EDINBURGH DRAGON TRUST PLC

Investment Objective and Policy

Long-term capital growth through investment in the Far East.

Investments are made in the stockmarkets in the region with the exception of Japan and Australasia. When appropriate, the trust will utilise gearing to maximise long-term returns.

Since launch in 1987, the net asset value has increased by 176 per cent after taking account of the share consolidation in November 1993.

Capital Structure

The Trust has ordinary shares and two classes of warrants in issue. The warrants give the holder the right to convert one warrant into one ordinary share at a price of 40p on 31 January 1996. The warrants dated 2005 give the holder the right to convert one warrant into one ordinary share at a price of 60p on 31 January in any one of the years 1996 to 2005.

Annual Financial Highlights

Net Asset Value	-15.0%
Share price	-7.1%
Gearing at 31 August 1995	13.6%

Edinburgh Dragon Trust plc is an investment company registered in Scotland No. SC 106049.

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The company is a member of
The Association of Investment Trust Companies

DIRECTORS

DIRECTORS

Sir Hugh C Byatt* (Chairman) acts as adviser to The RTZ Corporation. He served in various overseas and diplomatic appointments from 1952 to 1986, latterly as HM Ambassador to Portugal. His career included a number of years in the South Asian Department of the Foreign and Commonwealth Office and in India. He is chairman of Edinburgh Java Trust and a director of Edinburgh Japan Trust.

Tony Cassidy* is chief executive of Renfrewshire Enterprise. Former executive director (Japan/Asia) of Locate in Scotland, he has been associated with business in the Far East for many years. He has also lived and worked as a British official in India and Japan. He is a director of Edinburgh Japan Trust and of Ptarmigan International Trust.

Frank Frame* is adviser to the Board of HSBC Holdings plc. He has had extensive business experience of the Far East, having previously served as Deputy Chairman of The Hongkong and Shanghai Banking Corporation, Chairman of South China Morning Post, and director of Swire Pacific and of the Securities and Future Commission of Hong Kong. He is currently Chairman of Wallem Group and a director of Baxter International Inc and of The British Investment Trust PLC.

Peter Tyrie* was managing director of Hong Kong based Mandarin Oriental Hotel Group until 1989 when he returned to Great Britain to start Balmoral International Hotels. He has lived and worked extensively in the Far East and is also a director of Edinburgh New Tiger Trust.

Iain Watt is the chief executive of Edinburgh Fund Managers Group plc and an Associate of the Institute of Bankers in Scotland. He is also a director of Edinburgh New Tiger Trust and of Piper Global Funds Inc, the adviser to Pacific-European Growth Fund.

* Member of the audit committee

All directors are non-executive.

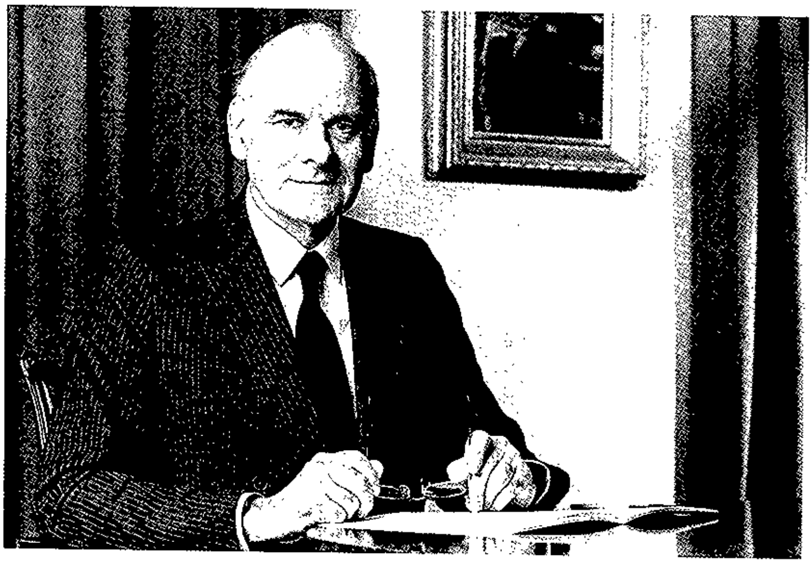
Directors' holdings in the company

	1995			1994		
	Ordinary shares	**Warrants**	**Warrants 2005**	Ordinary shares	Warrants	Warrants 2005
Sir Hugh C Byatt	**18,750**	**500**	**5,550**	18,750	500	5,550
A F Cassidy	**4,000**	**500**	**300**	4,000	500	300
F R Frame	**8,500**	**—**	**—**	8,500	—	—
P R Tyrie	**7,500**	**—**	**500**	7,500	—	500
I A Watt	**13,525**	**—**	**—**	13,252	—	—

Mr I A Watt has since notified the company that he bought a further 29 shares on 27 September 1995 through the EFM Investment Trust Purchase Scheme.

The company has not been notified of any other changes in the above directors' holdings between 31 August 1995 and 23 October 1995. The holdings detailed above are all beneficially held by the directors.

CHAIRMAN'S REVIEW



The Asian region is characterised by high savings ratios and a high level of foreign investment. Nonetheless, in last year's annual report I mentioned that some caution about shorter term market prospects was warranted due to rising US interest rates. These higher US interest rates affected the region's stockmarkets which were further influenced by lower investor confidence following the Mexican crisis. As a result, during the year ended 31 August 1995, Dragon's net asset value has fallen by 15.0 per cent. This compares to a fall of 12.4 per cent for Dragon's benchmark, the MSCI Combined Asia Free excluding Japan Index. This underperformance is partly due to the overweight position in small markets such as Thailand, The Philippines and Indonesia which were the worst affected stockmarkets following the Mexican crisis. In addition, when the stockmarkets started to rebound, Dragon was underweight in Hong Kong which was the first to recover.

An important factor for the region in the future will be what happens in Japan. If, as seems likely, the recent measures taken by the Japanese authorities stimulate economic growth, corporate earnings should rebound sharply there. This could divert equity investment from elsewhere in the Pacific Basin. On the other hand, renewed confidence in Japan could encourage domestic institutions to invest overseas, with the rest of the Pacific Basin being a likely recipient of substantial funds. Economically, an improvement in Japan should be good for the region as demand will pick up, and direct foreign investment increase once again.

It should be remembered that most of Dragon's assets are US dollar orientated as a result of the link, official or unofficial, that exists between the currencies of the region and the US dollar. The manager believes that the dollar/sterling exchange rate is unlikely to be significantly different in twelve months time.

There are now 1,480 shareholders (1994—-1,300) investing in the company's shares through participation in the EFM Investment Trust Purchase Scheme (now renamed SaveIT) which I again commend to you. The company, together with the manager, intends to increase the annual expenditure on promoting this scheme as well as other marketing initiatives to keep you and potential shareholders aware of the development of the company, and to keep to a minimum any discount to net asset value at which the shares trade.

CHAIRMAN'S REVIEW
continued

The discount to the diluted net asset value at which the shares traded during the year, varied from a discount of 5.3 per cent as at 31 August 1994, to a premium of 3.0 per cent as at 31 August 1995.

The company made a revenue surplus of £117,000 for the year (1994—deficit of £45,000) and your board proposes that no dividend is paid this year (1994—nil). The Trust's objective is, of course, long-term capital growth.

The region's stockmarkets are not expensive, although they also cannot be categorised as outright bargains by historic standards. Economic and corporate earnings growth should continue to be buoyant. In general, the manager believes that the region should perform relatively well over the coming year.

In conclusion, whilst the period under review has been difficult compared to recent years, future investment opportunities for long term capital growth remain attractive.

Hugh. C. Byatt

Sir Hugh C Byatt

Edinburgh, 23 October 1995

MANAGER'S REVIEW

Front row: Alistair Thompson, Helen Fallow, William MacKay
Back row: Jason McCay, Jeremy Whitley, Tad Piper, David Holland (Secretary)

The year under review has proved to be eventful for stockmarkets throughout the Pacific region. Higher interest rates in most of the major Asian economies throughout 1994 and the Mexican crisis at the beginning of 1995 initially resulted in a sharp correction in stockmarkets. However, by the end of April the growing belief that US interest rates had peaked and the successful defence by Asian central banks of their respective currencies led to a recovery in share prices. Economic activity throughout the region remains robust and the Asia Development Bank has forecast a growth rate of 8.2 per cent for 1995 compared to 7.9 per cent for the previous year.

The **Hong Kong** market typifies the volatility in share prices within the region over the past year. During the first half of Dragon's financial year the Hang Seng Index fell 18.5 per cent before recovering by 12.3 per cent in the second half, and eventually ending the period under review down 8.5 per cent, in sterling terms. The rebound was due to the better outlook for interest rates and more favourable economic news from China. The political climate has also improved with agreements being reached between Britain and China on both the airport financing and the Court of Final Appeal. The background to the domestic economy is mixed. On the one hand retail sales growth has slowed to 3.9 per cent and unemployment is rising. On the other the slowdown in the property market is easing and asset values may well improve if US interest rates decline further. In addition, any credit easing in China will be taken positively in Hong Kong. As a result we expect the Hong Kong market to perform well at least over the next 6 months and have increased the Fund's exposure. Further out the 1997 handover will become a focus for the market.

In **China** headline economic figures continue to highlight the slowdown in the economy. Second quarter GDP came in at 9.6 per cent compared to 13.4 per cent in 1994. Inflation is also falling with the August CPI at 14.5 per cent comparing favourably with 24 per cent at the start of the year. Providing these trends continue the Chinese Government will be in a strong position to ease its tight credit policies which will be positive for both the Chinese and Hong Kong stockmarkets. Whilst the reform programme is now firmly entrenched, tough decisions have still to be taken to solve some of the structural problems of the economy and political succession remains an issue.

MANAGER'S REVIEW
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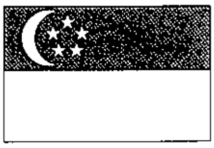
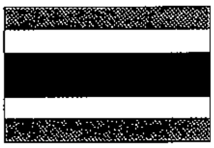


In the wake of the Mexican crisis at the beginning of 1995, **Singapore** was viewed by many international investors as a 'safe haven'. As a result, a substantial amount of liquidity flowed into the system and the Government was forced to reduce interest rates. Most of the money was invested in low yielding deposit accounts, to lock in currency gains, and very little found its way into the stockmarket. Over the year under review the Singapore DBS 50 index fell 7.5 per cent in sterling terms. The economy produced solid economic growth throughout the period but a slight moderation is expected for the remainder of this year.

Lower activity is regarded as positive given the unsustainable pace of growth over the last two years. Higher unit labour costs and a strong dollar are already putting pressure on margins in some industries. At current levels the market is looking fairly fully valued.

In line with the rest of the region the **Malaysian** stockmarket fell sharply over the first quarter of 1995. Although share prices have recovered the market has fallen by 8.6 per cent, in sterling terms, over the year. The April general election was a resounding success for PM Mahatir and ensures stability and a continuation of current industrial policies. However, GDP growth in the first half of 1995 continued to grow at an unsustainable 9 per cent per annum. Inflationary pressures are being contained but the current account deficit is now deteriorating mainly due to increasing demand although it is largely made up of capital goods. In an attempt to cool the economy interest rates have been increased and there has been a modest appreciation of the currency. They have also introduced selective administrative controls but more needs to be done. In the short-term the Malaysian stockmarket is unlikely to make significant headway although there will be selective stock opportunities. Longer term the outlook remains positive given the planned infrastructure spending and industrial investment.



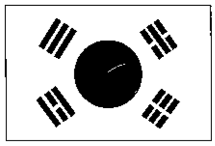
The **Thai** stockmarket has recovered from its low point in March but still ended the period under review down 14.5 per cent, in sterling terms. The general election in July brought in a new Government which has yet to demonstrate its commitment to keeping the economy under control. Growth remains buoyant with first half GDP up 8.6 per cent and manufacturing production up by at 13 per cent. However, as with Malaysia, inflationary pressures are surfacing. CPI in August reached 6.1 per cent due mainly to higher food prices. The current account deficit is also growing. Imports are up 26 per cent in the first seven months of the year although again growth was spurred by higher imports of capital goods which is a positive factor longer term. As a result the current tight monetary policy is likely to continue for the foreseeable future. At the corporate level many companies are reporting improving prospects and earnings are expected to rise by around 20 per cent in the current year. The market is not expensive at current levels but may be dull until the inflation picture improves.

In local currency terms the **Indonesian** stockmarket has fallen less sharply than others in the region. The market declined 1.7 per cent but due to the weakness in the Rupiah fell 6.5 per cent in sterling terms. Interest rates have been maintained at a high level and signs are emerging that inflation is becoming less of a problem. GDP forecasts have been revised up to 7.1 per cent for 1995 on the back of a buoyant domestic demand and surging investment. Foreign Direct Investments (FDI) are up 64 per cent year to date providing tangible evidence of the ongoing transformation of the Indonesian economy. Further government deregulation and the major privatisation programme will continue to broaden the stockmarket and boost its profile among international investors. The stockmarket's valuation for 1996 is one of the most attractive in the region.

MANAGER'S REVIEW

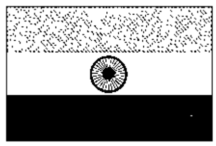
continued

The Philippines was one of the worst performing markets in the first quarter of the year . Since February, however , it has recovered by 11.2 per cent in sterling terms, due to a strong performance from the corporate sector. The rise was not sufficient to recoup all of the previous falls and the market was down 12 per cent, in sterling terms for the full year. President Ramos' coalition had a resounding victory in the May nation-wide elections allowing the Government to broaden the package of economic reforms which has been ongoing for the past two years. Exports are growing at around 30 per cent and FDI is continuing to come in. However food shortages are leading to a rise in inflation expectation and interest rates will inevitably have to rise. We remain cautious on the immediate outlook for the stockmarket but longer term the significant levels of FDI will have a positive impact on the economy



South Korea was one of the best performing markets during 1994 but fell back in the first half of 1995 on fears of over investment, rising inflation and higher interest rates. The market ended the period under review down 0.6 per cent. Recent evidence suggests a moderation in the pace of growth and previous concerns about overheating and tight liquidity are beginning to ease. In addition corporate bond yields have been falling and earnings per share growth has remained strong. The Government has recently raised the limit of foreign ownership of Korean companies from 12 per cent to 14 per cent as a further move to deregulate the stockmarket. With an election year coming up the Korean market should perform well. Having taken profits at the beginning of the year Dragon is now increasing its weighting to the market.

Taiwan was the worst performing stockmarket in the region falling 35 per cent in sterling terms. Sentiment was badly hit by heightened political tensions with mainland China and a number of financial scandals. The actual economic outlook however remains encouraging. The Government has recently reduced the bank reserve requirements to boost liquidity and stimulate private foreign investment. The price earnings ratio for the stockmarket is at historically low levels and is offering exceptional value. Dragon has recently obtained qualified investor status which will enable direct investments to be made.



Elsewhere in the region the stockmarket of the **Indian Subcontinent** performed poorly with India falling 30 per cent and Pakistan 20 per cent (in sterling terms). In India the poor showing of the Congress I party in state elections and a tighter monetary policy to combat inflationary pressure, dominated the market. The General Election, potentially early next year, remains a concern and the market is likely to remain cautious ahead of the event. However, economic realism should keep the Government focused on its reform programme and the macro economic picture is likely to have improved by the year end providing a more positive outlook for the market, post elections. Lower than expected economic growth in Pakistan combined with continued violence in Karachi impacted the market. The Government has also failed to meet the IMF monetary targets. At the company level, earnings have continued to be impressive and value is beginning to emerge.

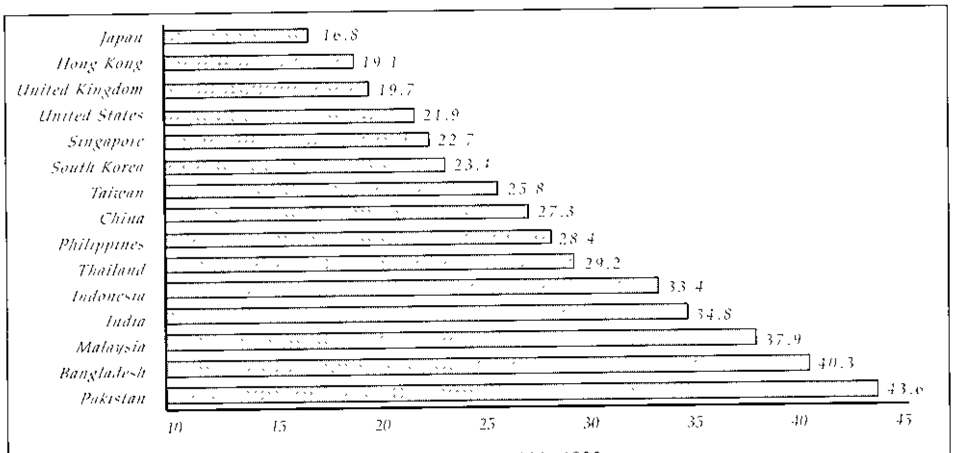
Overall economic growth in the region remains robust with both the external and domestic economies growing sharply in most Asian markets. Inflation remains a concern in Thailand, Malaysia and The Philippines and may hold back the stockmarkets in the short-term. However, valuations in both S Korea and Taiwan are attractive, with US interest rates potentially falling, the outlook for Hong Kong is more attractive.

MANAGER'S REVIEW
continued

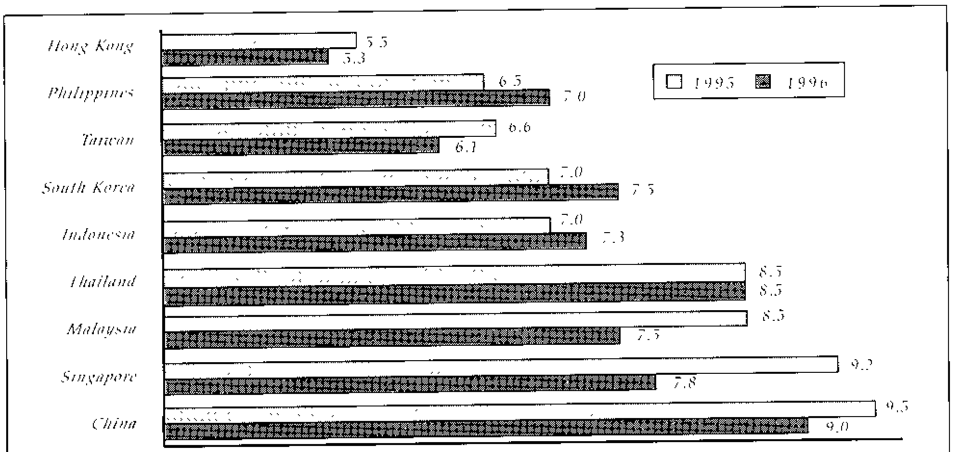
The Long-Term Outlook for Asia

While short-term inflationary concerns are evident within the region the long-term fundamentals remain intact.

- Economic growth continues to outperform that of the UK, US and Japan. Over the last ten years many countries in Asia have produced real economic growth of between 6 per cent and 9 per cent per annum compared to much lower rates in more developed economies. This superior growth is likely to continue given the relatively low per capita income in the region, strong demand for exports and government policies.
- Foreign Direct Investment (FDI) is playing a vital role in the ongoing industrialisation and economic progress of the region. In addition, high savings ratios within the region underpin productive investments. Major investment is taking place in basic infrastructure such as roads, power and telecommunications.
- The region contains over half the worlds population and can draw on a large relatively cheap workforce. In addition Asian economies are experiencing higher levels of consumer demand for a better quality and greater variety of goods and services as per capita income rises throughout the region.
- Increased democratisation within the region will also demand continued strong growth. As Governments become more transparent they become more vulnerable to electorate demands. Social stability will become more dependent on increased prosperity.
- Government deregulation and privatisations should continue which should create more diversified and more liquid stock markets.



Percentage of population in Pacific Basin under 15 years old in 1990



Projected GDP Growth in percentage terms in the Pacific Basin

FIVE YEAR RECORD

	Assets			Revenue	
Year ended 31 August	Equity shareholders' interest £'000	Number of equity shares ordinary '000	Net asset value per equity share* p	Earnings per ordinary share p	Dividends per ordinary share p
1991	36,706	312,397,129	47.00	0.105	0.06
1992	37,597	312,403,554	48.12	0.110	0.06
1993	225,016	1,053,605,166	85.44	0.049	—
1994	331,716	264,016,364	125.64	(0.017)	—
1995	282,358	264,283,995	106.84	0.044	—

Notes:

* Net asset value per equity share adjusted for the 1 for 4 share consolidation in November 1993.

With effect from 1 September 1991, 50 per cent of the management fee (net of tax relief) has been charged to the capital reserve.

DISTRIBUTION OF INVESTMENTS

at 31 August 1995 (%)

Equity holdings in:

	Manufac-turing	Con-sumer	Utilities	Conglom-erates	Financial	Property	Res-ources	Services	Total	1994
Singapore	5.5	—	1.2	—	1.9	4.1	—	—	12.7	18.3
Thailand	4.2	—	4.0	—	9.6	0.8	—	0.6	19.2	16.0
Hong Kong	2.4	2.0	1.2	4.2	2.8	6.5	—	1.7	20.8	12.9
South Korea	3.5	—	—	0.8	3.6	—	—	—	7.9	12.5
Malaysia	5.7	2.8	2.3	—	1.5	—	—	—	12.3	20.0
Indonesia	7.4	2.0	—	—	1.5	—	—	—	10.9	9.3
Taiwan	2.3	—	—	—	1.1	—	—	1.1	4.5	—
The Philippines	0.4	1.7	1.9	—	0.6	—	—	0.4	5.0	7.0
India	0.6	—	—	—	1.5	—	—	—	2.1	—
Pakistan	—	—	1.4	—	—	—	—	—	1.4	—
Other	—	—	1.4	—	1.8	—	—	—	3.2	4.0
	32.0	8.5	13.4	5.0	25.9	11.4	—	3.8	100.0*	100.0
1994	38.3	5.7	3.6	8.2	23.6	10.8	1.7	8.1	100.0*	100.0

*Contains 4.14 per cent (1994—3.29 per cent) of Convertible stocks having an element of equity

TWENTY LARGEST EQUITY HOLDINGS

Company	*Market Value* £'000	*Country*	*Description*
Dao Heng Bank	9,074	Hong Kong	Banking
Siam Cement	8,800	Thailand	Cement manufacturer
Cheung Kong	8,677	Hong Kong	Property developer
Industrial Finance Corporation	8,209	Thailand	Banking & finance
Astra International	7,604	Indonesia	Assembler & distributor of automobiles & motorcycles
Thai Farmers Bank	7,444	Thailand	Banking
Hutchison Whampoa	7,330	Hong Kong	Conglomerate: property, container terminals, retail
City Developments	7,007	Singapore	Property development /investment
Renong	6,914	Malaysia	Infrastructure development
Siam Commercial Bank	6,844	Thailand	Banking
Ten Largest Holdings	**77,903**	**24.4% of total value of investments**	
Sun Hung Kai	6,684	Hong Kong	Property development/ investment
Commercial Bank of Korea	6,662	Korea	Banking
Bangkok Bank	6,631	Thailand	Banking
Indofood	6,309	Indonesia	Convenience food manufacturer
Semen Gresik	6,198	Indonesia	Cement manufacturer
Genting Berhad	6,077	Malaysia	Leisure
Philippine Long Distance Telephone	6,043	Philippines	Telecommunications
Swire Pacific	5,986	Hong Kong	Conglomerate: property, airlines
Development Bank of Singapore	5,919	Singapore	Banking
Advanced Information	5,836	Thailand	Telecommunications
Twenty Largest Holdings	**140,248**	**43.9% of total value of investments**	

REPORT OF THE DIRECTORS

Business and status

The company carries on business as an investment trust and, for the purpose of the Income and Corporation Taxes Act 1988, has been treated by the Inland Revenue as approved as such for the year ended 31 August 1994, the latest year for which accounts have been submitted. The company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. The close company provisions of the Act do not apply to the company.

The company is an investment company within the terms of Section 266 of the Companies Act 1985.

Review of activities

During the year, the company followed the normal activities of an investment trust. Details of these are given in the Chairman's Review on page 4 and the Manager's Review on page 6.

Dividends

The directors are not recommending the payment of a dividend (1994—nil). The directors propose that the net revenue for the year of £117,000 be transferred to reserves.

Directors and their holdings in the company

In accordance with the Articles of Association, Sir Hugh C Byatt retires from the Board at this time and will be proposed for re-election.

The names of the directors and their holdings in the company's shares and warrants are given on page 3. No other director held office during the period.

No contract or arrangement subsisted during the period in which any of the directors was materially interested. Mr I A Watt is the non-executive chairman of Edinburgh Fund Managers plc, Manager and Secretary to the company.

Directors' Liability Insurance

The company maintains insurance in respect of directors' and officers' liabilities in relation to their acts on behalf of the company.

Going concern

The company's directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Corporate Governance

The Code of Best Practice contains nineteen recommendations as to best practice in terms of the control and reporting functions of boards of directors. The Board considers that the Company complies with eighteen recommendations of the Code. With regards to the nineteenth recommendation, the Working Group on Internal Control & Financial Reporting recently published guidance on the preparation of the directors' report on the effectiveness of companies' systems of internal controls as recommended by the Code. This guidance is to be regarded as standard for accounting periods beginning on or after 1 January 1995 and will be effective for the company's next financial year.

REPORT OF THE DIRECTORS
continued

Corporate Governance–continued
The auditors, KPMG, have confirmed that in their opinion: with respect to the directors' statement on going concern, the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' statement above appropriately reflects the company's compliance with the other paragraphs of the Code in force specified by the Listing Rules for their review. They have carried out their review in accordance with the Bulletin issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the company's system of corporate governance procedures, or on the ability of the company to continue in operational existence.

Substantial share interests
At 23 October 1995 the following interests in the ordinary share capital had been notified to the company:

Holder	No of ordinary shares	Percentage
British Coal Staff Superannuation Scheme and Mineworkers Pension Scheme	51,360.387	19.4

Annual General Meeting—Special Business
A Special Resolution will be proposed at the Annual General Meeting of the company to be held on 15 December 1995 to give the directors limited power to allot shares in disapplication of statutory pre-emption rights.

Section 89 of the Companies Act 1985 requires the directors, whenever they propose to allot ordinary shares for cash, to offer such shares first to shareholders in proportion to their existing holdings (shareholders' pre-emption rights). Section 95 of the Act enables the disapplication of these pre-emption rights in certain circumstances. Resolution 5 contains a renewal of the disapplication of shareholders' pre-emption rights granted to the directors on 16 November 1994 for a period of up to 15 months from this year's annual general meeting. If approved, this resolution will empower the directors to issue shares for cash without applying pre-emption rights if the issue either is made in connection with a rights issue or does not exceed 5 per cent of the issued ordinary share capital.

Auditors
On 6 February 1995, our auditor changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. KPMG are willing to continue in office and resolutions will be proposed at the annual general meeting to reappoint them and to authorise the directors to fix their remuneration.

By order of the board
Edinburgh Fund Managers plc, Secretary

Edinburgh, 23 October 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the net revenue of the company for that period. In preparing those financial statements, the directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and estimates that are reasonable and prudent;

— state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they comply with all the above requirements. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and to detect fraud and other irregularities.

AUDITORS' REPORT

KPMG

Saltire Court, Edinburgh

to the members of Edinburgh Dragon Trust plc

We have audited the financial statements on pages 15 to 24.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit of those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with the Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 1995 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG KPMG

Chartered Accountants
Registered Auditors

Edinburgh, 23 October 1995

REVENUE ACCOUNT

for the year ended 31 August 1995

	Notes	1995 £'000	1994 £'000
Income			
Investment income	2	**5,348**	4,685
Interest receivable		**1,364**	1,098
Other income	3	**307**	167
		7,019	5,950
Administrative expenses	4	**2,129**	2,363
		4,890	3,587
Interest payable and similar charges	5	**4,470**	3,354
Revenue before taxation		**420**	233
Taxation	6	**303**	278
Net revenue	17	**117**	(45)
Earnings per ordinary share	7	**0.044p**	(0.017p)

BALANCE SHEET

at 31 August 1995

	Notes	1995 £'000	1995 £'000	1994 £'000	1994 £'000
Fixed assets					
Investments	8		319,636		354,244
Current assets					
Debtors	9	1,884		6,707	
UK Treasury Bills		995		997	
US Treasury Bills		25,116		30,502	
Cash at bank		2,742		2,531	
		30,737		40,737	
Creditors: amounts falling due within one year	10	7,061		1,795	
Net current assets			23,676		38,942
Total assets less current liabilities			343,312		393,186
Creditors: amounts falling due after more than one year	11		60,954		61,470
			282,358		331,716
Capital and reserves					
Called up share capital	12		52,857		52,803
Share premium	13		108,502		108,426
Warrant reserve	14		1,598		1,617
Capital reserve	15		90,670		75,188
Unrealised appreciation	16		28,015		93,083
Revenue reserve	17		716		599
Total shareholders' funds relating to equity interests			282,358		331,716
Net asset value per share			106.84p		125.64p
Net asset value per share adjusting for dilution arising from full exercise of warrants			102.50p		119.57p

SIR HUGH C BYATT, Director

I A WATT, Director

CASH FLOW STATEMENT

for the year ended 31 August 1995

	Notes	1995 £'000	1995 £'000	1994 £'000	1994 £'000
Net cash inflow from operating activities	18		**4,879**		3,183
Servicing of finance					
Interest paid		**(4,454)**		(2,709)	
Net cash outflow from servicing of finance			**(4,454)**		(2,709)
Taxation					
UK Corporation tax refund		—		62	
UK income tax paid		**(281)**		(318)	
Overseas tax paid		**(310)**		(166)	
Total tax paid			**(591)**		(422)
Investing activities					
Purchase of investments		**(171,028)**		(174,012)	
Sale of investments		**167,238**		148,117	
Expenses re acquisition of Drayton Asia		—		(87)	
Cash distribution from Drayton Asia		**898**		500	
Management fee		**(1,428)**		(1,240)	
Net cash outflow from investing activities			**(4,320)**		(26,722)
Net cash outflow before financing			**(4,486)**		(26,670)
Financing					
Issue of ordinary share capital	19	**111**		279	
Issue of US$80,000,000 loan notes	19	—		54,175	
Loan note issue expenses	19	**(42)**		(384)	
Net cash inflow from financing			**69**		54,070
Decrease in cash and cash equivalents	20		**(4,417)**		27,400

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

for the year ended 31 August 1995

	1995 £'000	1994 £'000
Capital loss		
Realised gains on investments	**17,552**	41,991
Movement in unrealised appreciation	**(65,068)**	68,182
Gain arising on distribution from Drayton Asia	**52**	—
	(47,464)	110,173
Expenses of acquisition of Drayton Asia	**—**	(27)
Exchange differences	**(760)**	(2,142)
Management fee	**(1,362)**	(1,538)
Capital loss for year	**(49,586)**	106,466
Revenue account		
Net revenue	**117**	(45)
Total recognised losses for the year	**(49,469)**	106,421

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 August 1995

	1995 £'000	1994 £'000
Net revenue	**117**	(45)
Non-distributable capital loss	**(49,586)**	106,466
Issue of share capital	**111**	279
Shareholders' funds at 1 September 1994	**331,716**	225,016
Shareholders' funds at 31 August 1995	**282,358**	331,716

NOTES TO THE ACCOUNTS

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards and on the assumption that approval as an investment trust will continue to be granted.

The accounts of Drayton Asia Trust plc and its subsidiary have not been consolidated as there are long-term restrictions which substantially hinder the exercise of the rights of the parent company over the management of these undertakings due to these companies having been placed in members voluntary liquidation on 20 August 1993.

(a) *Investment income and interest receivable.* Dividends and interest on investments are credited to the revenue account when investments on listed and over-the-counter markets are quoted ex-dividend and registers are closed for other investments. Interest on loans and short-term deposits is dealt with on an accruals basis. Income from investments includes taxes deducted at source.

(b) *Taxation.* Advance corporation tax payable on a proposed dividend is included as current taxation payable and the recovery provided for in debtors. Taxation is provided for short-term timing differences.

(c) *Investments.* Listed investments are included at market valuations and unlisted investments, in the absence of market valuations, at values fixed by the directors. In determining the valuations of unlisted investments the directors have had regard, where relevant, to the earnings, dividend history and prospects, the latest dealing prices and any other information available.

Movements on valuation are taken to unrealised appreciation reserve.

Gains and losses on the realisation of investments are transferred directly to capital reserve.

(d) *Foreign currencies.* Assets and liabilities in foreign currencies are converted 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 transferred directly to capital reserve.

(e) *Finance costs.* Finance costs are amortised to the revenue account over the term of the debt.

	1995 £'000	1994 £'000
2. Investment income		
Unfranked income:		
Dividends from listed investments	**5,348**	4,685
3. Other income		
Income from stock lending	**215**	167
Income from underwriting	**92**	—
	307	167

All stocks lent under these arrangements are fully secured against collateral. At 31 August 1995, holdings valued at £23 million (1994—£37 million) were on loan secured against collateral of £27 million (1994—£43 million).

NOTES TO THE ACCOUNTS

continued

		1995 £'000	1994 £'000
4. Administrative expenses			
Management fee		**1,362**	1,538
Directors' fees		**44**	40
Auditors' remuneration:	audit fees	**8**	7
	other fees (see note 8)	**—**	4
Secretarial fee		**52**	50
Custody fees		**350**	384
Bank charges		**98**	157
Registrar's fees		**70**	61
Other expenses		**145**	122
		2,129	2,363

The fees of the chairman (highest paid director) amounted to £12,000 (1994—£12,000). Director's fees fell within the following bands:

£	1995	1994
0— 5,000	**—**	1
5,001—10,000	**4**	3
10,001—15,000	**1**	1

The management fee of £2,724,000 (1994—£3,076,000) paid to Edinburgh Fund Managers plc ("*Edinburgh*") was 0.25 per cent per quarter of total net assets less 50 per cent of the value of any investment medium, the funds of which are managed or advised by investment managers other than *Edinburgh*. 50 per cent of the management fee (net of tax relief, if any) has been allocated to the capital reserve (see note 15).

The secretarial fee is paid to *Edinburgh* and is adjusted annually in line with the Retail Price Index.

	1995 £'000	1994 £'000
5. Interest payable and similar charges		
Loans repayable in 2-5 years	**760**	816
Loans repayable in more than 5 years	**3,710**	2,538
	4,470	3,354
6. Taxation on ordinary activities		
Corporation tax at 25 per cent (1994—25 per cent)	**—**	—
Overseas tax	**303**	255
Deferred tax transfer	**—**	23
	303	278

7. Earnings per share

The calculation of the earnings per share of 0.044p (1994—deficit of 0.017p) is based on revenue of £117,000 (1994—deficit of £45,000) and on the 264,172,482 (1994—263,760,084 ordinary shares of 20p) weighted average ordinary shares of 20p in issue.

NOTES TO THE ACCOUNTS
continued

	1995 £'000	1994 £'000
8. Investments		
Market value at 31 August 1994	**354,244**	228,359
Unrealised appreciation at 31 August 1994	**(92,373)**	(26,622)
Cost at 31 August 1994	**261,871**	201,737
Additions at cost	**176,436**	168,813
Disposals at cost	**(144,628)**	(108,179)
Distribution from Drayton Asia at cost	**(846)**	(500)
Cost at 31 August 1995	**292,833**	261,871
Unrealised appreciation at 31 August 1995	**26,803**	92,373
Market value at 31 August 1995	**319,636**	354,244
Listed on overseas stock exchange	**313,113**	352,350
Unlisted —Unit Trusts	**5,778**	—
—Other	**745**	1,894
	319,636	354,244

Unrealised appreciation of £26,803,000 (1994—£92,373,000) includes £1,130,000 (1994—£655,000) relating to unlisted investments.

Subsidiary Undertakings

Company name	**Country of registration**	**Date of liquidation**
Drayton Asia Trust plc	England	20 August 1993
and its 100 per cent owned subsidiary Drayton Asia Finance Limited	England	20 August 1993

The director's have valued the company's remaining interest in Drayton Asia Trust at 31 August 1995 at nil (1994—£1,100,000). Fees of £12,150 were paid to KPMG in respect of the liquidation of Drayton Asia Trust in 1995.

	1995 £'000	1994 £'000
9. Debtors		
Dividends and interest receivable	**828**	723
Withholding taxes deductible therefrom	**232**	215
Net dividends and interest receivable	**596**	508
Taxation recoverable	**963**	681
Amount due by brokers	**—**	5,058
Other debtors	**176**	333
Amounts falling due after more than one year:	**1,735**	6,580
Taxation recoverable	**149**	127
	1,884	6,707
10. Creditors: amounts falling due within one year		
Amounts due to brokers	**5,408**	—
Sundry creditors	**1,653**	1,795
	7,061	1,795

NOTES TO THE ACCOUNTS

continued

	1995 £'000	1994 £'000
11. Creditors: amounts falling due after more than one year		
Repayable between 2 and 5 years:		
US$15,000,000 loan	**9,683**	9,762

Interest on the loan is payable at 7.91 per cent per annum in half yearly instalments in May and November. The loan is due to be repaid on 12 May 1997 and is secured by a floating charge over the assets of the company.

Repayable after more than 5 years:		
US$80,000,000 7.26% Loan Notes 2008	**51,271**	51,708
	60,954	61,470

Interest on the Loan Notes is payable in half yearly instalments in June and December. The Loan Notes are secured by a floating charge over the company's assets.

12. Called up share capital		
Authorised:		
325,000,000 (1994—325,000,000) ordinary shares of 20p each	**65,000**	65,000
Issued and fully paid:		
264,283,995 (1994—264,016,364) ordinary shares of 20p each	**52,857**	52,803

Holders of 253,953 ordinary share subscription warrants and 13,678 ordinary share subscription warrants 2005 exercised their subscription rights on 31 January 1995, resulting in the allotment of 253,953 ordinary shares at a price of 40p per share and 13,678 ordinary shares at a price of 60p per share.

The unissued ordinary shares are being reserved in part to satisfy the subscription rights attached to both the 5,165,286 warrants exercisable at 40p on 31 January 1996 and the 19,672,915 warrants 2005 exercisable at 60p on 31 January in any one of the years 1996 to 2005 inclusive.

13. Share premium		
At 31 August 1994	**108,426**	108,227
Premium arising on issue of ordinary shares resulting from the exercise of warrants	**57**	156
Transfer from warrant reserve arising from the exercise of warrants	**19**	43
	108,502	108,426

NOTES TO THE ACCOUNTS
continued

	1995 £'000	1994 £'000
14. Warrant reserve		
At 31 August 1994	**1,617**	1,660
Transfer to share premium arising from the exercise of warrants	**(19)**	(43)
At 31 August 1995	**1,598**	1,617

The warrant reserve is established as a result of Financial Reporting Standard 4 and recognises that a proportion of the proceeds from the issue of ordinary shares with warrants attached can be attributed to the warrants. When warrants are exercised the amount previously recognised as warrant premium is transferred to share premium.

	1995	1994
15. Capital reserve		
At 31 August 1994	**75,188**	36,904
Realised net gain on sale of investments	**17,552**	41,991
Gain on liquidation distribution from Drayton Asia	**52**	—
Exchange differences	**(760)**	(2,142)
Management fee	**(1,362)**	(1,538)
Expenses of acquisition of Drayton Asia	**—**	(27)
At 31 August 1995	**90,670**	75,188

50 per cent of the management fee, net of tax relief, if any, is allocated to capital reserve. The proportion allocated reflects an assessment of the activities undertaken by the management in pursuit of the investment objectives of the company.

	1995	1994
16. Unrealised appreciation		
At 31 August 1994	**93,083**	24,901
Decrease on revaluation of investments	**(65,570)**	65,751
Revaluation of currency loan	**79**	322
Revaluation of loan notes	**423**	2,109
At 31 August 1995	**28,015**	93,083

	1995	1994
17. Revenue reserve		
At 31 August 1994	**599**	644
Net revenue for the year	**117**	(45)
At 31 August 1995	**716**	599

This is the only distributable reserve.

	1995	1994
18. Reconciliation of operating profit to net cash inflow from operating activities		
Revenue before interest and taxation	**4,890**	3,587
Increase in accrued income	**(66)**	(649)
Decrease in other debtors	**118**	(50)
Decrease in creditors	**(63)**	295
Net cash inflow from operating activities	**4,879**	3,183

NOTES TO THE ACCOUNTS
continued

19. Analysis of changes in financing during the year

	1995 Share capital (including premium) £'000	1995 Loan notes £'000	1994 Share capital (including premium) £'000	1994 Loan notes £'000
Balance at 31 August 1994	**162,846**	**51,708**	162,567	—
Issue of loan notes	—	—	—	54,175
Loan note issue expenses	—	**(42)**	—	(384)
Amortised loan note issue expenses	—	**28**	—	26
Issue of ordinary shares for cash consideration	**111**	—	279	—
Effect of foreign exchange movements	—	**(423)**	—	(2,109)
Balance at 31 August 1995	**162,957**	**51,271**	162,846	51,708

20. Analysis of changes in cash during the year

	1995 £'000	1994 £'000
Balance at 31 August 1994	**34,030**	8,772
Net cash outflow before adjustments for the effect of foreign exchange rates	**(4,417)**	27,400
Effect of foreign exchange rate movements	**(760)**	(2,142)
Balance at 31 August 1995	**28,853**	34,030

Analysis of cash and cash equivalents as shown in the balance sheet:

	1995 £'000	1994 £'000	Change in year £'000
UK Treasury Bills	**995**	997	**(2)**
US Treasury Bills	**25,116**	30,502	**(5,386)**
Cash	**2,742**	2,531	**211**
	28,853	34,030	**(5,177)**

21. Commitments and contingencies

	1995 £'000	1994 £'000
Amounts uncalled on nil or partly paid investments	**414**	—

The company has granted an indemnity to the Liquidator of Drayton Asia in respect of any liabilities not provided for.

22. Approval of financial statements

The financial statements were approved by the board of directors on 23 October 1995.

GENERAL INFORMATION

Edinburgh Dragon Trust's shares are traded on the London Stock Exchange. They can be bought or sold by investors through a stockbroker or by asking a professional adviser, eg lawyer, accountant or bank manager to do so on their behalf.

Edinburgh Dragon Trust's share price is published daily under Investment Trusts in the Share Information Service in the Financial Times, The Daily Telegraph, The Scotsman, The Herald and The Independent. You can also obtain the latest share price by phoning FT City Line on 0891-43 4608.

Edinburgh Dragon Trust's financial calendar covering announcements, issue of interim and annual report and the annual general meeting is set out below:

August	Financial year ends 31 August
October	Preliminary announcement of annual results
November	Annual Report and Accounts issued
December	Annual General Meeting
March	Interim figures announced
April	Interim Report issued

Edinburgh Dragon Trust is eligible for Personal Equity Plans (PEPs) under current legislation. As more than 50 per cent of the portfolio is listed on recognised stock exchanges, only a maximum of £1,500 pa can be invested in the shares of Edinburgh Dragon Trust in a PEP scheme in the financial year 1995/96.

The Board has not, however, committed itself to maintain this status on a long-term basis.

Please note that tax laws and practice may change and investors should consult their tax advisers for further information.

CAPITAL GAINS TAX INFORMATION

For Capital Gains Tax purposes, the base costs of an ordinary share of 5p and a warrant issued by the company under the Placing are calculated using the closing prices on the first day of dealings (14 December 1987). These prices were 5.5p and 2.0p respectively.

During November 1989, the company issued further ordinary shares of 5p each and warrants 2005 under a Placing and Open Offer. On 17 November 1989, the first day of dealings, these prices were 12.5p and 6.0p respectively.

EDINBURGH FUND MANAGERS PLC

Edinburgh Fund Managers plc ('*Edinburgh*') can trace its roots back to 1902 when American Trust was launched to enable UK investors to invest in the then emerging markets of North America. In 1969 the staff of American Trust founded *Edinburgh*. At that time, funds under management were in the region of £33 million. On 30 September 1995 total funds managed by *Edinburgh* had increased to £3.3 billion.

Edinburgh is a wholly-owned subsidiary of Edinburgh Fund Managers Group plc, which is listed on the London Stock Exchange. Of the total funds under management, investment trusts represent more than 50 per cent. In addition, *Edinburgh* also manages a wide range of unit trusts and pension fund portfolios. The company is based in the City of Edinburgh and a new office has recently been opened in Atlanta, Georgia to help *Edinburgh* establish a presence in the North American institutional investment market.

Last year *Edinburgh* celebrated its 25th anniversary. Over that period, *Edinburgh* has developed from a specialist investment house into one of Scotland's most successful fund managers.

Investment Philosophy

Edinburgh's investment philosophy is based on a disciplined team approach designed to add value by:-

— Concentrating on equity investment to achieve above average long-term returns.

— Pursuing value added research to ensure that its clients will be at the forefront of any emerging investment opportunity.

— Adopting a top-down geographic asset allocation approach coupled with a bottom-up stock selection process.

— Weighting portfolios away from the indices and the investment industry averages where appropriate.

— Emphasising faster growing geographic areas where it has particular expertise.

— Utilising its considerable in-house expertise in smaller companies to further enhance returns from superior stock selection when appropriate.

Investment Trusts

Edinburgh manages ten investment trusts which offer investors exposure opportunities within some of the world's most interesting financial markets. These range from The British Investment Trust, with its geographically diversified portfolio, to more specialist funds concentrating on the emerging markets of the Far East and Latin America. The trusts and their investment objectives as at 31 August 1995 are listed below:

American Trust plc

Principal Objectives:	To achieve long-term growth of capital and income by investing in equities principally in the United States of America.
Markets:	USA, UK
Total Gross Assets:	£271.0m

EDINBURGH FUND MANAGERS PLC
continued

The British Investment Trust PLC

Principal Objectives:	To achieve long-term capital growth from a portfolio of international investments and secure for shareholders regular increases in dividend.
Markets:	UK, Europe, USA, Far East and Japan
Total Gross Assets:	£860.2m

Edinburgh Dragon Trust plc

Principal Objectives:	To provide long-term capital growth through investment in the Far East (excluding Japan and Australasia).
Markets:	Pacific Basin (Hong Kong, Singapore, Thailand, Malaysia, Indonesia, The Philippines, Taiwan, South Korea, India and Pakistan)
Total Gross Assets:	£342.8m

Edinburgh Inca Trust plc

Principal Objectives:	To achieve long-term capital growth by investing in shares of companies quoted on Latin American stock exchanges.
Markets:	Mexico, Argentina, Brazil, Chile, Colombia and Peru
Total Gross Assets:	£27.4m

Edinburgh Income Trust plc

Principal Objectives:	The investment object is to provide capital growth for its zero dividend preference shareholders and both income and capital growth for its ordinary shareholders through investment in UK equities.
Market:	UK
Total Gross Assets:	£15.3m

Edinburgh Japan Trust plc

Principal Objectives:	To achieve long-term corporate growth through investment in Japanese equities.
Market:	Japan
Total Gross Assets:	£42.1m

Edinburgh Java Trust plc

Principal Objectives:	To provide long-term capital growth through investment in Indonesia.
Market:	Indonesia
Total Gross Assets:	£11.9m

EDINBURGH FUND MANAGERS PLC

continued

Edinburgh New Tiger Trust plc

Principal Objectives:	To achieve long-term capital growth by investing in quoted smaller companies in emerging Asian countries.
Markets:	Malaysia, Thailand, Indonesia, India, South Korea, China, The Philippines, Pakistan and Sri Lanka
Total Gross Assets:	£124.0m

Edinburgh Small Companies Trust plc

Principal Objectives:	To achieve long-term capital growth by investing in small UK quoted companies which have potential for capital appreciation.
Market:	UK
Total Gross Assets:	£90.1m

Malvern UK Index Trust PLC

Principal Objectives:	To invest in a portfolio designed to track closely the FT-Actuaries All-Share Index both in terms of capital and income.
Market:	UK
Total Gross Assets:	£74.8m

SaveIT

SaveIT (formerly The EFM Investment Trust Purchase Scheme), provides private investors with a convenient and cost-effective way to invest in the investment trusts managed by *Edinburgh* on a regular or occasional basis. Under the Scheme, investors can save in one or more trusts of their choice from as little as £30 per month or a lump sum of £250.

If you would like to receive further details on SaveIT or indeed any of our investment trusts, please complete the enclosed coupon or contact the Marketing Department free on 0800-515 852.

NOTICE OF MEETING

Notice is hereby given that the eighth annual general meeting of Edinburgh Dragon Trust plc will be held at the registered office of the company, Donaldson House, 97 Haymarket Terrace, Edinburgh, on Friday, 15 December 1995 at 12.00 noon for the purpose of transacting the following business:

ORDINARY BUSINESS

1. to adopt the report of the directors and the financial statements for the year ended 31 August 1995;
2. to re-elect Sir Hugh C Byatt as a director;
3. to reappoint KPMG as auditors; and
4. to authorise the directors to fix the auditors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as a special resolution:

5. THAT the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 ('the Act') to allot equity securities (within the meaning of Section 94(2) of the Act) for cash pursuant to any general authority conferred upon them for the purposes of Section 80 of the Act as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

    a) to the allotment of equity securities in connection with any rights 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

    b) to the allotment (otherwise than pursuant to paragraph (A) of this Resolution) of equity securities up to an aggregate nominal amount of £2,643,000 being 5 per cent of the nominal value of the existing issued share capital of the company;

    c) to the allotment of equity securities at a price of not less than the net asset value per share;

NOTICE OF MEETING
continued

and shall expire at the conclusion of the next annual general meeting of the company after the passing of this Resolution or fifteen months from the passing of this Resolution, whichever is earlier, 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.

By order of the board

Edinburgh Fund Managers plc
Secretary

6 November 1995

Registered office:
Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD

Notes:

1. Only holders of ordinary shares are entitled to attend and vote at the meeting. Any member entitled to attend and vote at the meeting may appoint another person (whether a member of the company or not) as his proxy to attend and vote in his stead. A form of proxy is attached on page 31 for the use of the members of the company, although completion of this proxy will not preclude members from attending and voting should they afterwards decide to do so. Proxies must be lodged at the office of the company's registrars, the Bank of Scotland, Registrar Department, Apex House, 9 Haddington Place, Edinburgh EH7 0AL not less than 48 hours before the time of the meeting.
2. There are no service contracts between the company and any of its directors.

FORM OF PROXY

I/WE .... BLOCK CAPITALS PLEASE

OF ....

being (a) member(s) of ordinary shares of Edinburgh Dragon Trust plc hereby appoint ....
or, failing him, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on Friday, 15 December 1995 at 12.00 noon and at any adjournment thereof.

ORDINARY BUSINESS	FOR	AGAINST
ADOPTION OF REPORT AND FINANCIAL STATEMENTS		
RE-ELECTION OF SIR HUGH C BYATT		
REAPPOINTMENT OF KPMG AS AUDITORS		
AUTHORISATION OF DIRECTORS TO FIX THE REMUNERATION OF THE AUDITORS		
SPECIAL BUSINESS	**FOR**	**AGAINST**
LIMITED DISAPPLICATION OF PRE-EMPTION PROVISIONS		

SIGNED .... *DATE* ....

NOTES:

1. Proxies must be lodged at the address overleaf not less than 48 hours before the time appointed for holding the meeting.
2. A corporation should execute under its common seal or the hand of a duly authorised officer.
3. Shareholders are entitled to appoint a proxy of their own choice. If desired the name of such proxy can be inserted above and initialled by the shareholder.
4. Please indicate how you wish your votes to be cast by placing a cross in the appropriate spaces. Unless otherwise indicated the proxy will vote as he thinks fit or will abstain.
5. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
6. Completion of this form of proxy will not prevent members from attending the meeting and voting in person should they so wish.
7. A proxy need not be a member of the company.

Second fold

BUSINESS REPLY SERVICE
Licence No EH470

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BANK OF SCOTLAND
REGISTRAR'S DEPARTMENT
APEX HOUSE
9 HADDINGTON PLACE
EDINBURGH EH7 0AL

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