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Edinburgh Dragon Trust plc

Interim report

Six months ended 29 February 2008



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Highlights and Financial Calendar

Financial Highlights

	29 February 2008	31 August 2007	% Change
Total equity Shareholders' funds (£'000)	401,125	384,521	+4.3
Net asset value per share	171.4p	162.2p	+5.7
Share price (mid-market)	152.3p	144.3p	+5.5
Discount to net asset value	11.1%	11.0%	

Performance (total return)

	Six months ended 29 February 2008	Year ended 31 August 2007
Net asset value per share	+6.3%	+27.7%
Share price per share	+6.3%	+22.5%
MSCI All Country Asia (ex Japan) Index (in sterling terms)	+4.7%	+40.1%

Financial Calendar

25 April 2008	Announcement of interim results for the six months ended 29 February 2008
October 2008	Announcement of annual results for year ending 31 August 2008
17 December 2008	Annual General Meeting
19 December 2008	Final Ordinary dividend payable for year ending 31 August 2008

Interim Board Report

Background

While the caution over Asian markets, expressed in my chairman's statement in the last annual report, has been borne out by events during the six month period, I am nonetheless pleased to report an improvement in Dragon's performance in what was a volatile period for financial markets. Over the six months to 29 February 2008, the net asset value per share ("NAV") outperformed the Company's benchmark. It rose, on a total return basis, by 6.3%, compared with the 4.7% gain by the benchmark MSCI All Country Asia ex Japan Index. In the same period, the share price rose by 5.5%, with a slight widening of the discount to 11.1%.

Overview

Asian equities, although shaken by increasing volatility, performed relatively well in the first half. Sentiment swung between optimism because of still favourable growth and corporate earnings in Asia, and concern over the weakening US economy, the fallout from the intensifying sub-prime crisis, record commodity prices, and heightened inflationary fears.

Early in the half-year, hopes that the region had effectively decoupled from the US saw an influx of liquidity drive stock prices to new highs. Among the markets that set fresh records were China, Hong Kong, India, Indonesia, Singapore and South Korea. However, this soon gave way to a realisation that a global slowdown was gathering pace. Aggressive interest rate cuts and a billion-dollar stimulus package served only to highlight the US Federal Reserve's anxiousness to avoid a recession and to shore up market sentiment. Former highflyers China and India both succumbed to notable selling pressure towards the end of the period, by which time, irrespective of local newsflow, all regional markets were tracking Wall Street closely, as risks were re-priced globally.

Economic growth in the region remained buoyant through the fourth quarter of 2007, but leading indicators are now pointing towards tougher conditions, particularly for exporters. By early this year, the deterioration in US economic data, notably housing-led consumption, had had a knock-on effect across export sectors. At the same time, oil and raw material prices continued to ratchet upwards. This in turn has pushed up wage demands, squeezing corporate margins. However, Asian policymakers have been reluctant to raise interest rates, to avoid attracting speculative inflows that could disrupt their managed currency appreciation.

Portfolio Review

Over the six-month period, total purchases amounted to £14.2 million while sales amounted to £38.4 million. The net proceeds were partly used to build up the cash position from £9.0m at the end of the financial year to £24.2m at 29 February 2008. Cash levels will continue to be increased as the year progresses to ensure that there will be sufficient cash available to repay the \$80m loan notes on their redemption date at the end of 2008 and not be dependent

on market conditions at that time. The Board intends to continue with a gearing facility in the longer term and is currently considering the gearing options available.

One new stock was introduced to the portfolio in the six months: Singapore-based Fraser & Neave, whose core businesses are food and beverages as well as property, with additional interests in publishing. Earnings are driven by the property division, which is benefiting from healthy rental income and strong sales in Singapore and the region. Its food and beverage unit, whose brands include Tiger Beer, has also been growing strongly in regional markets.

Meanwhile, there were no outright divestments but your Manager took advantage of the volatile market conditions to take partial profits from holdings that had seen a strong run-up, including the portfolio's holdings in China and India, such as China Mobile, CNOOC, PetroChina and Zhejiang Expressway; as well as HDFC and ICICI Bank. Other holdings that were trimmed were South Korean discount store operator Shinsegae, Thailand's PTT Exploration and Production and Sun Hung Kai Properties in Hong Kong.

Those proceeds that were re-invested went into additions to existing holdings whose valuations had fallen to more attractive levels. Among these were Malaysian postal services operator, Pos Malaysia; Hong Kong-listed Standard Chartered Bank; Singapore companies, Venture Corp and Singapore Telecom; as well as Indian IT companies, Satyam Computer Services and Infosys.

Events during the period

At the Company's AGM on 12 December 2007, all resolutions were passed. A final dividend of 1.1p was paid to shareholders on 14 December 2007.

Discount

The Board monitors closely the discount level of the Company's shares, and during the six month period to 29 February 2008 the Company bought back 3,076,500 shares for cancellation, at a cost of £4.8 million, enhancing the NAV for continuing shareholders by 0.28p.

Revenue account

For the six months to 29 February 2008 the revenue account recorded a return of £221,000, representing 0.09p per share compared with a deficit of 0.25p for the six months to 28 February 2007. The majority of the Company's portfolio income, in common with the majority of Asian dividend income, is accounted for in the second half of the Company's financial year.

Outlook

Stock markets in Asia are likely to remain volatile in the months ahead. Sentiment remains fragile and is closely linked to developments in the US economy and credit markets, where predictions are poor.

Economically, however, it is important to remember that Asia is on a very strong footing, with well-funded governments (as we have seen with recent sovereign wealth fund activity), solid company balance sheets (ex banks and insurers, our portfolio's average debt/equity ratio is under 15%) and a cash-rich consumer (gross savings ratios average about 40% of GDP). However we should not forget that Asian markets have had a very strong five-year rally and valuations in some markets, such as China, have run far ahead of fundamentals. While the recent sell-off has given rise to far better value, valuations overall are still not cheap, but, in your Manager's opinion, are reasonable, and we consider there are few worries about the fundamentals of the underlying companies making up the portfolio.

Looking ahead, therefore, 2008 is likely to be challenging from a macro-economic perspective, with slower growth and a credit/liquidity crunch emanating from the West, and inflationary pressure globally. Overall, your Manager is expecting much lower earnings growth from the portfolio. We do believe, however, looking beyond the current turmoil in the global credit and stock markets, that this will prove a time of opportunity for companies that are well-managed and well-financed.

Principal Risks and Uncertainties

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

- **Resource risk:** The Company is an investment trust and has no employees. The responsibility for the management of the Company has been delegated to Edinburgh Fund Managers plc ('the Manager'), a subsidiary of Aberdeen Asset Management PLC, under the management agreement. The terms of the management agreement cover the necessary duties and conditions expected of the Manager. The Board reviews the performance of the Manager on a regular basis and their compliance with the management contract formally on an annual basis.
- **Investment and market risk:** The Company is exposed to the effect of variations in share prices due to the nature of its business. Investment in Asian equities 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 issuers may result in lack of liquidity and price volatility. In addition, currency fluctuations and high interest rates may affect the value of the Company's investments and the income derived therefrom.
- The Board keeps under review the investment policy of the Company, taking account of stockmarket factors, and compares the Company's performance to the MSCI All Country Asia (ex-Japan) benchmark index and peer group. Further details on other risks relating to the Company's investment activities, including market price, liquidity and foreign currency risks, are provided in the annual report.

- **Gearing risk:** The Company currently utilises gearing in the form of US\$80 million loan notes. Gearing has the effect of exacerbating market falls and enhancing gains. In order to manage the level of gearing, the Board has set a maximum gearing ratio of 20%.
- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. Serious breaches of regulations, such as section 842 of the Income and Corporation Taxes Act 1988, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.
- **Discount volatility:** The Company's share price can trade at a discount to its underlying net asset value. The Board monitors the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buyback shares within certain limits.

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

Directors' Responsibility Statement

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

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

For Edinburgh Dragon Trust plc

Tony Cassidy

Chairman

25 April 2008

Investment Portfolio

As at 29 February 2008

Company	Sector Classification	Country	Valuation £'000	Total assets %
Samsung Electronics Preferred	Information Technology	South Korea	20,740	4.7
Oversea-Chinese Banking Corporation	Financials	Singapore	15,424	3.5
Swire Pacific 'B'	Financials	Hong Kong	15,090	3.4
United Overseas Bank	Financials	Singapore	13,968	3.2
Public Bank Berhad	Financials	Malaysia	13,345	3.0
China Mobile	Telecommunication Services	China	13,153	3.0
Singapore Telecommunications	Telecommunication Services	Singapore	13,152	3.0
TSMC	Information Technology	Taiwan	12,584	2.9
HDFC	Financials	India	11,485	2.6
CNOOC	Energy	China	11,289	2.6
Ten largest investments			140,230	31.9
Sun Hung Kai Properties	Financials	Hong Kong	11,226	2.5
Singapore Technologies Engineering	Industrials	Singapore	11,032	2.5
PTT Exploration & Production	Energy	Thailand	10,893	2.5
City Developments	Financials	Singapore	10,762	2.4
Shinsegae Company	Consumer Staples	South Korea	10,327	2.3
Jardine Strategic Holdings	Financials	Hong Kong	10,007	2.3
Siam Cement	Materials	Thailand	10,005	2.3
Grasim Industries	Materials	India	9,593	2.2
Fubon Financial	Financials	Taiwan	9,579	2.2
Singapore Airlines	Industrials	Singapore	9,021	2.0
Twenty largest investments			242,675	55.1
Wing Hang Bank	Financials	Hong Kong	8,908	2.0
Satyam Computer Services	Information Technology	India	8,562	2.0
Standard Chartered	Financials	Hong Kong	8,380	1.9
ICICI Bank	Financials	India	8,123	1.8
Unilever Indonesia	Consumer Staples	Indonesia	7,722	1.7
Hero Honda	Consumer Discretionary	India	7,176	1.6
Hang Lung Properties	Financials	Hong Kong	7,139	1.6
Taiwan Mobile	Telecommunication Services	Taiwan	7,110	1.6
Fraser & Neave	Industrials	Singapore	7,037	1.6
British American Tobacco	Consumer Staples	Malaysia	6,767	1.5
Thirty largest investments			319,599	72.4
Gail (India)	Utilities	India	6,383	1.4
Bumiputra Commerce	Financials	Malaysia	6,353	1.4
Venture	Information Technology	Singapore	5,756	1.3
CLP Holdings	Utilities	Hong Kong	5,743	1.3
Malayan Banking	Financials	Malaysia	5,341	1.2
Infosys Technologies	Information Technology	India	5,279	1.2
ASM Pacific Technology	Information Technology	Hong Kong	5,218	1.2
Daegu Bank	Financials	Singapore	5,199	1.2
Bank of Philippine Islands	Financials	Philippines	4,919	1.1
Kookmin Bank	Financials	South Korea	4,730	1.1
Forty largest investments			374,520	84.8

Company	Sector Classification	Country	Valuation £'000	Total assets %
Pusan Bank	Financials	South Korea	4,703	1.1
Dairy Farm International	Consumer Staples	Hong Kong	4,683	1.1
Ayala Land	Financials	Philippines	4,379	1.0
Dah Sing Banking	Financials	Hong Kong	4,361	1.0
Hyundai Motor Preferred	Consumer Discretionary	South Korea	4,062	0.9
Hang Lung Group	Financials	Hong Kong	3,560	0.8
Zhejiang Expressway	Industrials	China	3,516	0.8
POS Malaysia	Industrials	Malaysia	3,163	0.7
PetroChina	Energy	China	3,122	0.7
Giordano International	Consumer Discretionary	Hong Kong	2,940	0.7
Fifty largest investments			413,009	93.6
Development Finance Corporation of Ceylon	Financials	Sri Lanka	1,311	0.3
Dialog Telekom	Telecommunication Services	Sri Lanka	1,209	0.3
Keells (John) Holdings	Industrials	Sri Lanka	917	0.2
Total investments			416,446	94.4
Net current assets ^A			24,881	5.6
Total assets			441,327	100.0

^AExcludes US\$80m 7.26% Loan Notes of £40,202,000.

Income Statement

	Six months ended 29 February 2008 (unaudited)			Six months ended 28 February 2007 (unaudited)			Year ended 31 August 2007 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments	–	24,594	24,594	–	41,670	41,670	–	76,931	76,931
Net currency (losses)/gains	–	(833)	(833)	–	1,136	1,136	–	2,240	2,240
Income	4,572	–	4,572	3,358	–	3,358	12,585	–	12,585
Investment management fee	(2,047)	–	(2,047)	(1,699)	–	(1,699)	(3,614)	–	(3,614)
Administrative expenses	(617)	–	(617)	(565)	–	(565)	(1,065)	–	(1,065)
Net return before finance costs and taxation	1,908	23,761	25,669	1,094	42,806	43,900	7,906	79,171	87,077
Finance costs	(1,444)	–	(1,444)	(1,448)	–	(1,448)	(2,936)	–	(2,936)
Net return on ordinary activities before taxation	464	23,761	24,225	(354)	42,806	42,452	4,970	79,171	84,141
Taxation	(243)	–	(243)	(236)	–	(236)	(604)	–	(604)
Return on ordinary activities after taxation	221	23,761	23,982	(590)	42,806	42,216	4,366	79,171	83,537
Return per Ordinary share (pence)	0.09	10.10	10.19	(0.25)	18.04	17.79	1.84	33.37	35.21

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

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

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

Balance Sheet

	As at 29 February 2008 (unaudited) £'000	As at 28 February 2007 (unaudited) £'000	As at 31 August 2007 (audited) £'000
Non-current assets			
Investments at fair value	416,446	381,630	416,089
Current assets			
Loans and receivables	2,381	1,177	1,056
Cash and short term deposits	24,240	3,023	8,990
	26,621	4,200	10,046
Creditors: amounts falling due within one year			
Loan Notes	(40,202)	–	–
Other creditors	(1,740)	(1,577)	(1,983)
	(41,942)	(1,577)	(1,983)
Net current (liabilities)/assets	(15,321)	2,623	8,063
Total assets less current liabilities	401,125	384,253	424,152
Creditors: amounts falling due after more than one year			
Loan Notes	–	(40,775)	(39,631)
Net assets	401,125	343,478	384,521
Capital and reserves			
Called-up share capital	46,800	47,455	47,415
Capital reserve – unrealised	37,660	112,605	140,674
Capital reserve – realised	220,522	85,451	93,747
Special reserve	80,453	85,520	85,242
Capital redemption reserve	9,407	8,752	8,792
Share premium account	4,285	4,285	4,285
Revenue reserve	1,998	(590)	4,366
Equity Shareholders' funds	401,125	343,478	384,521
Adjusted net asset value per Ordinary share (pence)	171.41	144.74	162.18

Reconciliation of Movements in Shareholders' Funds

Six months ended 29 February 2008 (unaudited)

	Share capital £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Special reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2007 (restated)	47,415	140,674	93,747	85,242	8,792	4,285	4,366	384,521
Reclassification of reserves ^A	–	(98,791)	98,791	–	–	–	–	–
Return on ordinary activities after taxation	–	(4,223)	27,984	–	–	–	221	23,982
Dividend paid	–	–	–	–	–	–	(2,589)	(2,589)
Purchase of ordinary shares for cancellation (see note 1)	(615)	–	–	(4,789)	615	–	–	(4,789)
Balance at 29 February 2008	46,800	37,660	220,522	80,453	9,407	4,285	1,998	401,125

^A With effect from 1 September 2007, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms, are recognised within capital reserve – realised rather than capital reserve – unrealised. This change has been enacted through a transfer between the reserves as at 1 September 2007.

Six months ended 28 February 2007 (unaudited)

	Share capital £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Special reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2006	47,455	76,050	79,200	85,520	8,752	4,285	291	301,553
Return on ordinary activities after taxation	–	36,555	6,251	–	–	–	(590)	42,216
Dividend paid	–	–	–	–	–	–	(291)	(291)
Balance at 28 February 2007	47,455	112,605	85,451	85,520	8,752	4,285	(590)	343,478

Year ended 31 August 2007 (audited)

	Share capital £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Special reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2006	47,455	76,050	79,200	85,520	8,752	4,285	291	301,553
Return on ordinary activities after taxation	–	64,624	14,547	–	–	–	4,366	83,537
Dividend paid	–	–	–	–	–	–	(291)	(291)
Purchase of ordinary shares for cancellation (see note 1)	(40)	–	–	(278)	40	–	–	(278)
Balance at 31 August 2007	47,415	140,674	93,747	85,242	8,792	4,285	4,366	384,521

Cash Flow Statement

	Six months ended 29 February 2008 (unaudited) £'000	Six months ended 28 February 2007 (unaudited) £'000	Year ended 31 August 2007 (audited) £'000
Net return on ordinary activities before finance costs and taxation	25,669	43,900	87,077
<i>Adjustments for:</i>			
Net gains on investments	(24,594)	(41,670)	(76,931)
Effects of foreign exchange rate movements	833	(1,136)	(2,240)
Increase in accrued income	(945)	(376)	(59)
Decrease/(increase) in other debtors	139	(35)	(59)
Increase in creditors	80	212	289
Net cash inflow from operating activities	1,182	895	8,077
Net cash outflow from servicing of finance	(1,422)	(1,495)	(2,968)
Total tax paid	(59)	(64)	(685)
Net cash inflow/(outflow) from financial investment	23,204	(8,115)	(6,903)
Equity dividend paid	(2,589)	(291)	(291)
Net cash inflow/(outflow) before financing	20,316	(9,070)	(2,770)
Buy back of ordinary shares (including expenses)	(4,789)	–	(278)
Increase/(decrease) in cash	15,527	(9,070)	(3,048)
Reconciliation of net cash flow to movements in net debt			
Increase/(decrease) in cash	15,527	(9,070)	(3,048)
Amortised Loan Note expenses	(15)	(16)	(31)
Effects of foreign exchange rate movements	(833)	1,136	2,240
Movement in net debt in the period	14,679	(7,950)	(839)
Opening net debt	(30,641)	(29,802)	(29,802)
Closing net debt	(15,962)	(37,752)	(30,641)
Represented by:			
Cash and short term deposits	24,240	3,023	8,990
Debt falling due in less than one year	(40,202)	–	–
Debt falling due after more than one year	–	(40,775)	(39,631)
	(15,962)	(37,752)	(30,641)

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies" (December 2005). They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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

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

The purchase of shares for cancellation is shown as a transfer through the special reserve. Previously, the transfer was reflected through capital reserve realised. The financial statements for the year ended 31 August 2007 have been restated to reflect the transfer through the special reserve.

	Six months ended 29 February 2008 £'000	Six months ended 28 February 2007 £'000	Year ended 31 August 2007 £'000
2. Income			
Income from investments			
Franked investment income	–	–	158
Overseas dividends	4,193	3,145	12,071
Stock dividends	–	36	81
	4,193	3,181	12,310
Other income			
Interest receivable	366	151	235
Income from stock lending	13	26	40
	379	177	275
Total income	4,572	3,358	12,585

	Six months ended 29 February 2008 p	Six months ended 28 February 2007 p	Year ended 31 August 2007 p
3. Return per share			
Revenue return	0.09	(0.25)	1.84
Capital return	10.10	18.04	33.37
Total return	10.19	17.79	35.21

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	221	(590)	4,366
Capital return	23,761	42,806	79,171
Total return	23,982	42,216	83,537

	235,300,776	237,276,875	237,266,382
Weighted average number of Ordinary shares in issue			

4. Transaction costs

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

	Six months ended 29 February 2008 £'000	Six months ended 28 February 2007 £'000	Year ended 31 August 2007 £'000
Purchases	39	104	139
Sales	99	78	138
	138	182	277

5. There will be no interim dividend for the year to 31 August 2008; the objective of the Company is long term capital appreciation.
6. As at 29 February 2008 there were 234,000,375 (28 February 2007 – 237,276,875; 31 August 2007 – 237,076,875) Ordinary shares in issue. During the six months to 29 February 2008 3,076,500 (six months ended 28 February 2007 – nil; year ended 31 August 2007 – 200,000) Ordinary shares of 20p each (representing 1.31% of the issued Ordinary share capital at 29 February 2008) were bought back at a cost of £4,789,000 (six months ended 28 February 2007 – £nil; year ended 31 August 2007 – £278,000) including expenses.
7. The financial information for the six months ended 29 February 2008 and 28 February 2007 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 August 2007 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified and did not contain a Statement under either Section 237(2) or 237(3) of the Companies Act 1985.

The auditors have reviewed the financial information for the six months ended 29 February 2008 pursuant to the Auditing Practices Board guidance on Review of Financial Information. The report of the auditors is on page 12.

8. Post Balance Sheet event

Since the period end a further 465,000 Ordinary shares of 20p each have been bought back for cancellation at a cost of £698,000.

Independent Review Report to Edinburgh Dragon Trust plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2008 which comprises the income statement, balance sheet, statement of total recognised gains and losses and cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2008 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

KPMG Audit Plc

Chartered Accountants
Edinburgh
25 April 2008

How to Invest in Edinburgh Dragon Trust plc

Direct

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

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

Aberdeen's Investment Plan for Children

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

Aberdeen's Investment Trust Share Plan

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

Stocks and Shares ISA

An investment of up to £7,200 in Edinburgh Dragon Trust plc can be made in the tax year 2008/2009.

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

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

ISA Transfer

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

Note

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

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

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

Trust Information

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

Keeping you Informed

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

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

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

Corporate Information

Directors

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

Website

www.edinburghdragon.co.uk

Manager and Secretary

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



Aberdeen