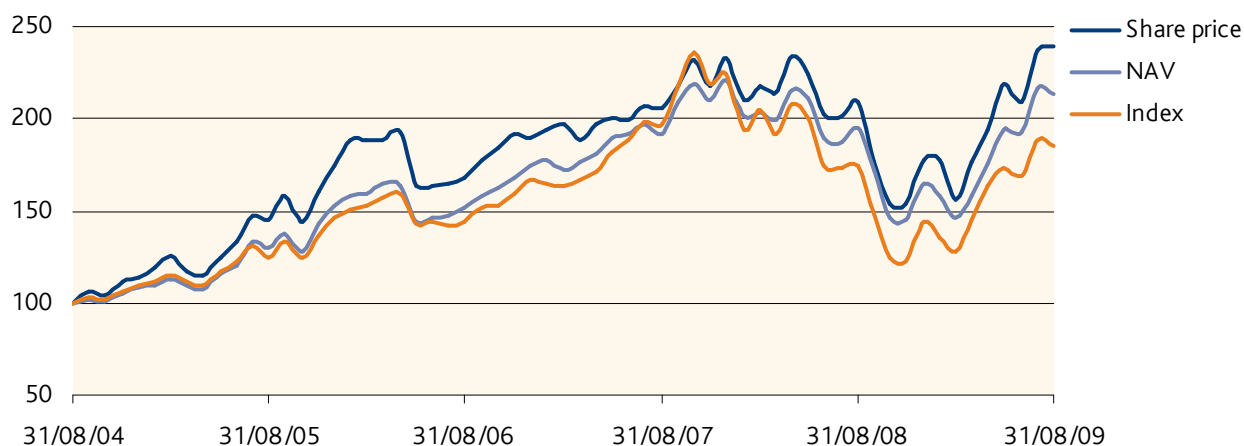
## Share Price Premium/(Discount) to NAV

Five years to 31 August 2009



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

Five years to 31 August 2009 (rebased to 100 at 31/08/04)



## 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
2000	244,108	107.39	(1.00)	91.75	14.6	1.4
2001	165,196	72.80	(0.24)	57.75	20.7	1.3
2002	158,707	69.95	(0.49)	57.75	17.4	1.4
2003	193,590	85.35	(0.52)	72.25	15.3	1.2
2004 (restated)	190,450	83.93	0.04	70.00	16.8	1.4
2005 (restated)	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

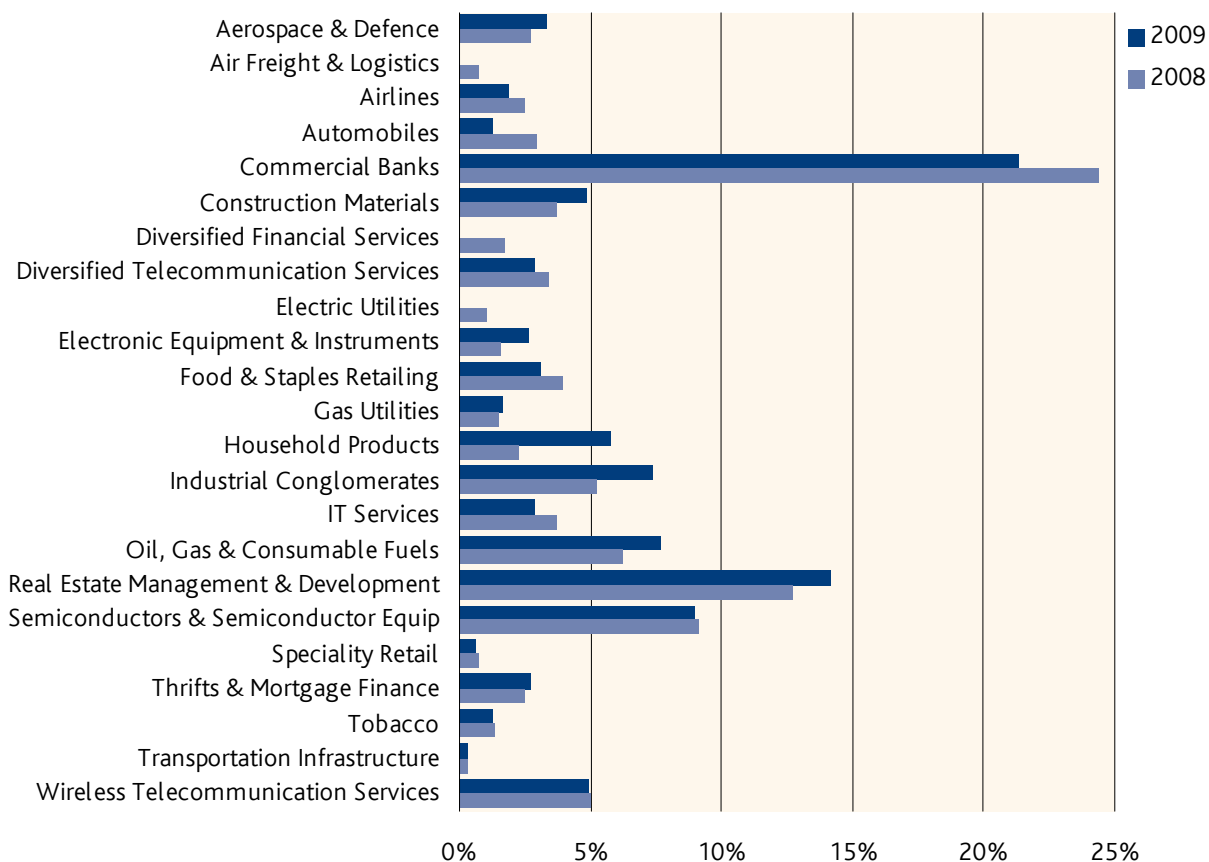
Note: The 2004 and 2005 net asset value and equity shareholder's interest figures have been restated to reflect the changes in accounting policies.

## Changes in Asset Distributions

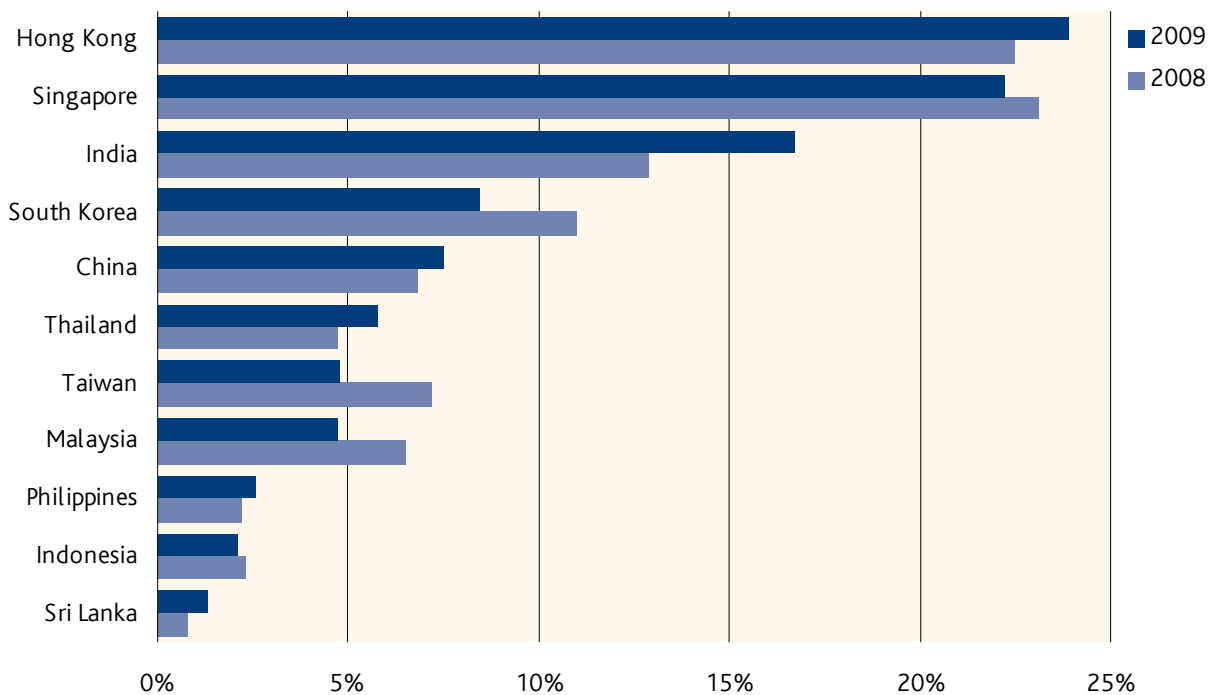
Country	Value at 31 August 2008 £'000	Purchases £'000	Sales proceeds £'000	Appreciation /(depreciation) £'000	Value at 31 August 2009 £'000
China	25,605	7,252	2,792	744	30,809
Hong Kong	85,036	9,732	8,514	11,889	98,143
India	48,888	15,298	5,103	9,602	68,685
Indonesia	8,776	–	3,221	3,009	8,564
Malaysia	24,487	–	8,598	3,393	19,282
Philippines	8,418	1,168	–	966	10,552
Singapore	87,441	7,080	4,513	1,312	91,320
South Korea	41,645	374	9,573	2,162	34,608
Sri Lanka	2,993	3,220	813	(22)	5,378
Taiwan	27,201	2,053	8,946	(619)	19,689
Thailand	17,683	2,349	–	3,711	23,743
Total investments	378,173	48,526	52,073	36,147	410,773
Net current (liabilities)/assets	(386)	31,735	64,806	36,758	3,301
<b>Net assets</b>	<b>377,787</b>	<b>80,261</b>	<b>116,879</b>	<b>72,905</b>	<b>414,074</b>

# Sector/Geographical Analysis

## Sector Breakdown

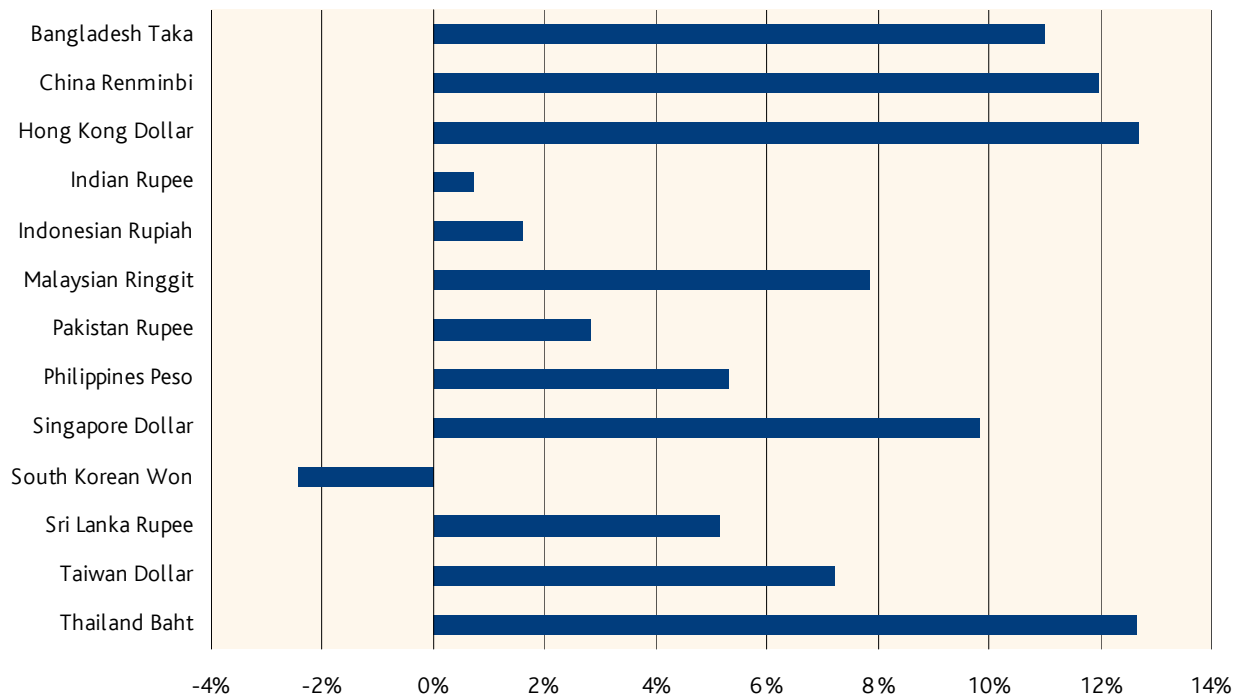


## Geographic Breakdown

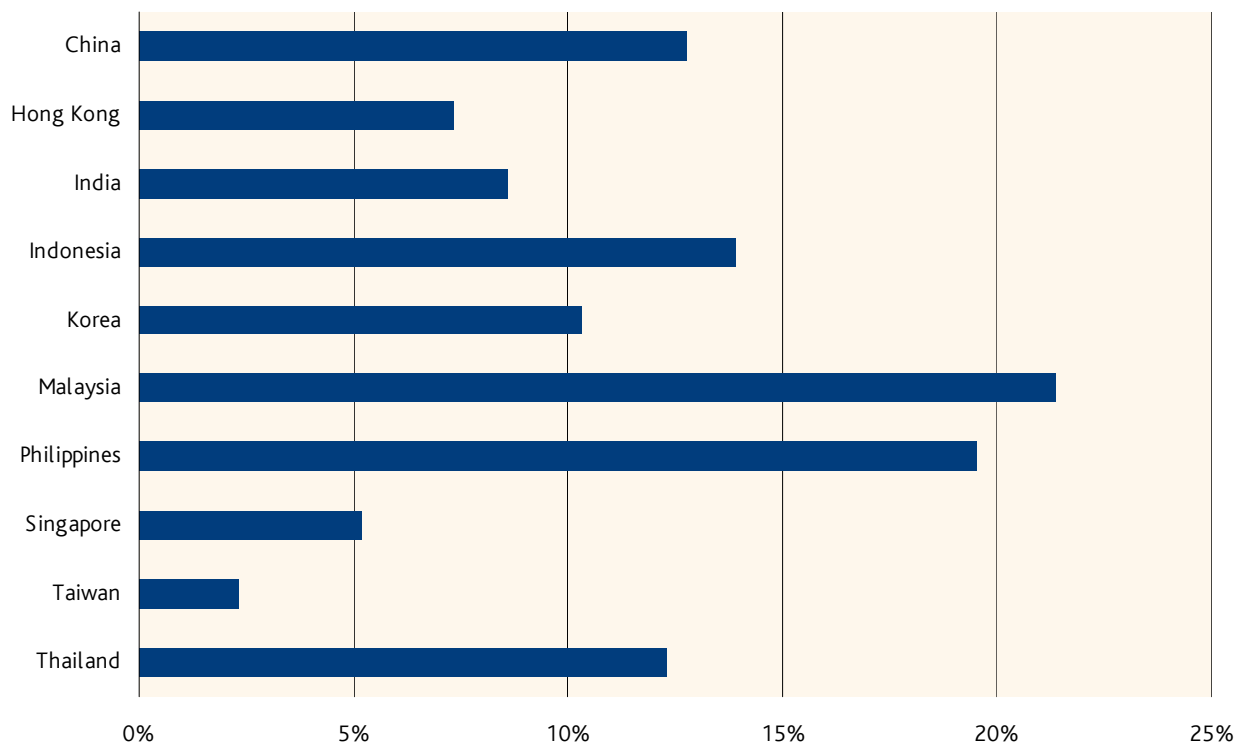


# Currency/Market Performance

## Currency Returns (£)



## MSCI Country Index



# Investment Portfolio – Ten Largest Investments

As at 31 August 2009

Company	Sector	Country	Valuation 2009 £'000	Total assets %	Valuation 2008 £'000
<b>Jardine Strategic Holdings</b> A Singapore-listed conglomerate with interests across the region spanning property, hotels and consumer products.	Industrial Conglomerates	Hong Kong	19,054	4.6	12,405
<b>Samsung Electronics Pref</b> A leading semiconductor company which is also a major player in mobile phones and TFT-LCDs. The Company owns the preferred shares, which trade at a discount to the ordinary shares.	Semiconductors & Semiconductor Equipment	South Korea	18,777	4.5	15,805
<b>Oversea-Chinese Banking Corporation</b> A well-run Singaporean bancassurance company seeking to generate additional value for shareholders by restructuring assets and via regional expansion.	Commercial Banks	Singapore	17,294	4.2	17,563
<b>Swire Pacific 'B'</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	17,102	4.1	14,680
<b>HDFC</b> The largest mortgage company in India, with additional interests in banking, insurance and venture capital funds.	Thriffs & Mortgage Finance	India	15,236	3.7	9,595
<b>Singapore Technologies Engineering</b> Defence contractor with capabilities in aerospace, electronics, land systems and marine.	Aerospace & Defence	Singapore	13,785	3.3	10,386
<b>PTT Exploration &amp; Production</b> Thailand's sole gas exploration and production company, majority-owned by state enterprise PTT Plc. The company plans to invest US\$6bn over the next five years in exploration projects and the expansion of existing sites.	Oil, Gas & Consumable Fuels	Thailand	13,619	3.3	9,835
<b>United Overseas Bank</b> Singapore's second largest bank, primarily focused on SMEs and consumers, with its core market in Singapore and the balance predominantly in southeast Asia.	Commercial Banks	Singapore	13,510	3.3	13,995
<b>Standard Chartered</b> A Hong Kong-listed lender with significant operations in the emerging markets.	Commercial Banks	Hong Kong	13,420	3.2	8,373
<b>China Mobile</b> The mainland's largest mobile telephone operator, which is poised to benefit from growing consumer demand.	Wireless Telecommunication Services	China	12,825	3.1	10,669
Top ten investments			<b>154,622</b>	<b>37.3</b>	

# Investment Portfolio – Other Investments

As at 31 August 2009

Company	Sector	Country	Valuation 2009 £'000	Total assets %	Valuation 2008 £'000
<b>City Developments</b>	Real Estate Management & Development	Singapore	12,485	3.0	10,079
<b>Taiwan Semiconductor Manufacturing Company</b>	Semiconductors & Semiconductor Equipment	Taiwan	12,104	2.9	12,928
<b>Singapore Telecommunications</b>	Diversified Telecommunication Services	Singapore	12,032	2.9	13,001
<b>CNOOC</b>	Oil, Gas & Consumable Fuels	China	11,993	2.9	10,995
<b>Infosys Technologies</b>	IT Services	India	11,784	2.8	6,002
<b>Hero Honda</b>	Automobiles	India	11,391	2.7	7,721
<b>Siam Cement</b>	Construction Materials	Thailand	10,124	2.4	7,848
<b>Grasim Industries</b>	Construction Materials	India	9,944	2.4	6,402
<b>Sun Hung Kai Props</b>	Real Estate Management & Development	Hong Kong	9,767	2.4	9,448
<b>Public Bank Berhad</b>	Commercial Banks	Malaysia	9,144	2.2	11,479
Top twenty investments			<b>265,390</b>	<b>63.9</b>	
<b>Unilever Indonesia</b>	Household Products	Indonesia	8,564	2.1	8,776
<b>Singapore Airlines</b>	Airlines	Singapore	7,941	1.9	9,637
<b>Taiwan Mobile</b>	Wireless Telecommunication Services	Taiwan	7,585	1.8	7,514
<b>Fraser &amp; Neave</b>	Industrial Conglomerates	Singapore	7,508	1.8	6,777
<b>Hang Lung Properties</b>	Real Estate Management & Development	Hong Kong	7,250	1.8	6,734
<b>Dairy Farm International</b>	Food & Staples Retailing	Hong Kong	7,066	1.7	5,971
<b>Gail (India)</b>	Gas Utilities	India	6,744	1.6	5,900
<b>Wing Hang Bank</b>	Commercial Banks	Hong Kong	6,602	1.6	7,511
<b>ASM Pacific Technologies</b>	Semiconductors & Semiconductor Equipment	Hong Kong	6,074	1.5	5,738
<b>PetroChina</b>	Oil, Gas & Consumable Fuels	China	5,991	1.5	2,893
Top thirty investments			<b>336,715</b>	<b>81.2</b>	
<b>Shinsegae Company</b>	Food & Staples Retailing	South Korea	5,778	1.4	8,954
<b>Hang Lung Group</b>	Real Estate Management & Development	Hong Kong	5,777	1.4	3,524
<b>Ayala Land</b>	Real Estate Management & Development	Philippines	5,717	1.4	3,672
<b>Venture Corp</b>	Electronic Equipment & Instruments	Singapore	5,656	1.4	6,003
<b>ABB India</b>	Electronic Equipment & Instruments	India	5,458	1.3	–
<b>Daegu Bank</b>	Commercial Banks	South Korea	5,361	1.3	4,588
<b>Hindustan Unilever</b>	Household Products	India	5,296	1.3	–
<b>British American Tobacco</b>	Tobacco	Malaysia	5,284	1.3	5,105
<b>CIMB Group</b>	Commercial Banks	Malaysia	4,854	1.2	–
<b>Bank of Philippine Islands</b>	Commercial Banks	Philippines	4,835	1.2	4,746
Top forty investments			<b>390,731</b>	<b>94.4</b>	

<b>Company</b>	<b>Sector</b>	<b>Country</b>	<b>Valuation 2009 £'000</b>	<b>Total assets %</b>	<b>Valuation 2008 £'000</b>
<b>Busan Bank</b>	Commercial Banks	South Korea	4,692	1.1	4,265
<b>John Keells Holdings</b>	Industrial Conglomerates	Sri Lanka	3,898	0.9	837
<b>Dah Sing Financial</b>	Commercial Banks	Hong Kong	3,515	0.8	3,857
<b>ICICI Bank</b>	Commercial Banks	India	2,832	0.7	5,019
<b>Giordano International</b>	Speciality Retail	Hong Kong	2,516	0.6	2,783
<b>DFCC Bank</b>	Commercial Banks	Sri Lanka	1,480	0.4	1,332
<b>Singapore Airport Terminal Services</b>	Transportation Infrastructure	Singapore	1,109	0.3	–
Total investments			<b>410,773</b>	<b>99.2</b>	
Net current assets			<b>3,301</b>	<b>0.8</b>	
Total assets <sup>A</sup>			<b>414,074</b>	<b>100.0</b>	

<sup>A</sup> 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.



**Tony Cassidy**

**Status:** Independent Non-Executive Chairman

**Age:** 64

**Length of service:** 22 years, appointed a Director on 12 August 1987

**Experience:** has been associated with business in Asia for many years and was recently a director of Edinburgh Japan Trust plc and Ptarmigan International Capital Trust plc.

**Committee membership:** None

**Remuneration:** £27,000 per annum

**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:** 9,636

Ordinary shares



**Frank Frame**

**Status:** Senior Independent Non-Executive Director

**Age:** 79

**Length of service:** 15 years, appointed a Director on 22 February 1994

**Experience:** former deputy chairman of The Hongkong and Shanghai Banking Corporation; adviser to the board of HSBC Holdings; chairman of South China Morning Post, Far Eastern Economic Review and The Waller Group; and a director of Swire Pacific, The Hongkong Securities and Futures Commission, The British Bank of the Middle East and The Weir Group.

**Committee membership:** None

**Remuneration:** £18,000 per annum

**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:** 8,500

Ordinary shares



**David Gairns**

**Status:** Independent Non-Executive Director

**Age:** 73

**Length of service:** 6 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:** £20,000 per annum

**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

**Age:** 67

**Length of service:** 5 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 a former non-executive director of JD Wetherspoon.

**Committee membership:** Audit Committee and Remuneration Committee

**Remuneration:** £19,000 per annum

**All other public company**

**directorships:** Kenmare Resources plc

**Employment by the Manager:** None

**Other connections with Trust or**

**Manager:** Director of The Thai Euro Fund to which Aberdeen Asset Managers acts as an adviser

**Shared Directorships with any other**

**Trust Directors:** None

**Shareholding in Company:** None



**Allan McKenzie**

**Status:** Independent Non-Executive Director

**Age:** 62

**Length of service:** 3 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:** £19,000 per annum

**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

## Your Board of Directors continued

---



Peter Tyrie

**Status:** Independent Non-Executive Director

**Age:** 63

**Length of service:** 20 years, appointed a Director on 5 July 1989

**Experience:** was managing director of Mandarin Oriental Hotel Group until 1989 when he returned to Great Britain. He established the Eton Group in 1998, a company specialising in luxury city centre hotels which he then sold in August 2007.

**Committee membership:** None

**Remuneration:** £18,000 per annum

**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:** 11,000

Ordinary shares



Iain Watt

**Status:** Independent Non-Executive Director

**Age:** 64

**Length of service:** 22 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:** £18,000 per annum

**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

# Directors' Report

---

The Directors present their report and the audited financial statements for the year ended 31 August 2009.

## Business Review

With the rest of the Report and Accounts, this review 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 and is an investment company as defined by Section 833 of the Companies Act 2006.

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 the Inland Revenue for accounting periods up to and including 31 August 2008.

The Directors are of the opinion, under advice, that the Company has conducted its affairs for the year ended 31 August 2009 so as to be able to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for that year, although approval for the period would be subject to review were there to be any enquiry under the Corporate 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 of 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 19 to the financial statements.

- Gearing risk: The Company has in place a £40 million multi-currency loan facility. As at 31 August 2009 no drawdowns had been made on this facility. Gearing has the effect of exacerbating market falls and 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 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

A record of these measures is disclosed on page 4. 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 direct social, community, employee or environmental responsibilities. Details of the Company's Socially Responsible Investment policy are set out in the Corporate Governance Report.

### Share Capital

There were no buybacks of Ordinary shares during the financial year to 31 August 2009 and there have been no buybacks since the year end.

At 31 August 2009 the Company's capital structure consisted of 230,954,375 Ordinary shares of 20p each (2008-230,954,375 Ordinary shares). 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 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 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 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 25, 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 1.61p per Ordinary share (2008 – 1.6p) be paid on 11 December 2009 to shareholders on the register on 13 November 2009.

### Directors

Details of the current Directors of the Company are shown on pages 20 to 22.

Tony Cassidy will retire from the Board at the conclusion of the forthcoming Annual General Meeting. Allan McKenzie will take over the chairmanship of the Company at this time.

In accordance with the Company's Articles of Association, Allan McKenzie will retire from the Board and, being eligible, offer himself for re-election at the Annual General Meeting.

In accordance with the corporate governance procedures endorsed by the Board, all Directors who have attained more than nine years' service or are aged over 70 years will retire from the Board and submit themselves for re-election on an annual basis. Messrs Frame, Gairns, Tyrie and Watt will retire and be proposed for re-election at the Annual General Meeting.

In line with Dragon'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 and experience for the good conduct of the Company's business. As part of this process the Board has now agreed a programme of refreshment, which will see its

membership change as current directors retire in an orderly manner, and new directors are recruited.

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 2009 are shown in Table 1.

The Company has not been notified of any subsequent changes in Directors' interests.

	31 August 2009	1 September 2008
	Ordinary shares	Ordinary shares
Tony Cassidy	9,636	9,538
Frank Frame	8,500	8,500
David Gairns	—	—
Tony Lowrie	—	—
Allan McKenzie	—	—
Peter Tyrie	11,000	11,000
Iain Watt	17,789*	17,789*

Table 1 Directors and their interests in the Company  
\* of which 625 (2007-625) Ordinary shares are held in trust

### Directors' Conflicts of Interest

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.

### 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. The management of the Company was transferred from Edinburgh Fund Managers plc to Aberdeen Asset Managers Limited in September 2009 by means of a novation agreement.

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.

### Auditors

The Company's auditors, KPMG Audit Plc, are 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. Non-audit fees of £4,000 were paid to the auditors during the period, which related to their review of the interim report 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 auditors are 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 auditors are aware of that information.

### Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is contained on pages 28 to 31.

### Substantial Share Interests

At 5 November 2009, 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	%
City of London Investment Management	41,600,585	18.0
Lazard Freres Asset Management	20,948,757	9.1
Derbyshire County Council	12,000,000	5.2
Rensburg Sheppards Investment Management	9,436,773	4.1
Legal & General Assurance	9,183,384	4.0
Advance Developing Markets	7,042,500	3.0

Table 2 Substantial share interests

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

### Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 9 December 2009, the following resolutions will be proposed:

(i) **Section 551 authority to allot shares**

Resolution 11, 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 £15,396,958, 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 2011 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).

(ii) **Limited disapplication of Pre-emption Provisions**

As noted above, resolution 11 will, if approved, give the Directors a general authority to allot securities up to an aggregate nominal amount of £15,396,958. Resolution 12, 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 £2,309,544, 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 £15,396,958 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 not less than the net asset value per share. This authority will expire on 28 February 2011 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.

(iii) **Continuation vote**

Resolution 13, which is an ordinary resolution, will, if approved, allow the Company to continue as an investment trust.

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

Resolution 14, which will be proposed as an ordinary 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 34.6 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 2011 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) **Adoption of new Articles of Association**

Since the Articles of Association (the "Articles") of the Company were last updated, company law in the United Kingdom has undergone major reform through the coming into force of the Companies Act 2006 (the "2006 Act") and the EU Shareholders' Rights Directive. Accordingly, the Board considers it prudent to replace the Company's existing Articles with new articles which take account of these developments. It is proposed in Resolution 15 to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles (the "Current Articles") primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations"), the implementation of the Companies Act 2006 and amendments to the Uncertificated Securities Regulations 2001.

The principal changes introduced in the New Articles are summarised in the Appendix to the Notice of Meeting. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006, the Shareholders' Rights Regulations or the Uncertificated Securities Regulations 2001 have not been noted in the Appendix.

A copy of the New Articles will be available for inspection at the offices of Aberdeen Asset Managers Limited, Bow Bells House, 1 Bread Street, London during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of

---

the notice of the Annual General Meeting (the "Notice") until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at 40 Princes Street, Edinburgh from 11.00 am until the conclusion of the meeting.

(vi) **Notice period for general meetings**

This resolution is required to reflect the coming into force of the Shareholders' Rights Regulations. The Shareholders' Rights Regulations, as they amend the Companies Act 2006, increase the notice period for general meetings of the Company to 21 days. The Company has proposed a provision in the New Articles to 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 in this separate resolution. Resolution 16 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, 46,925 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, 5 November 2009

# 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 2008 Combined Code (appended to the Financial Services Authority Listing Rules) throughout the financial year. The Board confirms that the Company has complied throughout the accounting period to 31 August 2009 with the relevant provisions of the Combined 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 20 to 22 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 Frame 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. Mr Watt, being a former director of Edinburgh Fund Managers Group plc, did have a material relationship with the Manager but given that relationship was over five years ago, he is deemed to be independent. When making a recommendation for re-electing a Director, the Board will take into account the on-going requirements of the Combined 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. During the year the Board met five times and the Audit Committee met three times – the attendance record of each Director is shown in the Table below.

Meetings held and attendance	Board meetings attended	Audit Committee meetings attended
Tony Cassidy <sup>1</sup>	5/5	1/1
David Gairns <sup>2</sup>	4/5	3/3
Frank Frame	5/5	n/a
Tony Lowrie <sup>3</sup>	4/5	1/2
Allan McKenzie <sup>2</sup>	5/5	3/3
Peter Tyrie	5/5	n/a
Iain Watt	5/5	n/a

<sup>1</sup> Resigned from Audit Committee in Dec-08

<sup>2</sup> Member of Audit Committee

<sup>3</sup> Appointed to Audit Committee in Dec-08

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, borrowings, 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.

## 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.

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

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 initially sought in the financial and investment sectors. If required, external search consultants may be used to ensure that a wide range of candidates can be considered. New Directors will be given appropriate induction from the Manager. All Directors are entitled to receive appropriate and relevant training.

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. All Directors are required to submit themselves for re-election at least once every three years. The Board's current policy is that Directors with more than nine years' service, or who are over 70 years, are required to submit themselves for annual re-election. In line with the Board's policy, Messrs Frame, Gairns, Tyrie, and Watt retire at this year's Annual General Meeting and offer themselves for re-election. The Board has reviewed the skills and experience of each Director, and supports their re-election. The Board also supports the re-election of Allan McKenzie who is due to retire by rotation at this year's Annual General Meeting.

As the company law provisions regarding the age limit of 70 for directors of public companies are no longer in force, the Board's policy for annual re-election of directors aged 70 and over will be removed for future years.

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

### Remuneration Committee

During the year the Board has established a Remuneration Committee which comprises David Gairns (Chairman), Allan McKenzie and Tony Lowrie. The Committee is responsible for determining the level of Directors' fees. 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 system of internal control. 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 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 19 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 internal controls, including the internal audit and compliance functions. At its October 2009 meeting, the Audit Committee performed its annual assessment of internal controls for the year ended 31 August 2009 and taking account of events since 31 August 2009. 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 auditors in connection with the financial statements appear on pages 32 and 34.

The members of the Audit Committee are Mr Gairns (Chairman), Mr Lowrie and Mr McKenzie. Mr Gairns, a chartered accountant, has the necessary recent and relevant financial experience. The Audit Committee considers reports from the external auditors and the Manager's internal audit and compliance functions. 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 auditors to review their proposed audit programme of work and the findings of the auditors. 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 auditors to supply non-audit services. The non-audit fees for the year to 31 August 2009 were £4,000, relating to the review of the interim accounts and regulatory reporting. The Board will review any future non-audit fees in the light of the requirement to maintain the auditors' 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 auditors and to approve the remuneration and terms of engagement of the external auditors.
- to monitor and review annually the external auditors' independence, objectivity, effectiveness, resources and qualification. At its October 2009 meeting, the Committee was satisfied that the auditors remained independent and objective.
- to review the performance of the Manager and its compliance with the management agreement.

## Going Concern

Shareholders will be given the opportunity to vote on the continuation of the Company at the next Annual General Meeting in December 2009. As referred to, and for the reasons set on in the Chairman's Statement, the Directors recommend that shareholders vote in favour of the continuation vote.

Having regard to the matters referred to above, inclusive of the discussion regarding the continuation vote included in the Chairman's Statement on page 6, and after due consideration, 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 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 Board also met with representatives of the major shareholders during the financial year. The Company's annual and interim reports and other publications can be downloaded from the Company's website, [www.edinburghdragon.co.uk](http://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

In relation to the use of the Company's voting rights in respect of investee companies, the Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights. The underlying aim of the exercising of such voting rights is to protect the return from an investment. The Manager's policy is to vote in a prudent and diligent manner, and, as far as is practicable, to vote at all meetings called by investee companies.

### 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 the financial statements 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.

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 comply 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

**Tony Cassidy**

Chairman

5 November 2009

# Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of section 421 to the Companies Act 2006. 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 auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 34.

## Remuneration Committee

The Company has seven non-executive Directors. The Board has established a Remuneration Committee which has responsibility for determining the level of Directors' fees. 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 August 2010 and subsequent years.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £200,000 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 March 2009, to £27,000 for the Chairman, £20,000 for the Chairman of the Audit Committee, £19,000 for each member of the Audit Committee and £18,000 for each Director. The last increase in fees prior to this was in January 2006.

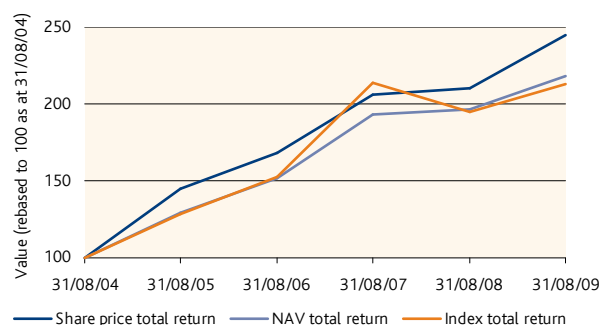
## Directors' Service Contracts

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 opposite charts, for the five-year period to 31 August 2009, 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 2009	Year to 31 August 2008
	£	£
A F Cassidy	24,750	22,500
F R Frame	16,500	15,000
D W Gairns	18,750	17,500
A C Lowrie	17,000	15,000
A M McKenzie	17,000	15,000
P R Tyrie	16,500	15,000
I A Watt	16,500	15,000
	<b>127,000</b>	<b>115,000</b>

## Approval

The Directors' Remuneration Report on page 33 was approved by the Board of Directors on 5 November 2009 and signed on its behalf by:

By order of the Board,  
**Aberdeen Asset Managers Limited**  
 Secretary

# Independent Auditors' 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 2009 set out on pages 35 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 sections 495, 496 and 497 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 32, 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 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 web-site at [www.frc.org.uk/apb/scope/UKP](http://www.frc.org.uk/apb/scope/UKP).

## 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 2009 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;
- 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 pursuant to rules 7.2.5 and 7.2.6 in the

Disclosure Rules and Transparency Rules 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 30, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Richard Hinton (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
Edinburgh

5 November 2009

# Income Statement

	Notes	Year ended 31 August 2009			Year ended 31 August 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	–	36,147	36,147	–	805	805
Currency losses		–	(1,502)	(1,502)	–	(980)	(980)
Income	2	12,028	–	12,028	14,316	–	14,316
Investment management fee	3	(3,393)	–	(3,393)	(4,025)	–	(4,025)
Administration expenses	4	(1,152)	–	(1,152)	(1,162)	–	(1,162)
<b>Net return before finance costs and taxation</b>		<b>7,483</b>	<b>34,645</b>	<b>42,128</b>	<b>9,129</b>	<b>(175)</b>	<b>8,954</b>
Interest payable and similar charges	5	(1,513)	–	(1,513)	(2,985)	–	(2,985)
<b>Return on ordinary activities before taxation</b>		<b>5,970</b>	<b>34,645</b>	<b>40,615</b>	<b>6,144</b>	<b>(175)</b>	<b>5,969</b>
Taxation on ordinary activities	6	(633)	–	(633)	(642)	–	(642)
<b>Return on ordinary activities after taxation</b>		<b>5,337</b>	<b>34,645</b>	<b>39,982</b>	<b>5,502</b>	<b>(175)</b>	<b>5,327</b>
<b>Return per share (pence):</b>	<b>8</b>	<b>2.31</b>	<b>15.00</b>	<b>17.31</b>	<b>2.35</b>	<b>(0.07)</b>	<b>2.28</b>

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 2009 £'000	As at 31 August 2008 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	9	410,773	378,173
<b>Current assets</b>			
Debtors and prepayments	10	1,371	2,614
Certificates of deposit		–	27,419
Cash and short term deposits		3,308	15,069
		4,679	45,102
<b>Creditors: amounts falling due within one year</b>			
Foreign currency loans	11	–	(43,861)
Other creditors		(1,378)	(1,627)
		(1,378)	(45,488)
<b>Net current assets/(liabilities)</b>		3,301	(386)
<b>Net assets</b>		<b>414,074</b>	<b>377,787</b>
<b>Share capital and reserves</b>			
Called-up share capital	12	46,190	46,190
Share premium account		4,285	4,285
Special reserve		75,770	75,770
Capital redemption reserve		10,017	10,017
Capital reserve	13	268,891	234,246
Revenue reserve		8,921	7,279
<b>Equity shareholders' funds</b>	14	<b>414,074</b>	<b>377,787</b>
<b>Net asset value per Ordinary share (pence)</b>	14	<b>179.29</b>	<b>163.58</b>

The financial statements were approved by the Board of Directors and authorised for issue on 5 November 2009 and were signed on its behalf by:

**A F Cassidy**

Chairman

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

## Reconciliation of Movements in Shareholders' Funds

### For the year ended 31 August 2009

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2008	46,190	4,285	75,770	10,017	234,246	7,279	377,787
Return on ordinary activities after taxation	–	–	–	–	34,645	5,337	39,982
Dividends paid	–	–	–	–	–	(3,695)	(3,695)
<b>Balance at 31 August 2009</b>	<b>46,190</b>	<b>4,285</b>	<b>75,770</b>	<b>10,017</b>	<b>268,891</b>	<b>8,921</b>	<b>414,074</b>

### For the year ended 31 August 2008

	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
Dividends paid	–	–	–	–	–	(2,589)	(2,589)
Purchase of Ordinary shares for cancellation	(1,225)	–	(9,472)	1,225	–	–	(9,472)
<b>Balance at 31 August 2008</b>	<b>46,190</b>	<b>4,285</b>	<b>75,770</b>	<b>10,017</b>	<b>234,246</b>	<b>7,279</b>	<b>377,787</b>

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

	Notes	Year ended 31 August 2009		Year ended 31 August 2008	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	15		7,505		8,835
<b>Servicing of finance</b>					
Bank and loan interest paid			(2,030)		(2,915)
<b>Taxation</b>					
Overseas tax paid			(505)		(601)
<b>Financial investment</b>					
Purchases of investments		(48,526)		(17,306)	
Sales of investments		53,434		54,327	
<b>Net cash inflow from financial investment</b>			4,908		37,021
<b>Equity dividend paid</b>			(3,695)		(2,589)
<b>Net cash inflow before financing</b>			6,183		39,751
<b>Financing</b>					
Buy back of Ordinary shares (including expenses)			–		(9,472)
Sale/(purchase) of Certificates of Deposit			33,071		(25,015)
Repayment of Loan Notes			(55,446)		–
<b>Net cash outflow from financing</b>			<b>(22,375)</b>		<b>(34,487)</b>
<b>(Decrease)/increase in cash</b>	16		<b>(16,192)</b>		<b>5,264</b>
<b>Reconciliation of net cash inflow to movements in net funds/(debt)</b>					
(Decrease)/increase in cash as above			(16,192)		5,264
Amortised Loan Note expenses			–		(31)
(Sale)/purchase of Certificates of Deposit			(33,071)		25,015
Repayment of Loan Notes			55,446		–
Exchange movements			(1,502)		(980)
<b>Movement in net funds in the year</b>			4,681		29,268
Net debt at 1 September			(1,373)		(30,641)
<b>Net funds/(debt) at 31 August</b>			<b>3,308</b>		<b>(1,373)</b>

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

## 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' (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 13. 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 have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 30.

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 and loss. Investments are recognised and de-recognised on the trade date at cost. Subsequent to initial recognition, investments are valued at fair value, which for listed investments is deemed to be bid market prices. 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 except to the extent where they are readily convertible to cash.

### (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 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 cash dividend is recognised as income. Any excess in the value of the shares received over the amount of cash dividend 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.

## Notes to the Financial Statements continued

### (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.

### (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.

2. Income	2009 £'000	2008 £'000
<b>Income from investments<sup>A</sup></b>		
UK dividend income	364	218
Overseas dividends	11,252	13,209
Scrip dividends	10	10
	<b>11,626</b>	<b>13,437</b>
<b>Other income<sup>B</sup></b>		
Deposit interest	402	844
Stock lending income	–	35
	<b>402</b>	<b>879</b>
<b>Total income</b>	<b>12,028</b>	<b>14,316</b>

<sup>A</sup> Derived from financial assets at fair value through profit and loss.

<sup>B</sup> Derived from financial assets not at fair value through profit and loss.

### Income from investments

Listed UK	364	218
Listed overseas	11,262	13,219
	<b>11,626</b>	<b>13,437</b>

3. Investment management fee	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
Investment management fee	<b>3,393</b>	–	<b>3,393</b>	<b>4,025</b>	–	<b>4,025</b>

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 fee is subject to VAT at the appropriate rate.

The management agreement is terminable by the Company on 3 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 6 months.

	2009 £'000	2008 £'000
<b>4. Administrative expenses</b>		
Share Plan marketing contribution	212	195
Directors' fees	127	115
Safe custody fees	366	453
Auditors' remuneration:		
– Fees payable to the Company's auditors for the audit of the Company's annual accounts	14	14
– Fees payable to the Company's auditors for the review of the Company's half yearly accounts	4	4
Secretarial fee	75	72
Other expenses	354	309
	<b>1,152</b>	<b>1,162</b>

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.

During the year £4,000 (2008 – £3,500) was paid to the auditors' for non-audit services. This related to further assurance work regarding the interim and regulatory reporting.

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

The Company does not have any employees.

	2009 £'000	2008 £'000
<b>5. Interest payable and similar charges</b>		
Loans repayable in less than 1 year <sup>A</sup>	1,513	2,985

<sup>A</sup> Derived from liabilities not at fair value through profit and loss.

	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
<b>6. Taxation</b>						
<b>(a) Analysis of charge for the year</b>						
Corporation tax	347	–	347	1,256	–	1,256
Credit relief	(202)	–	(202)	(1,256)	–	(1,256)
Overseas tax	488	–	488	642	–	642
Taxation on ordinary activities	<b>633</b>	–	<b>633</b>	<b>642</b>	–	<b>642</b>

**(b) Factors affecting the tax charge for the year**

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

	2009 £'000	2008 £'000
Return on ordinary activities before taxation	40,615	5,969

## Notes to the Financial Statements continued

	2009 £'000	2008 £'000
Return on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – effective rate at 29.17%)	11,372	1,741
Deduct effect of capital:		
UK dividend income	(102)	(63)
Gains on investments not taxable	(10,121)	(235)
Currency losses not taxable	421	286
Other non-taxable income	(1,104)	(3)
Decrease in excess expenses and loan relationship deficit	(357)	(439)
Double tax relief taken	(202)	(1,256)
Movement in taxable accrued income	238	(31)
Overseas tax suffered	488	642
<b>Current tax charge for year</b>	<b>633</b>	<b>642</b>

At 31 August 2009, the Company had unutilised loan relationship losses of £nil (2008 – £460,000) and eligible unrelieved foreign tax of £nil (2008 – £23,000).

### 7. Dividends

In order to comply with the requirements of Section 842 ICTA 1988 ('Section 842') 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 Section 842 are considered. The revenue available for distribution by way of dividend for the year is £5,337,000 (2008 – £5,502,000).

	2009 £'000	2008 £'000
Proposed final dividend for 2009 – 1.61p per Ordinary share (2008 – 1.6p)	<b>3,718</b>	<b>3,695</b>

The final dividend will be paid on 11 December 2009 to shareholders on the register at the close of business on 13 November 2009.

8. Return per Ordinary share	2009		2008	
	£'000	pence	£'000	pence
Revenue return	5,337	2.31	5,502	2.35
Capital return	34,645	15.00	(175)	(0.07)
<b>Total return</b>	<b>39,982</b>	<b>17.31</b>	<b>5,327</b>	<b>2.28</b>
Weighted average Ordinary shares in issue	<b>230,954,375</b>		<b>233,807,053</b>	

9. Investments	Listed overseas £'000	Listed in UK £'000	Total £'000
Fair value through profit or loss:			
Opening book cost	271,481	5,913	277,394
Opening fair value gains/(losses) on investments held	100,803	(24)	100,779
Opening fair value	372,284	5,889	378,173
Movements in year:			
Purchases at cost	47,666	860	48,526
Sales – proceeds	(52,073)	–	(52,073)
– gains on sales	117	–	117
Current year fair value gains on investments held	34,890	1,140	36,030
Closing fair value	<b>402,884</b>	<b>7,889</b>	<b>410,773</b>
Closing book cost	267,191	6,773	273,964
Closing fair value gains on investments held	135,693	1,116	136,809
Closing fair value	<b>402,884</b>	<b>7,889</b>	<b>410,773</b>

	2009 £'000	2008 £'000
Listed on a recognised overseas investment exchange	402,884	372,284
Listed in the UK	7,889	5,889
	<b>410,773</b>	<b>378,173</b>

<b>Gains on investments held at fair value through profit or loss</b>	2009 £'000	2008 £'000
Realised gains on sales	117	26,186
Increase/(decrease) in fair value gains on investments held	36,030	(25,381)
	<b>36,147</b>	<b>805</b>

#### 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:

	2009 £'000	2008 £'000
Purchases	88	57
Sales	194	146
	<b>282</b>	<b>203</b>

<b>Stock lending details</b>	2009 £'000	2008 £'000
Aggregate value of securities on loan at the year end	–	–
Maximum aggregate value of securities on loan during the year	–	19,203
Fee income (gross) from stock lending during the year	–	35

All stocks lent under these arrangements are fully secured against collateral. As at 31 August 2009, the amount of stock on loan was £nil (2008 – £nil). Stock lending arrangements were suspended during the year due to the severe dislocation in the market and inherent counterparty risks.

## Notes to the Financial Statements continued

	2009 £'000	2008 £'000
<b>10. Debtors and prepayments</b>		
Accrued income	1,306	1,180
Amounts due from brokers	–	1,361
Other debtors and prepayments	65	73
	<b>1,371</b>	<b>2,614</b>

	2009 £'000	2008 £'000
<b>11. Creditors: amounts falling due within one year</b>		
<b>(a) Foreign currency loan notes</b>	–	<b>43,861</b>

The Company's US\$80 million of Loan Notes were repaid on 30 December 2008.

A new multi-currency revolving advance facility of £40 million was implemented with The Royal Bank of Scotland on 30 September 2008. The commitment period of the new facility commenced on 30 September 2008 and ends on 29 September 2010. Interest will be charged at the margin above the rate at which Sterling/foreign currency deposits of comparable amount to the relevant advance are offered by LIBOR on the date on which the advance is required. A covenant has been imposed by The Royal Bank of Scotland that the gearing ratio, being gross borrowings divided by adjusted assets shall not exceed 25%.

	2009 £'000	2008 £'000
<b>(b) Other</b>		
Other creditors	<b>1,378</b>	<b>1,627</b>

	2009 £'000	2008 £'000
<b>12. Called up share capital</b>		
<b>Authorised</b>		
325,000,000 (2008 – 325,000,000) Ordinary shares of 20p	<b>65,000</b>	<b>65,000</b>
<b>Called-up, allotted and fully paid</b>		
230,954,375 (2007 – 230,954,375) Ordinary shares of 20p	<b>46,190</b>	<b>46,190</b>

During the year, no Ordinary shares of 20p each (2008 – 6,122,000) (representing 0.00% of the issued Ordinary share capital at 31 August 2009) were bought back at a total cost of £nil, including expenses (2008 – £9,472,000).

	2009 £'000	2008 £'000
<b>13. Capital reserve</b>		
At 1 September	234,246	234,421
Movement in fair value gains	36,147	805
Foreign exchange movement	(1,502)	(980)
At 31 August	<b>268,891</b>	<b>234,246</b>

The capital reserve includes investment holding gains amounting to £136,809,000 (2008 – £100,779,000), as disclosed in note 9.

#### 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:

	2009	2008
Net assets attributable (£'000)	414,074	377,787
Number of Ordinary shares in issue (excluding shares held in treasury)	230,954,375	230,954,375
Net asset value per share (p)	179.29	163.58

#### 15. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2009 £'000	2008 £'000
Net return before finance costs and taxation	42,128	8,954
Adjusted for:		
Gains on investments	(36,147)	(805)
Currency losses	1,502	980
Increase in accrued income	(109)	(351)
Decrease in other debtors	7	154
Increase/(decrease) in sundry creditors including management fee due	124	(97)
Net cash inflow from operating activities	7,505	8,835

	1 September 2008 £'000	Cash flow £'000	Currency movements £'000	31 August 2009 £'000
16. Analysis of changes in net (debt)/funds				
Cash and short term deposits	15,069	(16,192)	4,431	3,308
Certificates of deposit	27,419	(33,071)	5,652	–
Debt due in less than one year	(43,861)	55,446	(11,585)	–
Net (debt)/funds	(1,373)	6,183	(1,502)	3,308

#### 17. Contingent assets and liabilities

On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC has announced its intention not to appeal against this case to the UK VAT Tribunal and, therefore, the recovery of VAT which is due in relation to the Company, will be processed in due course. The amount of any repayment of VAT for the Company is immaterial, and the Company has made no provision in these financial statements for any such repayment.

#### 18. 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 normally seeks to limit gearing to 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.

## 19. Financial instruments

### Risk management

The Company's financial instruments comprise securities and other investments, cash balances, loans 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 ensures 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 price 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 price 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;
- interest payable on the Company's variable rate borrowings.

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:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 August 2009</b>				
<b>Assets</b>				
Hong Kong Dollar	–	–	–	1,227
UK Sterling	–	0.25	–	235
Taiwanese Dollar	–	–	–	64
US Dollar	–	–	–	1,782
	<b>n/a</b>	<b>n/a</b>	<b>–</b>	<b>3,308</b>

<b>At 31 August 2008</b>	<b>Weighted average period for which rate is fixed Years</b>	<b>Weighted average interest rate %</b>	<b>Fixed rate £'000</b>	<b>Floating rate £'000</b>
<b>Assets</b>				
UK Sterling	–	4.75	–	2,369
Taiwanese Dollar	–	–	–	10
US Dollar	–	2.18	–	12,690
Certificates of deposit – US Dollar	0.29	2.81	27,419	–
	<b>n/a</b>	<b>n/a</b>	<b>27,419</b>	<b>15,069</b>
<b>Liabilities</b>				
Bank loan – US Dollar	<b>0.33</b>	<b>7.26</b>	<b>(43,861)</b>	–

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans. The Company's Loan Notes were repaid on 30 December 2008.

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**

All 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 Company's borrowings, as detailed in note 11, are also in foreign currency.

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

## Notes to the Financial Statements continued

Foreign currency risk exposure by currency of denomination:

	31 August 2009			31 August 2008		
	Overseas investments <sup>A</sup> £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments <sup>A</sup> £'000	Net monetary assets £'000	Total currency exposure £'000
Hong Kong Dollar	121,063	1,227	122,290	104,752	–	104,752
Indian Rupee	68,685	–	68,685	48,888	–	48,888
Indonesian Rupiah	8,564	–	8,564	8,776	–	8,776
Korean Won	34,608	–	34,608	41,645	–	41,645
Malaysian Ringgit	19,282	–	19,282	24,487	–	24,487
Philippine Peso	10,552	–	10,552	8,418	–	8,418
Singapore Dollar	91,320	–	91,320	87,441	–	87,441
Sri Lankan Rupee	5,378	–	5,378	2,993	–	2,993
Sterling	7,889	235	8,124	5,889	2,369	8,258
Taiwanese Dollar	19,689	64	19,753	27,201	10	27,211
Thailand Baht	23,743	–	23,743	17,683	–	17,683
US Dollar	–	1,782	1,782	–	(3,752)	(3,752)
<b>Total</b>	<b>410,773</b>	<b>3,308</b>	<b>414,081</b>	<b>378,173</b>	<b>(1,373)</b>	<b>376,800</b>

<sup>A</sup> By country of listing.

### 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 13, 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 2009 would have increased/decreased by £41,077,000 (2008 – increased/decreased by £37,817,000) 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.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions, and reviews these on a regular basis. Borrowings comprise a revolving multi-currency credit facility. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 20%. Details of borrowings at 31 August 2009 are shown in note 11.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities, details of which can be found in note 11. Under the terms of the loan facility, the Investment Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Investment Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing are shown in the interest rate risk section of this note.

#### Liquidity risk exposure

The Company's US\$80 million of Loan Notes was repaid on 30 December 2008. At 31 August 2009 the Company had no borrowings (2008 – £43,861,000).

#### 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 exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, the Custodian carries out a stock reconciliation to third party administrators' records on a monthly 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 findings 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:

	2009		2008	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Current assets</b>				
Loans and receivables	1,371	1,371	2,614	2,614
Cash at bank and in hand	3,308	3,308	15,069	15,069
Certificates of deposit	–	–	27,419	27,419
	<b>4,679</b>	<b>4,679</b>	<b>45,102</b>	<b>45,102</b>

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

#### Fair values of financial assets and financial liabilities

The Company's Loan Notes were repaid on 30 December 2008. For the prior year the fair value of borrowings (US\$80,000,000) had been calculated at £44,984,000 as at 31 August 2008 compared to an accounts value in the financial statements of £43,861,000 (note 11).

#### Maturity of financial liabilities

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

	2009 £'000	2008 £'000
In less than one year	–	<b>43,861</b>

# 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 Head of Investor Relations 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](http://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 Head of Investor Relations for Investment Trusts 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 or the broker desk on 0800 592 487 (Institutions and IFAs) Alternatively, internet users may e-mail AAM at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to AAM at Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP

# 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 ("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 Aberdeen 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 and up to £10,200 in the tax year 2010/2011.

Between 6 October 2009 and 5 April 2010, an additional £3,000 may be invested in an ISA, for the tax year 2009/2010, provided that the ISA holder will be aged 50 years or over not later than 5 April 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 management 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 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, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP or e-mail at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com). Details are also available on [www.invtrusts.co.uk](http://www.invtrusts.co.uk)

## 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](mailto:aam@lit-request.com)

## Keeping you Informed

The Company's share prices 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](http://www.edinburghdragon.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). Alternatively you can call 0500 00 00 40 for trust information.

### 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 Trust Administration  
Block C, Western House  
Lynchwood Business Park  
Peterborough, PE2 6BP  
Telephone: 0500 00 00 40

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

Equiti 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

(Calls to the above equity numbers will be charged at 8p per minute from a BT Landline. Offer 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.

## **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 Expense Ratio**

Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.

## **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-second Annual General Meeting of Edinburgh Dragon Trust plc will be held at 40 Princes Street, Edinburgh EH2 2BY on 9 December 2009 at 11.00 am to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 11 inclusive and resolutions 13 and 14 will be proposed as ordinary resolutions and resolutions 12, 15 and 16 will be proposed as special resolutions:

## Ordinary Business

1. To receive the reports of the Directors and auditors and the audited financial statements for the year to 31 August 2009.
2. To receive the Directors' Remuneration Report for the year to 31 August 2009.
3. To approve payment of a final dividend of 1.61p per Ordinary share.
4. To re-elect Mr Tyrie as a Director of the Company.
5. To re-elect Mr Watt as a Director of the Company.
6. To re-elect Mr McKenzie as a Director of the Company
7. To re-elect Mr Frame, aged 79, as a Director of the Company.
8. To re-elect Mr Gairns, aged 73, as a Director of the Company.
9. To re-appoint KPMG Audit Plc as auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
10. To authorise the Directors to determine the remuneration of the auditors for the year to 31 August 2010.
11. 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 £15,396,958, such authority to expire on 28 February 2011 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.
12. That, subject to the passing of resolution 11 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 11 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 £15,396,958, 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 £2,309,544, being 5% of the nominal value of the existing issued share capital of the Company; and shall expire on 28 February 2011 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.

## Special Business

13. That the Company shall continue as an investment trust.
14. 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:

- (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 2011 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.
15. That the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.
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.

By order of the Board  
**Aberdeen Asset Managers Limited**  
Secretary  
16 November 2009

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 notarially certified copy of such power or authority at the address stated thereon, so as to be received not less than 48 hours 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 Monday 7 December 2009 (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](http://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,

## Notice of Annual General Meeting continued

---

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 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 9 November 2009 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 230,954,375 Ordinary shares of 20p each. The total number of voting rights in the Company as at 9 November 2009 was 230,954,375.
- (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 Auditors' 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) The Company proposes to adopt new Articles of Association. These incorporate amendments to the current Articles of Association to reflect certain provisions of the Companies Act 2006 which came, or will come, into effect in 2009. For a more detailed explanation of the amendments, please refer to the Appendix to this Notice of Annual General Meeting on page 58.
- (xv) 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](http://www.edinburghdragon.co.uk).
- (xvi) 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.
- (xvii) 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.
- (xviii) There are special arrangements for holders of shares through the Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan, Investment Trust ISA and Investment Trust Pension. These are explained in the 'Letter of Direction' which such holders will have received with this report.

# Appendix to the Notice of Annual General Meeting

---

## Explanatory notes of the principal changes to the Articles of Association

The principal changes which would arise from the adoption of the New Articles are set out below.

### Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions and the requirement to keep accounting records. The main changes made, the majority of which reflect this approach, are detailed below.

### Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles reflect this requirement.

### Age of directors on appointment

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

### Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

### Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for Articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

### Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

### Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

### Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

---

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

#### Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

#### Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles reflect these changes.

#### Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the provisions in the Companies Act 2006 relating to website communications. There are various provisions in the New Articles to allow the Company to communicate with Shareholders via electronic means and to give the Directors the discretion to use electronic communications to distribute notices of meetings, annual reports and summary financial statements.

#### Electronic conduct of meetings

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles reflect the relevant provisions.

#### Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision does not appear as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

#### Memorandum of association and objects of the Company

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and Articles of Association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities that the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the Companies Act 2006 states that unless a company's Articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's Articles of Association. Resolution 15 confirms the removal of these provisions for the Company.

## Appendix to the Notice of Annual General Meeting continued

---

As the effect of the Resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

### Notice of board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

### Notice of general meetings

The Shareholders' Rights Regulations amend the Companies Act 2006 to require the Company to give 21 clear days' notice of general meetings unless the Company offers shareholders an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual General Meetings must be held on 21 clear days' notice.

### Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by a company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

### Records to be kept

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

### Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

### Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

### Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

### Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness.

### Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions

---

have therefore been amended in the New Articles.

#### Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a shareholder has one vote on a show of hands unless the proxy is appointed by more than one shareholder in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution. The New Articles remove these provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006.

#### Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate shareholder to vote in different ways on a show of hands and a poll. The New Articles remove provisions in the Current Articles dealing with voting by corporate representatives on the basis that there are dealt with in the Companies Act 2006.

#### Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

#### Voting record date

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the Company must determine the right of shareholders to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles remove provisions in the Current Articles dealing with the voting record date on the basis that this is dealt with in the Companies Act 2006.

#### General

Generally the opportunity has been taken to bring clearer language into the New Articles and to bring them up to date with the relevant applicable legislation.

# Corporate Information

---

## **Directors**

Tony Cassidy (Chairman)  
Frank Frame  
David Gairns  
Tony Lowrie  
Allan McKenzie  
Peter Tyrie  
Iain Watt

## **Registered Office**

40 Princes Street  
Edinburgh EH2 2BY  
Telephone: 0131 528 4000  
Website: [www.edinburghdragon.co.uk](http://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](http://www.aberdeen-asset.com)

## **Registrars**

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone: 0871 384 2499  
Website: [www.equiniti.com](http://www.equiniti.com)

## **Custodian/Banker**

RBC Dexia Investor Services Limited  
71 Queen Victoria Street  
London EC4V 4DE

## **Auditors**

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

## **Company Broker**

Winterflood Securities

## **Company Registration Number**

SC 106049

# Your Company's History

## Issued Share Capital at 31 August 2009

---

**230,954,375** Ordinary shares of 20p

## Capital History

---

<b>Year to 31 August 2009</b>	There were no changes in the share capital during the year.
<b>Year to 31 August 2008</b>	6,122,500 Ordinary shares were repurchased for cancellation at prices ranging from 131.75p to 164.25p
<b>Year to 31 August 2007</b>	200,000 Ordinary shares were repurchased for cancellation at prices ranging from 135.0p to 142.5p
<b>Year to 31 August 2006</b>	No changes
<b>Year to 31 August 2005</b>	Final conversion of 10,508,903 warrants 2005 into shares.
<b>2001 to 31 August 2004</b>	191,369 warrants 2005 were converted into Ordinary shares in the period up to 31 August 2004.
<b>1993 - 2000</b>	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.
<b>1987 - 1993</b>	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.







Aberdeen