Edinburgh Dragon Trust plc

Half Yearly Report
for the six months ended 28 February 2014

Aberdeen

Contents

Investment Objective

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.

Highlights and Financial Calendar

Financial Highlights

	28 February 2014	31 August 2013	% change
Equity shareholders' funds (£'000)	518,742	550,346	–5.7
Net asset value per share	264.2p	280.3p	–5.7
Share price (mid-market)	235.2p	254.7p	–7.7
MSCI All Country Asia (ex Japan) Index (in sterling terms)	603.7	614.3	–1.7
Discount to net asset value	11.0%	9.1%	
Net gearing[A]	10.6%	9.6%	

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

Performance (total return[B])

	Six months ended 28 February 2014	Year ended 31 August 2013
Share price per share	–6.9%	+8.3%
Net asset value per share – basic	–5.0%	+6.7%
MSCI All Country Asia (ex Japan) Index (in sterling terms)	–1.0%	+10.1%

[B] Capital return plus dividends reinvested.

Financial Calendar

30 April 2014	Announcement of half yearly results for the six months ended 28 February 2014
November 2014	Announcement of annual results for year ending 31 August 2014
December 2014	Annual General Meeting
December 2014	Final Ordinary dividend payable for year ending 31 August 2014

Interim Board Report – Chairman's Statement

Background

Amid a period of volatility across most regional markets, your Company's net asset value fell by 5.0% in sterling terms on a total return basis, underperforming the benchmark, the MSCI All Country Asia ex Japan Index's total return of -1.0%. The share price declined by 7.7% to 235.2p.The discount to its net asset value widened to 11.0% from 9.1% at the start of the period, in line with the broadening of discounts within the sector.

Overview

Overall, Asian stockmarkets fell, largely due to worries over the likely impact of US Federal Reserve reduction in bond purchases (tapering) at the start of the period, as well as slowing growth in China and its implications on economies reliant on exports to China. Currencies in emerging Asian economies, were generally weak. The regional sell-off in markets in the middle of the period appeared excessive and was not, in the Manager's view, indicative of the underlying fundamentals of the region. Towards the end of the review period, the Fed's assurance to keep rates low, as well as improving growth data in Europe and the US led to improved sentiment.

During the review period developments in China are worthy of comment. The government's third plenary session, offered an increasingly substantive blueprint for the next phase of growth. This included liberalising the financial sector and ending regular intervention in currency markets. Efforts were also taken to rein in credit growth to rebalance the economy. The upshot was higher interbank lending rates that fuelled fears of a liquidity crunch, to which the central bank reacted swiftly. The yuan's weakness towards the end of the period resulted in further uncertainty, although it appeared that the adjustment was a deliberate move by financial authorities in order to curb speculative inflows.

Elsewhere in the region, India was the best market performer, driven by resilient corporate earnings and easing inflation, after authorities raised interest rates. The central bank governor also proposed to liberalise the banking sector as part of broader reforms to revive the faltering economy. Conversely, Thailand was the main laggard. Political protests against the Pheu Thai party's proposal of the amnesty bill that would have allowed the return of former prime minister Thaksin Shinawatra culminated in violence and intense demands for premier Yingluck Shinawatra's resignation. The political unrest took its toll on the economy and Thailand's growth decelerated significantly. In contrast, the rest of its Asian peers generally fared well, supported by the recovery in advanced economies. Against such a background of considerable market and political volatility, the focus of the Manager rightly remained on companies with solid balance sheets, good cash generation and proven management.

Portfolio

Performance was disappointing over the period with holdings in Greater China and Singapore among the main detractors from relative performance.

Government policies, such as property cooling measures in China, Hong Kong and Singapore, weighed on the Company's holdings in Swire Pacific, Oversea-Chinese Banking Corp (OCBC) and City Developments. These are strong companies with competent management teams backed by solid balance sheets but were not immune to a cyclical slowdown in the property markets. Your Manager considers that these companies remain well-positioned for an eventual recovery as their business models are robust and resilient. Meanwhile, Taiwan Mobile came under pressure following regulatory approval for its 4G license auction bid, owing to concerns that the company might adopt a more aggressive bidding strategy.

In contrast, holdings in Korea and India mitigated losses. Samsung Electronics' preference shares, which the Company holds, rallied on the back of record earnings for the second half of 2013, thanks to higher memory chip prices and solid smartphone sales. Encouragingly, the company's investor day focused on innovation and enhancing total shareholder return. In India, Infosys was supported by signs of a stabilising management backdrop, owing to the return of executive chairman Narayana Murthy. When your Manager met up with him he articulated his clear goals, this and the respect in which he is held, should help reduce execution risks. A testament to this is the cost reduction programme, which is ahead of schedule and should help drive margins in the short term. Other Indian holdings that boosted returns were ICICI Bank and Housing Development Finance Corporation (HDFC). ICICI Bank was supported by improving margins and cost controls, while HDFC's shares climbed on the back of solid profit growth.

Amongst non-holdings, the single largest detractor from relative performance was the Chinese internet stock, Tencent. The Manager chose not to invest in this company due to question marks over the sustainability of the business model, cash flow generation and its high valuation. However, elsewhere, your Manager's decision to avoid investment in state-owned Chinese banks such as Industrial & Commercial Bank of China and China Construction Bank was vindicated, as the sector was dogged by concerns over the informal (shadow) banking system. Worries over asset quality were mainly focused on the banks' off-balance sheet items, which could turn into liabilities due to implicit guarantees. The lack of transparency on shadow banking assets also makes it difficult for investors to quantify potential losses. However, holding Hong Kong's Wing Hang Bank was positive, as it was boosted by OCBC's S$6.7 billion acquisition bid.

Significant portfolio transactions over the review period included the participation in Bank of the Philippines Islands' attractively discounted rights issue. This will bring its tier-one capital ratio from 15.5% to 18%. The bank is poised to benefit from healthy loan demand as the domestic economy remains robust.

Your Manager also took the opportunity to add to Jardine Strategic and Standard Chartered, as their shares were weighed down by investor aversion to emerging markets. Standard Chartered was also hit by speculation that it would need to raise funds via a rights issue and the unexpected announcement of the departure of its chief financial officer and head of consumer banking. However, its business franchise remains solid and valuations are looking increasingly attractive. Jardine Strategic should benefit from positive demographic trends over the longer term. Against this, your Manager pared Samsung Electronics, following the strong run-up in its share price.

These changes to the portfolio reflect your Manager's firm belief in the resilience of Asia's consumption story. The investment strategy is focused on gaining exposure to consumer-oriented companies in industries such as financials, property and telecoms, all of which stand to benefit from rising wealth levels. As for conventional consumer stocks, those that have brand and distribution strength, often in the form of local networks that limit competition, are preferred. Such businesses tend to be conservative in their approach and have low borrowing levels, which often translate to a net cash position and solid returns on equity and assets.

In light of the anticipated recovery of the North American economy, North Asian markets which were more export-sensitive were seen as the more obvious beneficiaries and therefore performed better than regional average. The Manager however believes that the South East Asian markets provide more attractive stocks for investments. Our overweight to these markets detracted from relative performance.

Revenue Account

For the six months to 28 February 2014, the revenue account recorded a deficit on ordinary activities after taxation of £1,043,000, representing (0.53p) per share compared with a deficit of £1,418,000 for the six months to 29 February 2013. The majority of the Company's portfolio income, in line with the majority of Asian dividend income, is accounted for in the second half of the Company's financial year and the Company anticipates making a positive revenue return for its full financial year.

Events during the Period

At the Company's Annual General Meeting on 17 December 2013, all resolutions were passed. A final dividend of 2.2p was paid to shareholders on 20 December 2013.

The Board undertook a review of the management and secretarial fee arrangements and agreed the following amendments which took effect from 1 January 2014:

- Management fee of 1.0% on net assets up to £600m; 0.9% from £600m to £1bn; 0.8% above £1bn.
- Removal of secretarial fee.

Alternative Investment Fund Managers Directive ("AIFMD")

Shareholders will be aware of the AIFMD, which creates a European-wide framework for regulating managers of alternative investment funds ("AIF"s). Listed investment companies such as Edinburgh Dragon Trust plc fall within the definition of an AIF. The AIFMD requires the appointment of an Alternative Investment Fund Manager ("AIFM") and a depositary and is intended to reduce systemic risk created by the financial sector and aims to improve regulation, enhance transparency and investor protection, develop a single EU market for AIFs and implement effective mechanisms for micro- and macro-prudential oversight. The AIFMD came into force in July 2013 but a transitional period means that investment companies have until July 2014 to comply with the relevant regulations. Your Board has agreed in principle to appoint a subsidiary of Aberdeen Asset Management PLC to act as the Company's AIFM and is currently in the process of finalising the appointment of a depositary. The depositary also acts as the custodian. These regulatory changes require new investment management and depositary agreements.

Scottish Independence

As a Scottish-registered Company, the Board is aware that there is uncertainty arising amongst investors in relation to the referendum on Scottish independence to be held on 18 September 2014. The Board has taken advice and has given consideration to the implications that this might have for the Company. However, it considers that it is too early at this stage to prejudge the outcome of a vote, or of any subsequent negotiations of how they may affect the Trust and its shareholders. The Board is committed to acting in the best interests of shareholders going forward.

Outlook

Recent developments foreshadow several risks confronting the region. Although the US recovery bodes well for Asian exporters, it has also boosted the case for the Fed to raise short-term interest rates sooner than expected. That could trigger a global reallocation of capital, which will intensify market volatility.

China's financial reforms will also have a significant impact on regional markets. The widening of the yuan's trading band from 1% to 2% underlines policymakers' commitment to allow market forces to play a greater role in the economy and markets. Amid accelerating financial deregulation however, risks from a bursting of the shadow banking bubble are worrying. One company has already defaulted on its bonds and several other trust products are reportedly on the brink of default. Your Manager remains cautious about China, as Beijing's tougher approach to shadow banking could lead to more asset price volatility.

Political risk is another key consideration. Pivotal elections in India, Indonesia and Thailand are likely to dominate headlines over the next few months. The constantly evolving political situation in Thailand bears watching. The longer the crisis drags on, the worse it will be for foreign investment and the stockmarket. In India, while leading contender Modi's pro-business stance has boosted investor sentiment, he is likely to face a fractious coalition government if he wins. On the other hand, Jakarta governor Joko Widodo's recent presidential nomination has spurred hopes of the possibility of a cleaner and more efficient government in Indonesia.

While your Manager is cognisant of the above-mentioned risks, it must be reiterated that Asia's long-term prospects remain undiminished. The region is home to quality companies, underpinned by rising middleclass wealth, favourable demographics and increased urbanisation. Your Company's holdings have been disciplined in managing costs and conserving capital amid the recent economic slowdown. Their prudence is starting to bear fruit in the form of margin improvements. Companies able and willing to exercise caution now should reap the benefits further down the road. Consensus earnings per share growth for Asia ex Japan is close to 40% for 2014, while the region currently trades on a decent multiple of 12 times price-to-earnings. As such, we believe that your Manager's strategy to focus on well-managed companies that have attractive prospects and which represent good value will deliver good long-term returns.

For Edinburgh Dragon Trust plc

Allan McKenzie
Chairman
29 April 2014

Interim Board Report – Other

Principal Risks and Uncertainties

The principal risks identified by the Board are as follows:

- Resource risk: The Company is an investment trust and has no employees. The responsibility for the management of the Company has been delegated to Aberdeen Asset Managers Limited ('the Manager'), a subsidiary of Aberdeen Asset Management PLC, under the management agreement. The terms of the management agreement cover the necessary duties and conditions expected of the Manager. The Board reviews the performance of the Manager on a regular basis and their compliance with the management contract formally on an annual basis.

- Investment and market risk: The Company is exposed to the effect of variations in share prices due to the nature of its business. Investment in Asian equities may involve a greater degree of risk than that usually associated with investment in the developed securities markets, including the 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, , 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 its benchmark index and peer group.

- Concentration risk: Trading volumes in certain securities of emerging markets can be low. The Manager may accumulate investment positions across all its managed funds that represent a significant multiple of the normal trading volumes of an investment which may result in lack of liquidity and price volatility. Accordingly, the Company will not necessarily be able to realise, within a short period of time, an illiquid investment and any such realisation that may be achieved may be at considerably lower prices than the Company's valuation of that investment for the purpose of calculating the NAV per Ordinary Share.

- Gearing risk: The Company has £59.8 million nominal of CULS in issue. Gearing has the effect of exacerbating market falls and enhancing gains. In order to manage the level of gearing, the Board has set a maximum gearing ratio of 20%.

- Regulatory risk: The Company operates in a complex regulatory environment and faces a number of regulatory risks. Serious breaches of regulations, such as section 1158 of the Corporation Tax Act 2010, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

- Discount volatility: The Company's share price can trade at a discount to its underlying net asset value. The Board monitors the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares within certain limits.

- Scottish Independence: As a Scottish-registered Company, the Board is aware that there is uncertainty arising in relation to the referendum on Scottish independence to be held on 18 September 2014. The Board has taken advice and given consideration to the implications that this might have for the Company. However, it considers that it is too early at this stage to prejudge the outcome of a vote, or of any subsequent negotiations of how they may affect the Trust and its shareholders.

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

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the portfolio of readily realisable securities and the ability of the Company to meet all its liabilities and ongoing expenses from its assets.

Responsibility Statement of the Directors in Respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement *Half-yearly financial reports* issued by the UK Accounting Standards Board;

- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For Edinburgh Dragon Trust plc
Allan McKenzie

Chairman
29 April 2014

Investment Portfolio

As at 28 February 2014

Company	Sector	Country	Valuation £'000	Total assets[C] %
Samsung Electronics Pref	Semiconductors & Semiconductor Equipment	South Korea	32,538	5.6
Oversea-Chinese Banking Corporation	Commercial Banks	Singapore	26,719	4.6
Jardine Strategic Holdings	Industrial Conglomerates	Hong Kong	25,134	4.4
Infosys	IT Services	India	24,328	4.2
Taiwan Semiconductor Manufacturing Company	Semiconductors & Semiconductor Equipment	Taiwan	23,746	4.1
AIA Group	Insurance	Hong Kong	21,783	3.8
Standard Chartered[A]	Commercial Banks	United Kingdom	21,742	3.8
HSBC Holdings	Commercial Banks	Hong Kong	20,852	3.6
Housing Development Finance Corp	Thrifts & Mortgage Finance	India	20,179	3.5
United Overseas Bank	Commercial Banks	Singapore	19,855	3.5
Ten largest investments			**236,876**	**41.1**
Singapore Technologies Engineering	Aerospace & Defence	Singapore	17,315	3.0
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	17,297	3.0
China Mobile	Wireless Telecommunication Services	China	17,124	3.0
Swire Pacific 'B'	Real Estate Management & Development	Hong Kong	17,116	3.0
Siam Cement	Construction Materials	Thailand	16,154	2.8
City Developments	Real Estate Management & Development	Singapore	15,628	2.7
Ayala Land	Real Estate Management & Development	Philippines	13,837	2.4
PTT Exploration & Production (Alien)	Oil, Gas & Consumable Fuels	Thailand	13,286	2.3
John Keells Holdings[B]	Industrial Conglomerates	Sri Lanka	12,943	2.2
Hero Motocorp	Automobiles	India	12,353	2.1
Twenty largest investments			**389,929**	**67.6**
Dairy Farm International	Food & Staples Retailing	Hong Kong	11,263	2.0
CNOOC	Oil, Gas & Consumable Fuels	China	11,240	2.0
Bank of Philippine Islands	Commercial Banks	Philippines	10,975	1.9
Keppel Corp	Industrial Conglomerates	Singapore	10,126	1.8
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	10,038	1.7
Grasim Industries	Construction Materials	India	9,629	1.7
E-Mart Co	Food & Staples Retailing	South Korea	8,852	1.5
Wing Hang Bank	Commercial Banks	Hong Kong	8,467	1.5
Hang Lung Group	Real Estate Management & Development	Hong Kong	8,155	1.4
PetroChina 'H'	Oil, Gas & Consumable Fuels	China	8,145	1.4
Thirty largest investments			**486,819**	**84.5**

Investment Portfolio continued

Company	Sector	Country	Valuation £'000	Total assets[C] %
CIMB Group Holdings	Commercial Banks	Malaysia	7,922	1.4
DBS Group	Commercial Banks	Singapore	7,586	1.3
ASM Pacific Technology	Semiconductors & Semiconductor Equipment	Hong Kong	7,548	1.3
Li & Fung	Textiles, Apparel & Luxury Goods	Hong Kong	7,419	1.3
Public Bank (Alien)	Commercial Banks	Malaysia	6,692	1.2
British American Tobacco Malaysia	Tobacco	Malaysia	5,665	1.0
ICICI Bank	Commercial Banks	India	5,621	1.0
Singapore Airlines	Airlines	Singapore	5,283	0.9
Venture Corp	Electronic Equipment Instruments & Components	Singapore	5,264	0.9
Ultratech Cement	Construction Materials	India	4,194	0.7
Forty largest investments			**550,013**	**95.5**
Unilever Indonesia	Household Products	Indonesia	4,086	0.7
DGB Financial Group	Commercial Banks	South Korea	3,905	0.7
BS Financial Group	Commercial Banks	South Korea	3,748	0.7
Hang Lung Properties	Real Estate Management & Development	Hong Kong	3,674	0.6
DFCC Bank	Commercial Banks	Sri Lanka	3,620	0.6
Swire Properties	Real Estate Management & Development	Hong Kong	2,834	0.5
Shinsegae Company	Multiline Retail	South Korea	1,744	0.3
Total investments			**573,624**	**99.6**
Net current assets			**2,413**	**0.4**
Total assets[C]			**576,037**	**100.0**

[A] Valuation amalgamates both UK (£17,062,000) and Hong Kong (£4,680,000) listed equity holdings.
[B] Valuation amalgamates both equity (£12,615,000) and warrant (£328,000) holdings.
[C] Total assets less current liabilities.

Income Statement

	Six months ended 28 February 2014 (unaudited)			Six months ended 28 February 2013 (unaudited)			Year ended 31 August 2013 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	–	(26,171)	(26,171)	–	110,750	110,750	–	28,264	28,264
Net currency losses	–	(86)	(86)	–	(18)	(18)	–	(111)	(111)
Income (note 2)	3,887	–	3,887	3,146	–	3,146	16,546	–	16,546
Investment management fee	(2,683)	–	(2,683)	(2,948)	–	(2,948)	(5,889)	–	(5,889)
Administrative expenses	(636)	–	(636)	(649)	–	(649)	(1,273)	–	(1,273)
Net return before finance costs and taxation	568	(26,257)	(25,689)	(451)	110,732	110,281	9,384	28,153	37,537
Interest payable and other charges	(1,351)	–	(1,351)	(1,351)	–	(1,351)	(2,742)	–	(2,742)
Return on ordinary activities before taxation	(783)	(26,257)	(27,040)	(1,802)	110,732	108,930	6,642	28,153	34,795
Taxation (note 3)	(260)	–	(260)	384	–	384	83	(2)	81
Return on ordinary activities after taxation	**(1,043)**	**(26,257)**	**(27,300)**	**(1,418)**	**110,732**	**109,314**	**6,725**	**28,151**	**34,876**
Return per Ordinary share (pence)(note 4)									
Basic	**(0.53)**	**(13.37)**	**(13.90)**	**(0.72)**	**56.39**	**55.67**	**3.42**	**14.34**	**17.76**
Diluted	**–**	**–**	**–**	**(0.18)**	**51.35**	**51.17**	**–**	**13.05**	**17.29**

The total columns of this statement represent the profit and loss account of the Company.

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

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

Balance Sheet

	Notes	As at 28 February 2014 (unaudited) £'000	As at 28 February 2013 (unaudited) £'000	As at 31 August 2013 (audited) £'000
Non-current assets				
Investments at fair value through profit or loss		573,624	681,879	603,405
Current assets				
Debtors and prepayments	9	1,777	2,167	2,438
Cash and short term deposits		2,333	773	4,224
		4,110	2,940	6,662
Creditors: amounts falling due within one year				
Other creditors		(1,697)	(3,373)	(2,731)
Net current assets/(liabilities)		2,413	(433)	3,931
Total assets less current liabilities		576,037	681,446	607,336
Creditors: amounts falling due after more than one year				
3.5% Convertible Unsecured Loan Stock 2018	10	(57,295)	(56,673)	(56,990)
Net assets		**518,742**	**624,773**	**550,346**
Capital and reserves				
Called-up share capital		39,275	39,273	39,274
Share premium account		4,468	4,441	4,452
Special reserve		6,726	6,726	6,726
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	10	2,279	2,869	2,572
Capital redemption reserve		16,945	16,945	16,945
Capital reserve		434,563	543,401	460,820
Revenue reserve		14,486	11,118	19,557
Equity shareholders' funds		**518,742**	**624,773**	**550,346**
Net asset value per Ordinary share (pence)	7			
Basic		**264.16**	**318.17**	**280.26**
Diluted		**–**	**316.06**	**–**

Reconciliation of Movements in Shareholders' Funds

Six months ended 28 February 2014 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2013	39,274	4,452	6,726	2,572	16,945	460,820	19,557	550,346
Return on ordinary activities after taxation	–	–	–	–	–	(26,257)	(1,043)	(27,300)
Dividend paid	–	–	–	–	–	–	(4,320)	(4,320)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	16	–	(1)	–	–	–	16
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(292)	–	–	292	–
Balance at 28 February 2014	**39,275**	**4,468**	**6,726**	**2,279**	**16,945**	**434,563**	**14,486**	**518,742**

Six months ended 28 February 2013 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2012	39,272	4,427	6,726	3,163	16,945	432,669	16,563	519,765
Return on ordinary activities after taxation	–	–	–	–	–	110,732	(1,418)	109,314
Dividend paid	–	–	–	–	–	–	(4,320)	(4,320)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	14	–	(1)	–	–	–	14
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(293)	–	–	293	–
Balance at 28 February 2013	**39,273**	**4,441**	**6,726**	**2,869**	**16,945**	**543,401**	**11,118**	**624,773**

Year ended 31 August 2013 (audited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2012	39,272	4,427	6,726	3,163	16,945	432,669	16,563	519,765
Return on ordinary activities after taxation	–	–	–	–	–	28,151	6,725	34,876
Dividend paid	–	–	–	–	–	–	(4,320)	(4,320)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	2	25	–	(2)	–	–	–	25
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	–	–	–	(589)	–	–	589	–
Balance at 31 August 2013	**39,274**	**4,452**	**6,726**	**2,572**	**16,945**	**460,820**	**19,557**	**550,346**

Cash Flow Statement

	Six months ended 28 February 2014 (unaudited) £'000	Six months ended 28 February 2013 (unaudited) £'000	Year ended 31 August 2013 (audited) £'000
Net return on ordinary activities before finance costs and taxation	(25,689)	110,281	37,537
Adjustments for:			
Losses/(gains) on investments	26,171	(110,750)	(28,264)
Currency losses	86	18	111
Decrease in accrued income	528	389	81
(Increase)/decrease in other debtors	(12)	23	24
(Decrease)/increase in creditors	(99)	1,681	104
Net cash inflow from operating activities	985	1,642	9,593
Net cash outflow from servicing of finance	(1,047)	(1,047)	(2,094)
Net tax paid	(115)	(139)	(414)
Net cash inflow/(outflow) from financial investment	2,692	2,004	(1,081)
Equity dividend paid	(4,320)	(4,320)	(4,320)
(Decrease)/increase in cash	**(1,805)**	**(1,860)**	**1,684**
Reconciliation of net cash flow to movements in net debt			
(Decrease)/increase in cash as above	(1,805)	(1,860)	1,684
Other non-cash movements	(305)	(307)	(624)
Exchange movements	(86)	(18)	(111)
Movement in net debt in the period	(2,196)	(2,185)	949
Opening net debt	(52,766)	(53,715)	(53,715)
Closing net debt	**(54,962)**	**(55,900)**	**(52,766)**
Represented by:			
Cash and short term deposits	2,333	773	4,224
3.5% Convertible Unsecured Loan Stock 2018	(57,295)	(56,673)	(56,990)
	(54,962)	**(55,900)**	**(52,766)**

Notes to the Accounts

1. **Accounting policies**

The accounts have been prepared in accordance with applicable UK Accounting Standards, with pronouncements on half-yearly reporting issued by the Accounting Standards Board and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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

The half-yearly financial statements have been prepared using the same accounting policies as the preceding annual accounts.

2. Income	Six months ended 28 February 2014 £'000	Six months ended 28 February 2013 £'000	Year ended 31 August 2013 £'000
Income from investments			
UK dividend income	179	137	1,812
Overseas dividends	3,558	3,007	14,361
Scrip dividends	148	–	367
	3,885	3,144	16,540
Other income			
Deposit interest	2	2	6
Total income	**3,887**	**3,146**	**16,546**

3. The taxation for the period represents withholding tax suffered on overseas dividend income. An amount of £691,000 of recoverable Taiwan withholding tax was recognised in the six months to 28 February 2013 and the year ended 31 August 2013.

4. Return per Ordinary share	Six months ended 28 February 2014 p	Six months ended 28 February 2013 p	Year ended 31 August 2013 p
Basic			
Revenue return	(0.53)	(0.72)	3.42
Capital return	(13.37)	56.39	14.34
Total return	**(13.90)**	**55.67**	**17.76**

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	(1,043)	(1,418)	6,725
Capital return	(26,257)	110,732	28,151
Total return	**(27,300)**	**109,314**	**34,876**
Weighted average number of Ordinary shares in issue	**196,369,349**	**196,360,685**	**196,363,142**

	Six months ended 28 February 2014 p	Six months ended 28 February 2013 p	Year ended 31 August 2013 p
Diluted			
Revenue return	–	(0.18)	–
Capital return	–	51.35	13.05
Total return	**–**	**51.17**	**17.29**

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	47	(386)	9,148
Capital return	(26,257)	110,732	28,151
Total return	**(26,210)**	**110,346**	**37,299**
Number of dilutive shares	**19,287,149**	**19,291,421**	**19,293,362**
Diluted shares in issue	**215,656,498**	**215,652,106**	**215,656,504**

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

As at 28 February 2014 the potential Ordinary shares are not dilutive as the Ordinary share price was below the CULS conversion price. For the year ended 31 August 2013 there was no dilution to the revenue return per Ordinary share. Where dilution occurs, the net returns are adjusted for items relating to the CULS. Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted. Accrued CULS finance costs for the period and unamortised issue expenses are reversed.

5. Transaction costs

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

	Six months ended 28 February 2014 £'000	Six months ended 28 February 2013 £'000	Year ended 31 August 2013 £'000
Purchases	19	46	68
Sales	55	63	103
	74	**109**	**171**

6. Capital reserves

The capital reserve reflected in the Balance Sheet at 28 February 2014 includes gains of £208,295,000 (28 February 2013 – £333,458,000; 31 August 2013 – £243,428,000) which relate to the revaluation of investments held at the reporting date.

7. Net asset value

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

	As at 28 February 2014	As at 28 February 2013	As at 31 August 2013
Basic:			
Net assets attributable (£'000)	518,742	624,773	550,346
Number of Ordinary shares in issue	196,374,115	196,365,082	196,368,689
Net asset value per share (pence)	264.16	318.17	280.26
Diluted:			
Net assets attributable assuming conversion of CULS (£'000)	–	681,607	–
Number of potential Ordinary shares in issue	196,374,115	215,656,503	196,368,689
Net asset value per share (pence)	–	316.06	–

The diluted net asset value per Ordinary share has been calculated in accordance with guidelines issued by the Association of Investment Companies ("AIC") on the assumption that the £59,804,834 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") are converted at a rate of 1 Ordinary share for every 310.1528p nominal of CULS at the period end, resulting in 19,282,378 additional Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the CULS.

Net asset value per share – debt converted

In accordance with AIC guidance, convertible bond instruments are deemed to be 'in the money' if the cum income (debt at fair value) net asset value ("NAV") exceeds the conversion price per share (310.1528p). In such circumstances a NAV is produced and disclosed assuming the convertible debt is fully converted. At 28 February 2014 the cum income (debt at fair value) NAV was 264.16p and thus the CULS were not 'in the money'. At 28 February 2013 the CULS were 'in the money' and at 31 August 2013 the CULS were not 'in the money'.

8. Dividends

	Six months ended 28 February 2014 £'000	Six months ended 28 February 2013 £'000	Year ended 31 August 2013 £'000
2012 final dividend – 2.2p	–	4,320	4,320
2013 final dividend – 2.2p	4,320	–	–
	4,320	**4,320**	**4,320**

There will be no interim dividend for the year to 31 August 2014 (2013 – nil); the objective of the Company is long-term capital appreciation.

9. Debtors and prepayments

Included in debtors is an amount of USD 696,000 (28 February and 31 August 2013 – USD 696,000), equivalent to £415,000 (28 February 2013 – £458,000; 31 August 2013 – £449,000), being the estimated recovery of funds following the settlement between Aberdeen Asset Managers Limited and Satyam Computer Services in relation to a claim made following the discovery of a financial fraud, which lead to the sale of the stock at a weakened price. The Company is awaiting the outcome of an Indian tax authority hearing. It is expected that the outcome will be known by the Company's year end.

10. Creditors: amounts falling due after more than one year

3.5% Convertible Unsecured Loan Stock 2018 ("CULS")	Number of units £000	Liability component £000	Equity component £000
Balance at beginning of period	59,822	56,990	2,572
Conversion of CULS into Ordinary shares	(17)	(16)	(1)
Notional interest element on CULS	–	292	–
Notional interest element on CULS transferred to revenue reserve	–	–	(292)
Amortisation of issue expenses	–	29	–
Balance at end of period	**59,805**	**57,295**	**2,279**

On 12, 26 and 27 January 2011, the Company issued a total of £60,000,000 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS"). The CULS can be converted at the election of holders into Ordinary Shares during the months of January and July each year throughout their life, to January 2018 at a rate of 1 Ordinary share for every 310.1528p nominal of CULS. Once 80% of the CULS issued have been converted the Company is allowed to request that holders redeem or convert the remainder. Interest is paid on the CULS on 31 January and 31 July each year, of which 100% is charged to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

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

Following the receipt of election instructions from CULS holders, on 6 February 2014 the Company converted £16,846 nominal amount of CULS into 5,426 Ordinary shares.

As at 28 February 2014, there was £59,804,834 nominal amount of CULS in issue.

11. Called-up share capital

As at 28 February 2014 there were 196,374,115 (28 February 2013 – 196,365,082; 31 August 2013 – 196,368,689) Ordinary shares in issue.

12. Half-Yearly Financial Report

The financial information contained in this Half–Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 28 February 2014 and 28 February 2013 has not been audited.

The information for the year ended 31 August 2013 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under Section 498 of the Companies Act 2006.

The auditor has reviewed the financial information for the six months ended 28 February 2014 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The report of the auditor is on page 17.

13. This Half-Yearly Financial Report was approved by the Board on 29 April 2014.

Independent Review Report to Edinburgh Dragon Trust plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2014 which comprises the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholder's Funds, Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2014 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FCA.

Philip Merchant
for and on behalf of KPMG LLP
Chartered Accountants
Edinburgh

29 April 2014

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.

Suitable for Retail/NMPI Status

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

The Company currently conducts its affairs so that securities issued by Edinburgh Dragon Trust plc can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products (NMPIs) and intends to continue to do so for the foreseeable future.

The Company's securities are not subject to the FCA's restrictions which apply to non-mainstream pooled investment products because they are shares in an investment trust.

Aberdeen's Investment Plan for Children

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

Aberdeen's Investment Trust Share Plan

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

Stocks and Shares ISA

An investment of up to £11,880 can be made from 6 April to 30 June 2014 through the Aberdeen Investment Trust ISA. From 1 July 2014 the annual ISA limit increases to £15,000.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

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

Note

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

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

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

Trust Information

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

Keeping You Informed

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

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

Contact Us

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

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

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

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

(Calls to the above Equiniti numbers will be charged at 8 pence per minute plus network extras. Lines open 8.30am to 5.30pm, Monday to Friday).

Investor Warning

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

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

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

Corporate Information

Directors

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

Website

www.edinburghdragon.co.uk

Manager and Secretary

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Telephone: 0871 384 2499[1]
Website: www.equiniti.com

([1]Calls to this number are charged at 8p per minute plus network extras. Lines open 8.30am to 5.30pm, Monday to Friday).