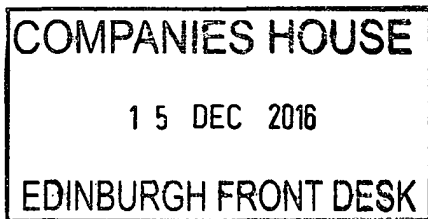


Edinburgh Dragon Trust plc

Annual Report and Accounts
31 August 2016



THURSDAY

A vertical black bar with the word 'THURSDAY' written vertically in white capital letters.

S5LVU2FD
SCT 15/12/2016 #10
COMPANIES HOUSE

The barcode is accompanied by a series of alphanumeric characters. The first line is '*S5LVU2FD*', the second line is 'SCT 15/12/2016 #10', and the third line is 'COMPANIES HOUSE'.

Amorepacific Corp

A beauty shopping outlet at Singapore's Changi airport featuring two well-known Amorepacific brands. Established in 1945, Amorepacific is South Korea's largest cosmetics company. It owns nearly 30 well-known brands including Sulwhasoo and Laneige and has been developing rapidly worldwide. Sulwhasoo was the first Korean cosmetic skincare brand to mark 1 trillion KRW in annual sales and Laneige has won the title of most loved beauty brand by Asian women and has enjoyed success in more than 15 countries worldwide.

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Overview

Company Overview

Launched in 1987, the Company is an investment trust and its Ordinary shares and Convertible Unsecured Loan Stock ("CULS") are listed on the premium segment of the London Stock Exchange. It is a member of the Association of Investment Companies ("AIC").

The Company is governed by a Board of Directors, all of whom are non-executive and independent. Like many other investment companies, it outsources its investment management and administration to an investment management group, Aberdeen Asset Management ("Aberdeen").

The Company does not have a fixed life but shareholders are given the opportunity to vote on the continuation of the Company at every third Annual General Meeting.

Investment Objective

The Company aims to achieve long-term capital growth through investment in the Far East with the exception of Japan and Australasia. Investments are made mainly in stock markets in the region, principally in large companies. When appropriate, the Company will utilise gearing to maximise long term returns.

Net asset value total return[^]

+31.9%

2015 (12.4%)

Benchmark total return (in sterling terms)

+33.0%

2015 (9.1%)

Earnings per share (revenue)

4.50p

2015 4.13p

[^] Capital return plus dividends reinvested.

Share price total return[^]

+29.7%

2015 (12.8%)

Ongoing charges

1.14%

2015 1.15%

Dividend per share

3.20p

2015 3.00p

Net asset value per share

At 31 August – pence

Dividends per share

pence

Mid-market price per share

At 31 August – pence

Chairman's Statement

Allan McKenzie
Chairman

Performance

Renewed enthusiasm for Asia helped regional equities bounce back from their early losses to end sharply higher over the year to 31 August 2016. The rally marked a reversal from the previous year, when the US dollar's appreciation, the slump in commodity prices and concerns about Chinese growth prompted foreign capital to flee Asia and the broader emerging markets. There was a significant improvement in investor sentiment in the second half of the Company's year as fears of a collapse in China's economy, rife at the start of 2016, receded. Commodity prices also appeared to be recovering. At the same time as structural reforms gathered pace across Asia, a wave of interest rate cuts and central bank bond buying in Europe and Japan dragged yields in many developed markets into negative territory. Unsurprisingly, liquidity migrated towards higher-yielding emerging markets, helped by the heightened political and economic uncertainties in Europe, particularly over post-Brexit contagion risks, and expectations that US interest rates may stay lower, for longer.

Since I reported at the half yearly stage the Company's net asset value ("NAV") has risen by 32.7% in total return terms, outperforming the benchmark MSCI All Country Asia (ex Japan) Index in sterling terms, which rose by 29% over the same period. Over the year as a whole your Company delivered healthy returns, with the NAV rising by 31.9% on a total return basis. This was slightly less than the benchmark's increase of 33% in sterling terms, but an outperformance against the MSCI World Index's return of 25% – the first time that Asia has outperformed the World Index in five years. Your Board is pleased to observe improved NAV returns after a sustained period of underperformance and continues to monitor performance closely.

The share price rose by 29.7% to 302.0p, with the discount to NAV widening marginally, from 11.8% at the start of the period to 13.4% as at 31 August 2016. Since the year end this discount has tightened again slightly to 11.9% at 1 November 2016.

Currency gains drove much of the Company's absolute returns. Sterling's sharp depreciation against the US dollar and most Asian currencies in the wake of the referendum on European Union membership proved beneficial for UK investors. Your Manager's focus on investing in quality holdings with robust fundamentals and keen competitive edge also underpinned stock selection – notably in India, Taiwan and Korea – which contributed positively. A more detailed analysis of your Company's performance is contained in the Investment Manager's Review on pages 14 to 15.

Background/Overview

As I have mentioned above, Asian equity markets appear to have found a firmer footing after a difficult start to the year under review. The first six months of the year were notable for the global market rout, soft commodity prices and significant declines in sovereign bond yields. Market turbulence was largely attributable to two key factors. First, nervousness over China's economic health and its consequent impact upon global growth: Beijing's string of policy missteps, especially in the stock and currency markets, stoked concerns over the Chinese government's ability to manage the economic slowdown and raised fears that a falling yuan would trigger currency wars. Secondly, uncertainty over the implications of negative interest rates in Japan and Europe further tested investors' nerves. Earlier in the economic cycle, central banks in the developed world had increasingly turned to unprecedented levels of quantitative easing to calm markets and jumpstart economic activity. However, such unconventional measures, including the use of sub-zero interest rates, have had hardly any impact: recoveries were feeble and inflation remained low. Negative rates also cast doubts over the banking sector's profitability, sending share prices of financials sharply lower. While the sector subsequently rebounded, the gains were insufficient to compensate for earlier losses. That hurt your Company's performance, given the underlying portfolio's heavy exposure to financials.

Chairman's Statement continued

However, as highlighted earlier, Asia swung back into favour in the second half of our year as emerging markets stabilised. In China, the authorities prevented the yuan from falling too sharply, while tighter capital controls stemmed the outflows from the mainland. Recent data suggest that the economy, fuelled by a surge in lending and hefty government spending, is on track to hit its 6.5% to 7% growth target. Commodity prices, such as iron ore, also recovered from their lows in 2015, partly because of the prospect of Beijing's sustained spending on infrastructure, and partly owing to tightening supply across much of the industry. Meanwhile, renewed speculation of an agreement among Opec members to cap oil production pushed crude prices back towards US\$50 a barrel at the period-end.

The US Federal Reserve, too, played a major role in turning around market performance. In December when it raised the key interest rate for the first time in a decade, it suggested four further hikes were likely in 2016; it has since backed down from these hawkish forecasts. At the time of writing, no further increases have been made. Besides patchy domestic economic data, external risks – among them uncertainties over Chinese foreign-exchange policies and the Brexit referendum – have prompted more caution among the Fed's policymakers. The central bank's inaction has fuelled inflows into Asia as investors continued to search for yield amid an era of historically low interest rates.

The gathering pace of structural reform across Asia also boosted sentiment. Beijing's recent approval of the Shenzhen-Hong Kong Stock Connect scheme marked another milestone of its capital market liberalisation and the internationalisation of the yuan. Simultaneously, the authorities have renewed their clampdown on the shadow banking sector, although more is needed to fix other structural flaws across the banking sector generally. In India, the recent passage of the goods and services tax bill is expected to improve tax efficiency significantly and support growth recovery. The appointment of the deputy governor, Urjit Patel, as the new central bank chief has been well-received; it underscored the government's commitment to inflation-targeting and continued adherence to monetary policy discipline. Elsewhere, Indonesia's cabinet reshuffle has provided hopes for accelerated reforms (and possibly more revenue with the tax amnesty programme). In Thailand, investors look forward to the prospect of an eventual return to democratic rule, following the draft constitution's approval.

Improving economic fundamentals were another positive, with Asia's growth looking better than six months ago; second-quarter GDP growth in countries such as India,

Indonesia and the Philippines, surpassed expectations. Exports also appeared to turn around after a sustained decline. This encouraging spate of growth not only reaffirms Asia's position as the world's most dynamic economic region, but also suggests that the region and the broader emerging economies, could outpace the developed world. In its July forecast, the IMF predicted that emerging-market GDP growth this year would rise by 4.1% (from 4% in 2015) and a more vigorous rebound in 2017 to 4.6%. In comparison, developed markets are forecast to grow by 1.8% in both this year and the next.

Gearing

The Company has no bank borrowings and its gearing is provided by the 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") of £59.8 million nominal at the year end, representing gearing of 6.9%. The CULS provides the Company with long-term structural gearing at an acceptable cost, which is in line with the Manager's long-term investment philosophy. The Board monitors the Company's gearing level on a regular basis.

Revenue Account and Dividend

I am pleased to report that the Company's revenue return per share increased to 4.50p for the year to 31 August 2016 (2015 – 4.13p). It remains the Board's policy to pay a final dividend marginally in excess of the minimum required to maintain investment trust status, which may, of course, lead to some volatility in the level of dividend paid. The Board, therefore, recommends the payment of a final dividend of 3.2p per Ordinary share (2015 – 3.0p) which, if approved by shareholders at the Annual General Meeting, will be paid on 16 December 2016.

Discounts and Share Buybacks

During the period discount volatility continued to be a feature for investment trust companies and Dragon was not alone in this respect. The Board continues to monitor closely the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares at certain levels. The Board remains committed to share buybacks where to do so would be in the interests of all shareholders. During the year ended 31 August 2016, 3.58 million shares were bought back into treasury at a cost of £8.9 million. The Company's discount at the year end was 13.4%. Since the period end, a further 509,300 shares have been bought back into treasury at a cost of £1.6 million.

Shareholder authority will again be sought at the Annual General Meeting to purchase the Company's shares to provide the Company with the flexibility to hold any shares that have been repurchased in treasury before either cancelling those shares or selling them back to the

market at a later date. Repurchased shares would only be resold at a price above the NAV at the relevant date. The share buyback authority would only be exercised if to do so would increase the net asset value per Ordinary share for the remaining shareholders and would be in the best interests of shareholders generally.

The Board

As reported in the half yearly results, Charlie Ricketts was appointed as a non-executive Director on 19 April 2016. The Board remains committed to its corporate governance responsibilities and ensuring succession planning measures are implemented.

Annual General Meeting

The Annual General Meeting will be held at the Manager's London office on Thursday 15 December 2016 at 12.00 noon, followed by a lunch for shareholders. This will give shareholders the opportunity to meet the Directors and Manager after the formal AGM business has concluded and we welcome all shareholders to attend. The AGM will continue to be alternated between Edinburgh and London.

Outlook

Asia may have regained its poise, yet recent optimism is tinged with unease that the rally could be short-lived. This stems from worries that existing headwinds could persist into 2017. Of continued concern is the prospect of a tighter US monetary policy. While Asia will not be immune from renewed volatility when the Fed eventually lifts rates, the central bank has indicated that the pace of rate hikes will be gradual and controlled. Hence, a repeat of the 'taper tantrum' in 2013 seems highly unlikely. The result of the US presidential elections in November, however, could test markets.

In Europe, repercussions of the Brexit referendum are still unfolding, as governments in the Euro bloc grapple with a groundswell of anger over the migration crisis and the growing chorus of discontent over the European Central Bank's unconventional monetary policy.

Against this environment, Asia offers investors value and relative stability, backed by improving fundamentals. Equities remain attractively valued, compared to historical levels and to markets elsewhere. Most governments have opted to stay prudent, keeping their powder dry and standing ready with fiscal policy expansion to support growth. Central banks have capacity to supplement their governments' policies with more monetary easing. The region's demographics, urbanisation and a growing middle class remain supportive. At the corporate level, while revenues have yet to see a significant resurgence given weak demand, managements have been cutting costs and

conserving cash to strengthen balance sheets. This provides assurance that your Company's holdings are well-positioned for recovery, with the quality to deliver good returns over the long term.

For Edinburgh Dragon Trust plc
Allan McKenzie
Chairman

2 November 2016



Strategic Report

The Company is an investment trust which invests in a portfolio of about 60 companies in the Asia Pacific region with the exception of Japan and Australia. It is the largest investment trust investing in the Asia Pacific region ex Japan.

Fundamental research drives the investment process. Aberdeen believes in first-hand research, meeting corporate management and visiting the holdings at least twice a year, analysing results quarterly and reviewing news flow weekly. The main investment risk to them is buying a poor quality company, or one that is overpriced. Teamwork is important to Aberdeen. The Manager has no preconception about where to find good stocks; they focus on management, governance and the business plan; due diligence and a focus on quality is their main form of risk control.

1987

Edinburgh Dragon Trust plc was incorporated in 1987; investment trusts are one of the oldest forms of collective investment in the world.

Hero MotoCorp Ltd

Workers assemble Hero Ignitor motorcycles on the assembly line of the company's manufacturing facility in Gurgaon, India. Hero MotoCorp is the world's largest manufacturer of two-wheeler bikes, based in India. The company's extensive sales and service network spans over to 6,000 customer touch points. These comprise a mix of authorised dealerships, service and spare parts outlets, and dealer-appointed outlets across the country.

Strategic Report

Overview of Strategy

Business Model

The business model of the Company is to operate as an investment trust for UK capital gains tax purposes in line with its investment objective. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 August 2016 so as to enable it to comply with the relevant eligibility conditions for investment trust status as defined by Section 1158 of the Corporation Tax Act 2010.

Investment Policy

The Company's assets are invested in a diversified portfolio of securities in quoted companies spread across a range of industries and economies in the Asia Pacific region, excluding Japan and Australasia. The shares that make up the portfolio are selected from companies that have proven management and whose shares are considered to be attractively priced. The Company invests in a diversified range of sectors and countries. Investments are not limited as to market capitalisation, sector or country weightings within the region.

The Company's policy is to invest no more than 15% of gross assets in other listed investment companies (including listed investment trusts).

The Company complies with Chapter 4 of Part 24 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 and does not invest more than 15% of its assets in the shares of any one company.

When appropriate the Company will utilise gearing to maximise long-term returns, subject to a maximum gearing level of 20% of net assets imposed by the Board.

The Company does not currently utilise derivatives but keeps this under review.

Company Benchmark

MSCI All Country Asia (ex Japan) Index (sterling adjusted).

Alternative Investment Fund Manager ("AIFM")

The AIFM is Aberdeen Fund Managers Limited ("AFML" or the "Manager") which is authorised and regulated by the Financial Conduct Authority.

The Company's portfolio is managed on a day-to-day basis by Aberdeen Asset Management Asia Ltd ("AAMA" or the "Investment Manager") by way of a delegation agreement in place between AFML and AAMA.

Achieving the Investment Policy and Objective

The Directors are responsible for determining the investment policy and the investment objective of the Company. Day-to-day management of the Company's assets has been delegated to the Investment Manager who invests in a diversified range of companies throughout the Asia Pacific investment region in accordance with the investment policy. The Investment Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct contact by its fund managers. Stock selection is the major source of added value. No stock is bought without the Investment Manager having first met management. The Investment Manager evaluates a company's worth in two stages; quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is evaluated by reference to key financial ratios, the market, the peer group and business prospects. Stock selection is key in constructing a diversified portfolio of companies. Top-down investment approach and benchmark weightings are secondary factors. The Investment Manager is authorised to invest up to 15% of the Company's gross assets in any single stock, calculated at the time an investment is made.

A detailed description of the investment process and risk controls employed by the Investment Manager is disclosed on page 59.

A comprehensive analysis of the Company's portfolio by country and by sector is disclosed on pages 18 to 22, including a description of the ten largest investments, the full investment portfolio by value and sector/geographical analysis. At 31 August 2016, the Company's portfolio consisted of 60 holdings.

Gearing is used to leverage the Company's portfolio in order to enhance returns when this is considered appropriate to do so. At 31 August 2016, the Company's net gearing was 6.9%.

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial position, performance and prospects. The Board has identified the principal risks and uncertainties facing the Company in the table opposite and the appropriate mitigating action. The principal risks associated with an investment in the Company's shares are published monthly on the Company's factsheet or they can be found in the pre-investment disclosure document published by the Manager, both of which are on the Company's website. Further details on the internal control environment can be found in the Statement of Corporate Governance.

Risk

Concentration Risk - Trading volumes in certain securities of emerging markets can be low. The Investment 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 a 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 net asset value ("NAV") per Ordinary share.

Resource - The Company is an investment trust and has no employees. The responsibility for the provision of investment management, marketing and administration services for the Company has been delegated to the AIFM, Aberdeen Fund Managers Limited, under the management agreement. The terms of the management agreement cover the necessary duties and conditions expected of the Manager. As a result, the Company is dependent on the performance of the AIFM.

Investment and Market - The Company is exposed to the effect of variations in share prices due to the nature of its business. Investment in Asian equities involves a greater degree of risk than that usually associated with investment in the major securities markets, 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.

Gearing - As at 31 August 2016 the Company had £59.8 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") in issue. Gearing has the effect of exacerbating market falls and gains.

Regulatory - The Company operates in a complex regulatory environment and faces a number of regulatory risks. Serious breaches of regulations, such as the tax rules for investment companies, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage.

Discount Volatility - The Company's share price can trade at a discount to its underlying net asset value.

Reliance on Third Party Service Providers - The Company has entered into a number of contracts with third party providers including share registrar and depositary services. Failure by any service provider to carry out its contractual obligations could have a detrimental impact on the Company operations.

Mitigating Action

The Board monitors, on a regular basis, Aberdeen's total holdings for each stock within the Company's portfolio and the liquidity of these stocks.

The Board reviews the performance of the Manager on a regular basis and their compliance with the management contract formally on an annual basis. As part of that review, the Board assesses the Manager's succession plans, risk management framework and marketing activities. In addition, the Board visits the Manager's Singapore office, where the day-to-day investment management is undertaken, when they are in the region.

The Board continually monitors the investment policy of the Company, taking account of stockmarket factors, and reviews the Company's performance compared to its benchmark index and peer group. Further details on other risks relating to the Company's investment activities, including market price, liquidity and foreign currency risks, are provided in note 16 to the financial statements.

In order to manage the level of gearing, the Board has set a maximum gearing ratio of 20% of net assets and receives regular updates on the actual gearing levels the Company has reached from the Manager together with the assets and liabilities of the Company and reviews these at each Board meeting.

The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

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.

The performance of third party providers is reviewed on an annual basis.

Performance

Key Performance Indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators ("KPIs") are established industry measures, and are as follows:

KPI	Description
Net asset value and share price (total return)	The Board monitors the NAV and share price performance of the Company over different time periods. Performance figures for one, three and five years are provided in the Results section.
Performance against benchmark	<p>Performance is measured against the Company's benchmark, the MSCI All Country Asia (ex Japan) Index (in sterling terms).</p> <p>The Board also considers peer group comparative performance over a range of time periods, taking into consideration the differing investment policies and objectives employed by those companies.</p>
Discount/Premium to net asset value	The discount/premium relative to the NAV represented by the share price is closely monitored by the Board. The objective is to avoid large fluctuations in the discount relative to similar investment companies investing in the region by the use of share buy backs subject to market conditions. A graph showing the share price discount relative to the NAV is also shown on page 13.

Further analysis of the above KPIs is provided in the Chairman's Statement.

Promoting the Company

The Board recognises the importance of promoting the Company and believes an effective way to achieve this is through subscription to, and participation in, the promotional and investor relations programme run by the Aberdeen Group on behalf of a number of investment trusts under its management. The purpose of the programme is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's shares. The Company's financial contribution to the programme is matched by the Aberdeen Group and regular reports are provided to the Board on promotional activities as well as an analysis of the shareholder register.

investment is set out in the Statement of Corporate Governance.

Board Diversity

The Board's statement on diversity is set out in the Statement of Corporate Governance. At 31 August 2016 there were four male Directors and one female Director.

Viability Statement

In accordance with the provisions of the UK Corporate Governance Code the Board has assessed the viability of the Company. The Company is a long-term investor and the Board believes it is appropriate to assess the Company's viability over a five year horizon which reflects the Investment Manager's long-term approach. The Directors believe this period reflects a proper balance between the long term horizon and the inherent uncertainties of looking to the future. The Directors have taken account of the requirement to put forward a continuation resolution to the 2018 AGM and that the Company's convertible loan matures in January 2018.

Environmental, Social and Human Rights Issues

The Company has no employees and therefore no disclosures are required to be made in respect of employees.

In assessing the viability of the Company the Directors have carried out a robust assessment of the following factors:

The Company has no greenhouse gas emissions to report nor does it have responsibility for any other emissions producing sources. More information on socially responsible

- the principal risks set out in the Strategic Report on page 9 and the steps available to mitigate these risks;
- the liquidity and diversity (in both sector and geography) of the Company's investment portfolio;
- the demand for the Company's shares as evidenced by the level of discount at which the shares trade; and
- the level of gearing and revenue surplus generated by the Company.

The Board has also had regard to matters such as significant economic or stock market volatility, a substantial reduction in the liquidity of the portfolio or changes in investor sentiment, all of which could have an impact on the Company's prospects and viability in the future.

Taking into account all of these factors, the Company's current position and the potential impact of the principal risks and uncertainties faced by the Company, the Board has concluded that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 31 August 2021 of this assessment.

Future

Many of the non-performance related trends likely to affect the Company in the future are common across all closed ended investment companies, such as the attractiveness of investment companies as investment vehicles, the impact of regulatory changes (including MiFID II and the Packaged Retail Investment and Insurance Products regulations) and the recent changes to the pensions and savings market in the UK. These factors need to be viewed alongside the outlook for the Company, both generally and specifically, in relation to the portfolio. The Board's view on the general outlook for the Company can be found in the Chairman's Statement on pages 3 to 5 whilst the Investment Manager's views on the outlook for the portfolio are included on pages 14 to 15.

Allan McKenzie
Chairman
2 November 2016

A handwritten signature in black ink, appearing to read 'Allan McKenzie', with a stylized, flowing script.

Strategic Report

Results

Financial Highlights

	31 August 2016	31 August 2015	% change
Performance			
Equity shareholders' funds (£'000)	664,159	518,635	+28.1
Net asset value per share (including net revenue) (p)	348.62	267.22	+30.5
Share price (p)	302.00	235.75	+28.1
Market capitalisation (£'000)	575,338	457,554	+25.7
MSCI AC Asia (ex Japan) Index (in sterling terms; capital return basis)	776.06	599.97	+29.3
Revenue return per share (p)	4.50	4.13	
Total return per share (p)	83.36	(37.68)	
Gearing			
Net gearing (%) ^A	6.9	9.4	
Discount			
Level of discount at which the shares traded (%)	13.4	11.8	
Operating costs			
Ongoing charges ratio ^B	1.14	1.15	

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

^B Ongoing charges ratio is calculated in accordance with guidance issued by the AIC as the total of the investment management fee and ongoing administrative expenses divided by the average undiluted net asset value in the year.

Year's Highs/Lows

	High	Low
Share price (p)	311.3	211.0
Net asset value (p)	353.3	244.6
Discount (%)	-9.8	-15.3

Performance (total return)^A

	6 months return %	1 year return %	3 year return %	5 year return %
Share price	+33.0	+29.7	+22.0	+38.3
Net asset value	+32.7	+31.9	+27.7	+45.3
MSCI AC Asia (ex Japan) Index (in sterling terms)	+29.0	+33.0	+36.9	+50.3

^A Capital return plus dividends reinvested.

Dividends

	Rate	xd date	Record date	Payment date
Proposed final 2016	3.20p	17 November 2016	18 November 2016	16 December 2016
Final 2015	3.00p	19 November 2015	20 November 2015	18 December 2015

Performance

Share Price Discount to NAV

Five years to 31 August 2016

Total Return of NAV and Share Price vs MSCI All Country Asia (ex Japan) Index (in sterling terms)

Five years to 31 August 2016 (rebased to 100 at 31 August 2011)

Ten Year Financial Record

Year ended 31 August	Equity shareholders' interest £'000	Net asset value per Ordinary share p	Revenue return per Ordinary share p	Ordinary share price p	Share price discount %	Expenses as a % of average shareholders' funds
2007	384,521	162.18	1.84	144.25	10.8	1.3
2008	377,787	163.58	2.35	146.00	10.5	1.3
2009	414,074	179.29	2.31	167.40	6.6	1.4
2010	471,324	240.09	2.62	219.00	8.8	1.3
2011 ^A	493,555	251.37	4.31	230.00	8.5	1.2
2012 ^A	519,765	264.70	3.30	237.30	10.4	1.3
2013 ^A	550,346	280.26	3.42	254.70	9.1	1.2
2014 ^A	603,077	307.10	3.43	272.50	11.3	1.2
2015 ^A	518,635	267.22	4.13	235.75	11.8	1.2
2016 ^A	664,159	348.62	4.50	302.00	13.4	1.1

^A The 2011 to 2016 expenses as a % of average shareholders' funds have been calculated with reference to guidance issued by the AIC on ongoing charges, which advises the use of the average daily net asset value throughout the year within the calculation. The figures for 2007 to 2010 disclosed were calculated using previous best practice, which used the average monthly net asset value throughout the year within the calculation.

Investment Manager's Review

Background/Portfolio Review

In a rather volatile 12 months, two events stood out, helping Asian equity markets forge ahead. The US Federal Reserve's first interest-rate hike in nearly a decade affirmed the start of its policy normalisation cycle. Although deviating from the loosening stance of other major central banks, the Fed decision in December nevertheless alleviated a major source of uncertainty for investors and helped Asian equities recover from an initial lacklustre performance. The other was the UK's shock Brexit vote in June, which upended financial markets worldwide. While Pan European stocks languished and sterling touched 30-year lows, Asian stocks and currencies rebounded after a brief sell-off as the global hunt for returns drove capital flows into the region over the last quarter.

Also dominating headlines were persistent concerns over economic growth and policy missteps in China. Mainland stocks endured a sharp decline in January that reverberated globally, but the market turned around when Beijing announced more stimulus, boosted spending and fine-tuned communication. At the sector level, worries over the impact of negative interest rates in Europe and Japan on bank-sector profitability weighed on financial stocks, which rose over the year, but lagged other sectors in the region. Volatile commodity prices also kept investors on edge, although cheaper oil provided room for central banks to cut rates. Meanwhile, reforms accelerated in India, China and Indonesia, adding to the region's appeal. Most markets rose over the year, with sterling weakness magnifying returns for UK investors.

Against this backdrop, the Trust's net asset value ("NAV") total return rose by 31.9% in sterling terms, while the share price gained 29.7%, compared to the benchmark index's total return of 33.0%. Although the Trust marginally underperformed the benchmark, the double-digit return in absolute terms is encouraging.

Good stock selection, notably in India, Taiwan and Korea, helped mitigate the Trust's underperformance. At the stock level, several Indian holdings were among the top contributors to relative return. HDFC continued to report healthy growth in loans and savings, while non-performing loans remained well below levels common among state-run lenders. Grasim Industries was buttressed by solid revenues and improved margins. Despite a muted demand outlook, Hero MotoCorp benefited from lower commodity prices and cost cuts. Piramal Enterprises' share price soared on news that it was separating its financial services and healthcare divisions to create more focused businesses that should unlock shareholder value over the long term.

In Taiwan, the Trust's holding in Taiwan Mobile added to performance as the telco's net income was bolstered by

increasing contributions from the 4G network, lower handset subsidies and dividend income from its investment in Taiwan High Speed Rail.

Stock selection was also positive in Korea. Despite a sluggish IT sector, Samsung Electronics rallied after management announced that it was repurchasing 11.3 trillion won-worth of shares, while continuing to grow its dividends. This was the biggest buyback in the company's history and the first cancellation of shares in 10 years, underscoring the increased focus on shareholders returns. After the review period, the share price took a hit when the highly anticipated Galaxy Note 7 smartphones were plagued by faulty batteries. The company has announced a discontinuation of the model. While unfortunate, taking this decision now and writing off the cost of the Note 7 range allows the company to focus on the development of the next generation of handsets. It should also lessen the impact on its brand over the long term. The rest of Samsung's business remains strong, particularly in semiconductors, where the company is benefiting from its investments in leading-edged technology. In line with our due diligence process, we will continue to research its product design and quality-checking process. We will also continue to engage management on improving governance structure and capital management.

Conversely, the key reason for underperformance was the Trust's significant exposure to financial companies. At the stock level, the holdings in HSBC and Standard Chartered detracted. The share prices were depressed as the lenders continued to restructure, while navigating a difficult operating environment. The Brexit vote also caused a sell-off in the UK-domiciled banks, despite both deriving the bulk of their earnings from well-established emerging-markets franchises. On a positive note, Standard Chartered returned to profitability as shown in its recent interim results. It delivered this via cost controls, lower impairments, reduced commodity exposure and an improved capital base. HSBC, too, streamlined operations and strengthened its capital position, which allowed it to maintain dividends and announce a share buyback. We are encouraged by the progress being made as the banks' restructuring efforts are starting to bear fruit.

Given that financial stocks make up around half of the Singapore local index, the Trust's substantial exposure to that market also hampered performance. The local-currency share prices of our holdings UOB, OCBC and DBS were pressured by the low interest-rate environment and rising NPLs (non performing loans), which contributed to tepid earnings. Concerns over the fallout from Swiber, a local offshore oil-and-gas contractor that filed for liquidation, also weighed on sentiment. However, the banks' actual exposure to Swiber appears manageable. It is worth noting that Singapore lenders are in better shape than many of their regional peers,

and we are encouraged by their robust liquidity positions and attractive valuations. Elsewhere, energy-related stock Keppel Corp was buffeted by commodity-price volatility. The rig builder was further hindered by major customer Sete Brasil, which filed for bankruptcy protection. Keppel responded swiftly by raising provisions, reducing costs and shutting less-utilised yards. Its non-oil businesses also continued to do well.

Meanwhile, property holdings were hampered by tightening measures in the sector. As a result, the Trust's holdings in Hang Lung Group and Swire Properties in Hong Kong, as well as City Developments in Singapore, cost performance. Swire Properties, in turn, proved a drag on its parent Swire Pacific, another of the Trust's Hong Kong holdings. However, we believe the companies' underlying portfolios place them in good stead to capture rising demand over the longer term.

Stock selection in China detracted, albeit this was mainly due to the Trust's lack of exposure to mainland internet companies Tencent and Alibaba, both of which continued to report good earnings growth. However, valuations remain relatively expensive in the sector and the still-evolving operating environment seems a shaky foundation. In addition, we are not sufficiently comfortable with Tencent's corporate structure. As for Alibaba, we are wary of its aggressive move into financial services, where its lending activity may not be subject to the same level of scrutiny as occurs at other local financial services providers.

Portfolio Activity

Several holdings were introduced over the year. Already mentioned in the interim report were Hong Kong Exchanges and Clearing, Korean cosmetic giant Amorepacific Corp, Indonesia's Bank Central Asia and Vietnam Dairy Products. More recently, the Trust initiated two Indian holdings. One of them was Tata Consultancy Services, a leading domestic IT services company with solid market positions overseas that continues to secure new clients. The other was HDFC Bank, an associate of HDFC, which the Trust already holds. It continues to grow profits on the back of an increase in urban demand for loans and market-share gains in the corporate sector. It is also well placed to benefit from expansion in rural areas. While NPLs have risen, they are still manageable at the private-sector bank. In Korea, internet company Naver was introduced. The company has a lion's share in the local online portal business and is a major regional player in mobile messaging. Growth prospects look bright, supported by higher smartphone usage and rising penetration of social media, advertising and mobile commerce, all of which could provide opportunities to monetise the user base. Diversification efforts are also gaining traction as overseas businesses increase their share of total earnings. Against these, the Trust sold Li & Fung as its business model and

margins appear increasingly strained against the current challenges facing the global retail supply chain.

Outlook

In the near term, record-low interest rates in the developed world could continue to drive capital flows into emerging Asia. However, key risks persist. Although the Fed has sent a strong signal that a rate hike is likely before the end of 2016, such a move remains subject to the state of the economy. Leading up to the potential rate hike, market jitters could spike. The US presidential election in November also presents another area of concern, given that the outcome could have a bearing on matters related to trade. In Europe, Brexit-related uncertainties could still flare up. Meanwhile, China-induced volatility has dissipated in recent months, but sluggish domestic consumption, still-rapid credit expansion and corporate default risk remain inherent concerns. The recent fall in fixed asset investments in the mainland appears to give credence to these issues. Against this backdrop, the outlook for earnings growth in the year ahead remains capped in the high single-digits in Asia.

Nevertheless, regional economies are holding up relatively well compared with their developed peers. While China's rebalancing towards domestic consumption will be painful in the short term, it should result in better-quality growth over the long haul. Elsewhere in the region, governments have beefed up foreign exchange reserves, lowered net external debt and strengthened current account and fiscal balances, placing their economies on a better footing than their Western counterparts to absorb any shocks from global headwinds. Central banks, too, still have ample room to cut interest rates. At the corporate level, companies, including several of the Trust's holdings, are taking the sensible option of streamlining operations and cutting costs in the current challenging environment as they prime themselves for an economic recovery.

Aberdeen Asset Management Asia Limited*

2 November 2016

* on behalf of Aberdeen Fund Managers Limited
Both companies are subsidiaries of Aberdeen Asset Management PLC.

Portfolio

Aberdeen's theoretical universe of companies is all listed stocks within the Asia (ex Japan and Australia) region. In practice the universe is very much smaller; having visited over 96% of all stocks in the MSCI All Country Asia (ex Japan) universe in the last decade, Aberdeen have eliminated a vast proportion, mainly for reasons of size, business quality or ownership. Edinburgh Dragon currently has 60 companies in its portfolio that meet the Manager's selection criteria, filtering for those the Manager finds most attractive.

Aberdeen Asset Management is a true buy and hold investor. In its view, a good company is one it can in theory hold forever. It looks to invest in good quality companies at a sensible price. It looks first for sustainable cash flows and strong balance sheets. The group invests for the long term – and only in companies it believes it understands and can add value.

Siam Cement PCL

Siam Cement is Thailand's largest maker of cement and building materials. Its logo here is outside the company's factory in Kaeng Khoi, Saraburi province, Thailand.

Headquartered in Bangkok, Thailand, the company is a leading business conglomerate in Southeast Asia, established in 1913.

It has a declared commitment to good corporate governance and sustainable development principles. It is diversified into three core businesses, SCG Cement-Building Materials, SCG Packaging and SCG Chemicals. Recently newer cement capacities in Cambodia, Indon and Myanmar offer potential for growth cement volume in the region.

Ten Largest Investments

As at 31 August 2016

Company	Industry	Country	Valuation 2016 £'000	Total assets %	Valuation 2015 £'000
Samsung Electronics Pref A leading semiconductor company which is also a major player in mobile phones and consumer electronics.	Technology Hardware, Storage & Peripherals	South Korea	43,420	6.0	26,274
Jardine Strategic Holdings A Singapore-listed conglomerate with interests across the region spanning property, hotels and consumer-related businesses.	Industrial Conglomerates	Hong Kong	31,463	4.4	25,032
Taiwan Semiconductor Manufacturing Company The leading semiconductor foundry in Taiwan.	Semiconductors & Semiconductor Equipment	Taiwan	29,669	4.1	22,535
Housing Development Finance Corp Leading domestic mortgage provider with a leading distribution network, cost structure and balance sheet quality.	Thriffs & Mortgage Finance	India	28,918	4.0	22,834
Oversea-Chinese Banking Corporation A leading, well-run Singaporean banking group with assets and operations in South East Asia and China.	Banks	Singapore	28,414	3.9	27,584
AIA Group The Group offers life insurance, accident insurance, health insurance and wealth management solutions to individuals and businesses in the Asia Pacific region.	Insurance	Hong Kong	26,885	3.7	20,647
Singapore Telecommunications A telecom operator that has steady operations in Singapore and Australia, coupled with growth from Asia's emerging markets via its regional franchises. The company offers a healthy dividend yield, with a robust balance sheet and cash flow.	Diversified Telecommunication Services	Singapore	23,035	3.2	17,636
Siam Cement (Alien) One of Thailand's largest conglomerates with key interests in cement, petrochemicals, paper and building materials. It has a sound financial position and offers a good dividend yield.	Construction Materials	Thailand	22,142	3.1	16,422
China Mobile The number one mobile operator in China.	Wireless Telecommunication Services	China	21,321	2.9	20,275
United Overseas Bank Singapore's second largest bank, primarily focused on SMEs and consumers, with its core market in Singapore and the balance predominantly in South East Asia.	Banks	Singapore	21,130	2.9	18,721
Top ten investments			276,397	38.2	

Portfolio

Other Investments

As at 31 August 2016

Company	Industry	Country	Valuation 2016 £'000	Total assets %	Valuation 2015 £'000
HSBC Holdings	Banks	Hong Kong	20,557	2.9	20,858
Swire Pacific 'B'	Real Estate Management & Development	Hong Kong	20,520	2.8	17,855
City Developments	Real Estate Management & Development	Singapore	20,450	2.8	17,285
Standard Chartered ^A	Banks	United Kingdom	18,125	2.5	17,982
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	17,022	2.4	13,083
ITC	Tobacco	India	16,726	2.3	11,423
Grasim Industries	Construction Materials	India	15,682	2.2	13,114
Bank of Philippine Islands	Banks	Philippines	15,673	2.2	10,674
Ayala Land	Real Estate Management & Development	Philippines	15,466	2.1	12,235
Singapore Technologies Engineering	Aerospace & Defence	Singapore	15,252	2.1	14,367
Top twenty investments			451,870	62.5	
John Keells Holdings ^B	Industrial Conglomerates	Sri Lanka	13,712	1.9	12,719
Tata Consultancy Services	IT Services	India	11,789	1.6	1,509
Hero MotoCorp	Automobiles	India	11,755	1.6	10,797
Dairy Farm International	Food & Staples Retailing	Hong Kong	11,277	1.6	8,718
Piramal Enterprises	Pharmaceuticals	India	10,727	1.5	5,540
Keppel Corp	Industrial Conglomerates	Singapore	10,121	1.4	9,047
ICICI Bank	Banks	India	9,684	1.3	7,614
DBS Group	Banks	Singapore	8,645	1.2	8,263
Hang Lung Properties	Real Estate Management & Development	Hong Kong	8,146	1.1	6,648
Public Bank	Banks	Malaysia	7,914	1.1	5,909
Top thirty investments			555,640	76.8	
Hang Lung Group	Real Estate Management & Development	Hong Kong	7,880	1.1	7,310
Bank Central Asia	Banks	Indonesia	7,632	1.1	592
Astra International	Automobiles	Indonesia	7,483	1.0	1,092
Unilever Indonesia	Household Products	Indonesia	7,351	1.0	5,192
Amorepacific Corp	Consumer Products	South Korea	7,106	1.0	–
Naver Corp	Internet Software & Services	South Korea	7,065	1.0	–
Hong Kong Exchanges & Clearing	Capital Markets	Hong Kong	6,627	0.9	–
Infosys Ltd	IT Services	India	6,534	0.9	17,387
CNOOC	Oil, Gas & Consumable Fuels	China	6,439	0.9	10,062
CIMB Group Holdings	Banks	Malaysia	6,376	0.9	5,307
Top forty investments			626,133	86.6	

Portfolio

Other Investments continued

As at 31 August 2016

Company	Industry	Country	Valuation	Total	Valuation
			2016	assets	2015
			£'000	%	£'000
PetroChina 'H'	Oil, Gas & Consumable Fuels	China	6,161	0.9	6,518
E-Mart Co	Food & Staples Retailing	South Korea	6,105	0.9	7,846
Holcim Indonesia	Construction Materials	Indonesia	6,058	0.8	3,474
British American Tobacco Malaysia	Tobacco	Malaysia	5,681	0.8	5,738
MTR Corp	Road & Rail	Hong Kong	5,555	0.8	1,876
Kerry Logistics Network	Air Freight & Logistics	Hong Kong	5,388	0.7	2,562
Swire Properties	Real Estate Management & Development	Hong Kong	5,330	0.7	4,918
Oriental Holdings	Automobiles	Malaysia	4,582	0.6	3,706
Vietnam Dairy Products	Food Products	Vietnam	4,330	0.6	–
ASM Pacific Technology	Semiconductors & Semiconductor Equipment	Hong Kong	4,276	0.6	3,638
Top fifty investments			679,599	94.0	
Yoma Strategic Holdings	Real Estate Management & Development	Singapore	4,027	0.6	2,455
DFCC Bank	Banks	Sri Lanka	3,835	0.5	5,158
HDFC Bank	Banks	India	3,677	0.5	–
Ultratech Cement	Construction Materials	India	3,442	0.5	3,752
BNK Financial Group	Banks	South Korea	3,115	0.4	3,211
China Conch Venture Holdings	Machinery	China	3,078	0.4	1,983
Shinsegae Company	Multiline Retail	South Korea	2,959	0.4	2,918
DGB Financial Group	Banks	South Korea	2,344	0.3	2,930
Batu Kawan	Chemicals	Malaysia	2,215	0.3	1,730
Global Brands Group	Textiles, Apparel & Luxury Goods	Hong Kong	1,843	0.3	3,185
Total investments			710,134	98.2	
Net current assets			12,907	1.8	
Total assets^c			723,041	100.0	

^a Valuation amalgamates both UK (£14,875,000; 2015 – £14,976,000) and Hong Kong (£3,250,000; 2015 – £3,006,000) listed equity holdings.

^b Valuation amalgamates both warrants (£23,000; 2015 – £186,000) and listed equity holdings (£13,689,000; 2015 – £12,533,000).

^c See definition on page 64.

Note: Unless otherwise stated, foreign stock is held and all investments are equity holdings.

Changes in Asset Distributions

Country	Value at 31 August 2015 £'000	Purchases £'000	Sales proceeds £'000	Gains/ (losses) £'000	Value at 31 August 2016 £'000
China	42,188	982	6,324	5,540	42,386
Hong Kong	142,738	13,458	10,272	22,561	168,485
India	93,969	19,987	30,388	35,364	118,932
Indonesia	10,349	9,705	–	8,470	28,524
Malaysia	22,390	267	–	4,111	26,768
Philippines	22,910	6	–	8,223	31,139
Singapore	116,204	3,109	9,558	21,320	131,075
South Korea	43,180	13,304	7,636	23,266	72,114
Sri Lanka	17,877	478	–	(808)	17,547
Taiwan	35,619	–	5,730	16,803	46,692
Thailand	19,010	–	2,260	5,392	22,142
Vietnam	–	2,745	–	1,585	4,330
Total investments	566,434	64,041	72,168	151,827	710,134
Net current assets	10,453	–	–	2,454	12,907
Total assets less current liabilities	576,887	64,041	72,168	154,281	723,041

Governance

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance. The Company is registered as a public limited company and has been accepted by HM Revenue & Customs as an investment trust.

All Directors are considered by the Board to be independent of the Manager.

AIA Group Ltd

AIA is the largest independent publicly listed pan-Asian life insurance group, with a presence in 18 markets. Its vision is to be the pre-eminent life insurance provider in the region. The business that is now AIA was first established in Shanghai almost a century ago. It is a market leader in the region based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$181 billion as of 31 May 2016. AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Your Board of Directors

Allan McKenzie
Independent Chairman

Length of service: 10 years, appointed on 1 September 2006

Experience: Former chief operating officer and a managing director of BlackRock International Limited prior to his retirement in 2006. Between 1972 and 1991 he was actively involved in fund management, specialising in Asian equity markets. Since 1991 his role was in marketing and client relationship management at both Scottish Widows Investment Management and BlackRock International Limited. Formerly he was chairman of Impax Asian Environmental Markets plc, director of BlackRock Global Series plc and chairman and director of the Thailand International Fund Limited.

Kathryn Langridge

Length of service: 4 years, appointed on 29 October 2012

Experience: 30 years' experience in the investment industry. She is currently head of global emerging markets equity at Manulife. She was previously fund management director for global emerging equities at Jupiter Asset Management, head of global emerging markets team at Lloyd George Management, where she was responsible for developing investment strategy and managing equity portfolios across a range of emerging markets. She also worked at INVESCO Perpetual for 17 years where she had been head of Asian investments and head of international equity products. She began her career in Asia with Jardine Fleming.

Charles Ricketts

Length of service: 6 months, appointed on 19 April 2016

Experience: Over 30 years' experience within the investment funds arena. Until 2014 he was the head of investment funds at Cenkos Securities, providing equity capital markets services to the fund management industry and to investment trust companies. He recently founded Crix Capital, a consultancy, enterprise philanthropy and venture funding business. He was previously a managing director of UBS Investment Bank and head of investment funds. He began his investment career as an investment director of Johnson Fry and head of marketing and investment product development at Gartmore Investment Management.

Peter Maynard

Length of service: 5 years, appointed on 12 October 2011

Experience: Qualified as a solicitor and was Group Legal Director at Prudential plc from 1998 to 2009 and Company Secretary from July 1999. Prior to that he was with HSBC for 14 years during which time he was variously a director of HSBC Investment Bank, President and Chief Executive Officer of James Capel Inc in New York and finally Deputy Group Legal Adviser. He is a former chairman of the GC100 and was a supervisory board member of the London Business School Centre for Corporate Governance. He is a non-executive director of Brunner Investment Trust plc.

Iain McLaren

Senior Independent Director, Audit Committee Chairman

Length of service: 6 years, appointed on 6 September 2010

Experience: A chartered accountant and was a partner at KPMG for 27 years, including Senior Partner in Scotland from 1999 to 2004, retiring from the firm in 2008. He is the senior independent director and Audit Committee Chairman of Cairn Energy Plc. He is also chairman of Investors Capital Trust Plc and a non-executive director of Baillie Gifford Shin Nippon Plc and Ecofin Global Utilities and Infrastructure Trust plc. He is a former President of the Institute of Chartered Accountants of Scotland.

Directors' Report

Capital Structure and Borrowings

At 31 August 2016, the Company had 190,509,202 fully paid Ordinary shares of 20p each (2015: 194,084,344) with a further 5,521,300 Ordinary shares of 20p held in treasury (2015: 1,943,500) and £59,778,788 nominal of CULS (2015: £59,787,042) in issue. Changes to the capital structure during the year ended 31 August 2016 are provided on page 65. Subsequent to the period end a further 509,300 Ordinary shares have been purchased in the market for treasury.

The Ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Board) and to receive any interim dividends which the Directors may resolve the Company should pay. On a winding-up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings. On a show of hands, every Ordinary shareholder present in person, or by proxy, has one vote and, on a poll, every Ordinary shareholder present in person has one vote for each share held and a proxy has one vote for every share represented.

There are no restrictions concerning the holding or transfer of the Ordinary shares and there are no special rights attached to any of the shares. The Company is not aware of any agreements between shareholders which may result in restriction on the transfer of shares or the voting rights.

The interest rate on the CULS is 3.5% per annum, payable semi-annually in arrears on 31 January and 31 July in each year. CULS holders are entitled to convert their CULS into Ordinary shares every six months from 31 July 2011 until 31 January 2018. In accordance with the terms of the CULS Issue, the conversion price of the CULS was determined at 310.1528 pence nominal of CULS for one Ordinary share, which represented a 10% premium to the published (unaudited) NAV per Ordinary share (including income) of 281.9571 pence at close of business on 5 January 2011. Any CULS not previously redeemed, purchased or converted will be repaid by the Company on 31 January 2018 at its nominal amount. CULS holders have the power by extraordinary resolution to sanction any modification, abrogation or compromise of, or arrangement in, respect of their rights against the Company and to assent to any modification of the provisions of the Trust Deed.

In the event of a winding-up of the Company, the Ordinary shares will rank behind any creditors or prior ranking capital of the Company, including the CULS.

Directors

Biographies of the Directors of the Company are shown on page 24. Mr Lowrie retired from the Board in December

2015 and Mr Ricketts was appointed as a Non-Executive Director on 19 April 2016. The Directors have the benefit of the indemnity provisions contained in the Company's articles of association.

Dividends

The Directors recommend that a final dividend of 3.2p per Ordinary share (2015: 3.0p) be paid on 16 December 2016 to shareholders on the register on 18 November 2016. The ex-dividend date is 17 November 2016.

Manager and Company Secretary

The Company has appointed Aberdeen Fund Managers Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager. By way of group delegation agreements within the Aberdeen Group the management of the Company's investment portfolio is delegated to Aberdeen Asset Management Asia Limited and company secretarial services and administrative services are provided by Aberdeen Asset Managers Limited.

Details of the management agreement, including notice period and fees paid to Aberdeen Group companies during the year ended 31 August 2016 are shown in note 3 to the financial statements.

Corporate Governance

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

Greenhouse Gas Emissions

The Company has no greenhouse gas emissions or other emissions producing sources to report from its operations.

Substantial Share Interests

At 31 August 2016 the Company had been notified or was aware of the following substantial interests in the Ordinary shares.

Shareholder	Number of Ordinary shares held	% held
Lazard Asset Management	24,464,396	12.8
City of London	23,766,679	12.5
Investec Wealth & Investment Ltd	12,468,749	6.6
Derbyshire County Council	12,300,000	6.5

As at the date of this Report, no changes to the above interests had been notified to the Company.

Auditor

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 35 and 37.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 15 December 2016, the following resolutions will be proposed:

(i) Section 551 Authority to Allot Shares

Resolution 11, which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to 33.33% of the Company's issued Ordinary share capital (excluding treasury shares) as at the date of the passing of this resolution (up to a maximum nominal amount of £12.7 million based on the Company's issued share capital as at the date of this Report). Such authority will expire on 28 February 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(ii) Limited Disapplication of Pre-emption Provisions

Resolution 12, which is a special resolution, seeks to give the Directors power, conditional on Resolution 11 being passed, to allot Ordinary shares and to sell Ordinary shares held in treasury for cash, without first offering them to existing shareholders in proportion to their existing holdings, up to an aggregate nominal value representing 5% of the Company's issued Ordinary share capital as at the date of passing of this resolution (up to a maximum nominal amount of £1.9 million based on the Company's issued share capital as at the date of this Report).

This authority will expire on 28 February 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

Pursuant to this power, Ordinary shares would only be issued for cash and treasury shares would only be sold for cash at a premium to the net asset value per share

(calculated after the deduction of prior charges at market value).

The Directors consider that the powers proposed to be granted by the above resolutions are necessary to provide flexibility to issue shares should they deem it to be in the best interests of shareholders as a whole.

(iii) Purchase of the Company's own Ordinary shares

Since the Company's last AGM the Company has undertaken share buybacks, the details of which are set out on page 65. Resolution 13, which will be proposed as a special resolution, will renew the the Company's authority to make market purchases of its own shares. Shares so repurchased will be cancelled or held in treasury. In respect of the Company's Ordinary shares which it buys back and does not immediately cancel but, instead, holds "in treasury" it may sell such shares (or any of them) for cash (or its equivalent); or ultimately cancel the shares (or any of them).

No dividends will be paid on treasury shares, and no voting rights attach to them.

The maximum number of Ordinary shares which may be **purchased pursuant to this authority shall be 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 28.48 million Ordinary shares)**. The minimum price which may be paid for an Ordinary share (exclusive of expenses) shall be 20p (being an amount equal to the nominal value of an Ordinary share). The maximum price for an Ordinary share (again exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. This authority will expire on 28 February 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(iv) Notice period for general meetings

Resolution 14, which will be proposed as a special resolution, seeks the authority from shareholders for the Company to be able to hold general meetings (other than AGMs) on 14 clear days' notice. The approval will be

effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations) before it can call a general meeting on 14 days' notice.

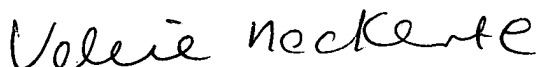
Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling, in aggregate, 47,500 Ordinary shares, and representing 0.02% of the existing issued Ordinary share capital of the Company.

Other Information

The rules concerning the appointment and replacement of Directors, amendments to the articles of association and powers to issue or buy back Company's shares are contained in the articles of association of the Company and the Companies Act 2006. There are no agreements which the Company is party to that might affect its control following a takeover bid; and there are no agreements between the Company and its Directors concerning compensation for loss of office. Other than the management agreement with the Manager, further details of which are set out on page 45, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

By order of the Board,
Aberdeen Asset Managers Limited
Secretary



Edinburgh
2 November 2016

Company Registration SC106049

Statement of Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. The Board is responsible for good governance, and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code published in September 2014 (the "UK Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk, throughout the financial year. The Board confirms that the Company has complied throughout the accounting period to 31 August 2016 with the relevant provisions of the UK Code.

The Company is also a member of the Association of Investment Companies ("AIC"), which has published its own Code of corporate governance to recognise the special circumstances of investment trusts. The Board is of the opinion that the Company has complied with the recommendations of the AIC Code (www.theaic.co.uk).

The Board

The Board consists of five non-executive Directors. Profiles of the Board members appear on page 24. Each Director has the requisite range of business and financial experience to enable the Board to provide clear and effective leadership and proper stewardship of the Company. Mr McLaren is the Senior Independent Director ("SID") and is available to shareholders in the event that there are concerns that cannot be resolved through discussion with the Chairman.

All Directors are considered to be independent of the Manager and to be free of any material relationship with the Manager which could interfere with the exercise of their independent judgement. The Board takes the view that length of service does not compromise independence and that experience can add significantly to the Board's strength. This is consistent with the AIC Code. When making a recommendation for re-electing a Director, the Board will take into account the on-going requirements of the UK Code.

The Board normally meets at least five times each year, and more frequently where business needs require. In addition, there is regular contact between the Directors and the Manager throughout the year. The following table sets out the number of routine Board and Committee meetings attended by each Director during the year compared to the number of meetings that each Director was eligible to attend. Directors also attended a number of non-scheduled meetings to deal with special ad-hoc issues.

The Board has overall responsibility for the Company's affairs. It delegates, through a management agreement and specific instructions, the day-to-day management of the Company to the Manager, Aberdeen Fund Managers Limited. The Board has a schedule of matters reserved to it for

decision, and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. Such matters include overall strategy, review of investment policy, performance, gearing policy, treasury, promotion, Board composition (there is no separate Nominations Committee), corporate governance policy and communications with shareholders. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements and revenue budgets.

Director	Board	Audit	Remuneration
	Meetings	Committee Meetings	Committee Meetings
A McKenzie ^{1,2}	5 (5)	3 (3)	1 (1)
K Langridge	5 (5)	n/a	n/a
P Maynard ¹	5 (5)	3 (3)	n/a
I McLaren ^{1,2}	5 (5)	3 (3)	1 (1)
T Lowrie	2 (2)	n/a	n/a
C Ricketts	2 (2)	n/a	n/a

¹ Member of Audit Committee ² Member of Remuneration Committee

No contract or arrangement subsisted during the period in which any of the Directors was materially interested. The Board monitors on a regular basis the direct and indirect interests of each Director and has concluded that there were no situations which gave rise to an interest of a Director which conflicted with the interests of the Company. The Board adopts a zero tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery.

Performance Evaluation

An appraisal of each Director, including the Chairman, and of the operation of the Board and its Committees, was undertaken during the year. The Chairman's performance assessment was led by the Senior Independent Director. The Board also reviewed the Chairman's and Directors' other commitments. The Board is satisfied that each Director's performance continues to be effective, and that each remains fully committed to the Company.

The Board undertook an externally facilitated evaluation in 2015 and intends to undertake a similar exercise in 2018.

Succession Planning

In line with the Company's strong commitment to its corporate governance responsibilities, the Board regularly reviews its performance and structure to ensure it has the correct mix of relevant skills, diversity and experience for the effective conduct of the Company's business to complement the existing make-up of the Board whilst having due regard for the benefits of diversity, including gender, on the Board.

New Board appointments are identified against the requirements of the Company's business and the need to have a balanced Board and are routinely facilitated by an external recruitment firm to ensure that a wide range of candidates can be considered. Following a review of its composition and, taking into account, succession plans, the Board appointed an independent external search consultant, Trust Associates, to identify potential candidates for the Board which resulted in the appointment of Mr Ricketts in April 2016.

The Board has implemented the provisions of the UK Code whereby all Directors of the Company will stand for re-election on an annual basis. The Board has reviewed the skills and experience of each Director, and supports their re-election.

New Directors are given appropriate induction from the Manager covering legal responsibilities, the Manager's operations and investment trust industry matters. All Directors are entitled to receive appropriate and relevant training. There is a procedure for a Director to take independent professional advice, if necessary, at the Company's expense.

Internal Control and Risk Management

The Board is responsible for the Company's system of internal control and has reviewed the effectiveness of the Company's risk management and internal control systems. The Board confirms that there is an ongoing and robust process for identifying, evaluating and managing the significant risks faced by the Company which include financial, operational, compliance and reputational risks.

Under the Management Agreement, the management of the Company's assets has been delegated to the Manager within overall guidelines. Risks are identified and documented through a risk management framework by each function within the Manager's activities. The internal control systems operated by the Manager are monitored and supported by an internal audit function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented. Any weaknesses identified are reported to the Board, and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

This process has been in place for the year under review and up to the date of approval of this annual report and accounts. It is regularly reviewed by the Board and accords with the Financial Reporting Council's Guidance on Internal Controls.

In addition, the Board has adopted its own risk matrix which identifies the key risks for the Company and covers strategy, investment management, operations, regulatory and financial obligations and third party service providers. A monitoring system is undertaken whereby the controls to mitigate these risks, and the impact of the residual risks, are assessed on a regular basis. Details of the principal risks faced by the Company are provided in Overview of Strategy on page 9.

The key components designed to provide effective internal control are outlined below:

- The Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- The Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- As a matter of course, the Manager's risk management department, including compliance and internal audit functions, continually reviews the Manager's operations.
- Written agreements are in place, which specifically define the roles and responsibilities of the Manager and other third party service providers;
- The Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Manager, has decided to place reliance on the Manager's risk management systems and internal audit procedures; and
- The Audit Committee carried out bi-annual reviews of the Manager's risk management and internal controls, including the internal audit and compliance functions. At its October 2016 meeting, the Audit Committee performed its annual assessment of internal controls for the year ended 31 August 2016 and taking account of events since 31 August 2016. The results of the assessment were reported to the Board.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and by their nature can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Statement of Corporate Governance continued

Audit Committee Report

Membership and Responsibilities

The members of the Audit Committee (the "Committee") are Mr McLaren (Chairman), Mr McKenzie and Mr Maynard who are all deemed to be independent. As Mr McKenzie is considered to be independent and there are no conflicts of interest, the Board considers it appropriate for Mr McKenzie to be a member of the Committee. Two members of the Committee are chartered accountants and have the necessary recent and relevant financial experience. The Committee meets three times a year and considers reports from the external auditor and the Manager's risk management functions, including internal audit and compliance. The terms of reference of the Committee, which are available on request and on the Company's website, are reviewed and re-assessed on an annual basis. The main responsibilities of the Committee are:

- to review the half yearly and annual financial statements of the Company, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements.
- to assess whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- to meet with the external auditor to review their proposed audit programme of work and the findings of the auditor. The Committee also uses this as an opportunity to assess the effectiveness of the audit process.
- to develop and implement policy on the engagement of the external auditor to supply non-audit services.
- to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- to monitor and review annually the external auditor's independence, objectivity, effectiveness, resources and qualification.
- to review and monitor the internal control systems and risk management systems (including non financial risks) on which the Company is reliant.
- to consider annually whether there is a need for the Company to have its own internal audit function.
- to review the arrangements in place within the Manager whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ('whistleblowing').
- to review the performance of the Manager and its compliance with the management agreement.

Significant Accounting Issues

The significant accounting issue considered by the Committee during the year in relation to the Company's

financial statements was the valuation, existence and ownership of investments. All investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 within the FRS 102 fair value hierarchy. The investments are valued using independent pricing sources, in accordance with the stated accounting policies. The portfolio holdings are reviewed and verified by the Manager on a regular basis and existence is verified through custodian reconciliations. The Committee reviews reports from the Manager to ensure that internal controls over the Company's investments are adequate. The audit includes independent confirmation of the existence of all investments from the Company's depository and the valuation of investments to external price sources.

Other Accounting Issues

The Company's compliance with investment trust status, under section 1158 of the Corporation Tax Act 2010, is monitored by the Manager on an ongoing basis and reported to the Committee.

Review of Auditor

The Committee has reviewed the independence and the effectiveness of the external auditor, KPMG LLP ("KPMG"), as follows:

- The external auditor reports on an annual basis the steps it takes to ensure its independence and objectivity and confirms that it has complied with the relevant UK independence guidelines. The level of non-audit services provided by the auditor is assessed and for the year to 31 August 2016 were £4,550 (2015 - £4,550) which related to the review of the half yearly report. The Board will review any future non-audit fees in the light of the requirement to maintain the auditor's independence.
- The Committee considers the experience, continuity and tenure of the external audit team, including the audit director. The audit team consists of suitably experienced staff with knowledge of the investment trust sector and there is a process in place for the rotation of the audit director.
- The Committee assesses the level of audit service annually.

The audit plan is reviewed well in advance and subsequent audit findings are reported comprehensively in a timely manner and are resolved satisfactorily. The auditor has a constructive working relationship with both the Board and the Manager.

Under new EU legislation, listed companies are required to tender the external audit every 10 years. Under transitional arrangements, KPMG will be required to resign as auditor no later than 2020 and accordingly the Committee will undertake an audit tender process prior to that date. KPMG has held office as auditor for over 25 years and the

Committee is satisfied that KPMG remains independent and effective. The audit director is rotated at least every five years, in accordance with professional guidelines. The current audit director has served for five years and, subject to approval by the Committee, a new audit director from KPMG will be rotated onto the 2017 year end audit.

Going Concern

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale.

The Directors believe that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements, and they consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

Review of Manager

The Board keeps the resources of the Manager under constant review. The Board conducts an annual review of the terms and conditions of the management agreement ("Agreement") and an evaluation of the Manager's performance under this Agreement. In monitoring the performance of the Manager, the Board reviews the investment performance, management processes, risk control mechanisms and promotional activities of the Manager. As a result of these reviews, the Board concluded that the Manager has the investment management, promotional, secretarial and administrative skills required for the effective operation of the Company and has satisfactorily met the terms of the management agreement with the Company, and remains satisfied that the continuing appointment of the Manager is in the interests of the Company and its shareholders.

Relations with Shareholders

The Directors place great importance on communication with shareholders. Besides shareholders, the report and accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and potential investors may obtain up-to-date information on the Company through the Manager's freephone information service, and the Company responds to letters from shareholders on a wide range of issues. The Company's annual and half-yearly reports and other publications can be downloaded from the Company's website, www.edinburghdragon.co.uk.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary or the Manager) in situations where direct communication is required. The Chairman meets with

representatives of the major shareholders during the financial year on an annual basis in order to gauge their views. The Manager maintains regular contact with institutional shareholders and feeds back shareholder views to the Board. It is the intention of the Board that, in the ordinary course, the notice of the Annual General Meeting included within the annual report and accounts is normally sent out at least 20 working days in advance of the meeting. All Directors intend to be available at the forthcoming Annual General Meeting, and shareholders are encouraged to attend. Proxy voting figures for each resolution are announced to the meeting after voting on a show of hands.

UK Stewardship Code and Proxy Voting as an Institutional Shareholder

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the AIFM which has sub-delegated that authority to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on the Company's website.

Socially Responsible Investment Policy

The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance and Socially Responsible Investing. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in both areas.

The Manager's ultimate objective, however, is to deliver superior investment return for their clients. Accordingly, whilst the Manager will seek to favour companies which pursue best practice in these areas, this must not be to the detriment of the return on the investment portfolio.

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee, which comprises Iain McLaren and Allan McKenzie, is responsible for determining the level of Directors' fees, having taken external advice. The terms of reference are available on request and on the Company's website. The Board has prepared this Remuneration Report in accordance with the regulations governing the disclosure and approval of Directors' remuneration. This Remuneration Report comprises three parts:

- (i) Remuneration Policy, which was subject to a binding shareholder vote at the 2014 AGM and then every three years thereafter. Should the Remuneration Policy be varied during this interval, then Shareholder approval for the new Remuneration Policy will be sought;
- (ii) An annual Implementation Report, which provides information on how the Remuneration policy has been applied during the year and will be subject to an advisory vote; and
- (iii) An Annual Statement

The law requires the Company's auditor to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 36 to 37.

The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for the foreseeable future, except for the Directors' fees, as set out in the Implementation Report below.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. Directors' remuneration is determined by the Remuneration Committee.

Directors' fees

The Directors are non-executive and their fees are set within the limits of the Company's articles of association which limit the aggregate fees payable to the Board of Directors per annum, currently £250,000. The level of cap may be increased by shareholder resolution from time to time. Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar

capital structure and have a similar investment objective. No shareholder views were sought in setting the remuneration policy although any comments received from shareholders would be considered on an on-going basis. Fee rates are established by taking advice from external sources as to current market levels.

	1 September 2016	1 September 2015
	£	£
Chairman	39,800	39,100
Chairman of Audit Committee	30,900	30,400
Member of Audit Committee and Board	28,800	28,300
Member of Board only	26,600	26,100
Additional fee for SID	1,000	1,000

Appointment

- The Company only intends to appoint non-executive Directors under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment and annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment.
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.
- The Directors are entitled to re-imbursment of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Remuneration Policy was approved by shareholders at the AGM on 16 December 2014.

Implementation Report

Directors' Fees

During 2016 the Board carried out a review of Directors' fees and concluded that the fees payable to Directors with effect from 1 September 2016 would be £39,800 for the Chairman, £30,900 for the Chairman of the Audit Committee, £28,800 for each member of the Audit Committee and £26,600 for each Director. The SID receives an additional £1,000. The last change in fees was at 1 September 2015.

Company Performance

During the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from a composite index, in Sterling terms, consisting of the MSCI All Countries Asia (ex Japan) Index for the seven year period to 31 August 2016 (rebased to 100 at 31 March 2009). This index was chosen for comparison purposes, as it is the reference index used for investment performance measurement purposes.

Statement of Voting at General Meeting

At the Company's last AGM, held on 15 December 2015, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 August 2015. 99.66% of votes were in favour of the resolution, 0.28% were against, and 0.06% abstained.

Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

Audited Information

Fees Payable

The Directors who served in the year received the following fees which exclude employers' NI and any VAT payable. This represents the entire remuneration paid to the Directors. Fees are pro-rated where a change takes place during a financial year. No fees were paid to third parties.

Director	2016	2015
	£	£
A McKenzie	39,100	38,700
K Langridge	26,100	25,800
P Maynard	28,300	28,000
I McLaren	31,159	30,100
T Lowrie	7,868	25,800
C Ricketts	9,570	-
Total	142,097	148,400

Directors' Interests in the Company

The Directors (including their connected persons) at 31 August 2016 and 31 August 2015 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

	31 August 2016		31 August 2015	
	CULS	Ordinary shares	CULS	Ordinary shares
A McKenzie	28,820	25,000	28,820	25,000
K Langridge	-	5,000	-	5,000
P Maynard	-	2,500	-	2,500
I McLaren	20,379	10,000	20,379	10,000
T Lowrie	n/a	n/a	-	-
C Ricketts	-	5,000	n/a	n/a

The above interests were unchanged as at the date of this Report.

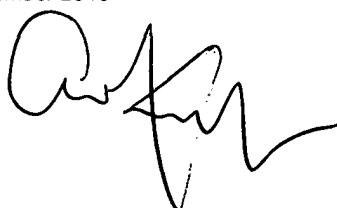
Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year to 31 August 2016:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and in which decisions have been taken.

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

Allan McKenzie
Chairman
2 November 2016



Financial Statements

Over the year to 31 August 2016, your Company delivered healthy returns, with the NAV rising by 31.9% on a total return basis. This was slightly less than the benchmark's increase of 33.0% in sterling terms, but an outperformance against the MSCI World Index's return of 25% – the first time that Asia has outperformed the World Index in five years.

Aberdeen's Singapore office is its regional Asian headquarters, with oversight of activity in the 10 countries where Aberdeen has a presence in Asia, including Australia. Aberdeen has been investing in the region for over 25 years and is one of the largest managers of Asian equities globally.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For Edinburgh Dragon Trust plc
Allan McKenzie
Chairman

2 November 2016



Independent Auditor's Report to the Members of Edinburgh Dragon Trust plc

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified
We have audited the financial statements of Edinburgh Dragon Trust plc for the year ended 31 August 2016 set out on pages 38 to 56. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its return for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit was as follows (unchanged from 2015):

Carrying amount of quoted equity investments £717.8m (2015: £571.2m) Risk vs 2015 : [◀▶]

Refer to page 30 (Audit Committee section of the Statement of Corporate Governance), page 42 (accounting policy) and page 48 (financial disclosures).

The risk: The Company's portfolio of quoted equity investments makes up 99.02% (2015: 98.70%) of the Company's total assets (by value) and is considered to be the key driver of performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our response: Our procedures over the completeness, valuation and existence of the Company's quoted investment portfolio included, but were not limited to:

- documenting and assessing the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and
- agreeing 100% of investment holdings in the portfolio to independently received third party confirmations.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £7,249,000 (2015: £5,788,000), determined with

reference to a benchmark of Total Assets (of which it represents 1% (2015: 1%)).

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £362,000 (2015: £289,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the administrator's offices in Dundee.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability Statement on pages 10 to 11, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the five years; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and

understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy; or

- the Statement of Corporate Governance does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.


Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 10, 11 and 31, in relation to going concern and longer-term viability; and
- the part of the Statement of Corporate Governance on page 28 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.


Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

2 November 2016

Statement of Comprehensive Income

	Notes	Year ended 31 August 2016			Year ended 31 August 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	9	–	151,827	151,827	–	(81,793)	(81,793)
Currency losses		–	(272)	(272)	–	(53)	(53)
Income	2	18,144	–	18,144	18,372	–	18,372
Investment management fee	3	(5,107)	–	(5,107)	(5,955)	–	(5,955)
Administrative expenses	4	(997)	–	(997)	(1,023)	–	(1,023)
Net return/(loss) before finance costs and taxation		12,040	151,555	163,595	11,394	(81,846)	(70,452)
Interest payable and similar charges	5	(2,730)	–	(2,730)	(2,740)	–	(2,740)
Return on ordinary activities before taxation		9,310	151,555	160,865	8,654	(81,846)	(73,192)
Taxation on ordinary activities	6	(655)	–	(655)	(564)	–	(564)
Return on ordinary activities after taxation		8,655	151,555	160,210	8,090	(81,846)	(73,756)
Return per share (pence)							
Basic	8	4.50	78.86	83.36	4.13	(41.81)	(37.68)
Diluted	8	n/a	71.67	n/a	n/a	n/a	n/a

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

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

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

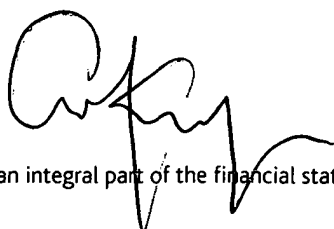
Financial statements

Statement of Financial Position

	Notes	As at 31 August 2016 £'000	As at 31 August 2015 £'000
Non-current assets			
Investments at fair value through profit or loss	9	710,134	566,434
Current assets			
Debtors and prepayments	10	2,610	3,163
Money market funds		7,700	4,800
Cash and short term deposits		4,603	4,376
		14,913	12,339
Creditors: amounts falling due within one year			
Other creditors	11	(2,006)	(1,886)
Net current assets		12,907	10,453
Total assets less current liabilities		723,041	576,887
Non-current liabilities			
3.5% Convertible Unsecured Loan Stock 2018	12	(58,882)	(58,252)
Net assets		664,159	518,635
Share capital and reserves			
Called-up share capital	13	39,207	39,206
Share premium account		4,492	4,484
Special reserve		–	351
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	12	812	1,392
Capital redemption reserve		17,015	17,015
Capital reserve	14	572,266	429,266
Revenue reserve		30,367	26,921
Equity shareholders' funds	15	664,159	518,635
Net asset value per Ordinary share (pence)			
Basic	15	348.62	267.22
Diluted	15	344.66	n/a

The financial statements were approved by the Board of Directors and authorised for issue on 2 November 2016 and were signed on its behalf by:

Allan McKenzie
Chairman



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

Financial statements

Statement of Changes in Equity

	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 2015	39,206	4,484	351	1,392	17,015	429,266	26,921	518,635
Return on ordinary activities after taxation	-	-	-	-	-	151,555	8,655	160,210
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	8	-	(1)	-	-	-	8
Buyback of Ordinary shares for treasury	-	-	(351)	-	-	(8,555)	-	(8,906)
Dividend paid	-	-	-	-	-	-	(5,788)	(5,788)
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	-	-	-	(579)	-	-	579	-
Balance at 31 August 2016	39,207	4,492	-	812	17,015	572,266	30,367	664,159

For the year ended 31 August 2015

	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 2014	39,275	4,475	6,726	1,981	16,945	511,112	22,563	603,077
Return on ordinary activities after taxation	-	-	-	-	-	(81,846)	8,090	(73,756)
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	1	9	-	(1)	-	-	-	9
Buyback of Ordinary shares for cancellation	(70)	-	(1,011)	-	70	-	-	(1,011)
Buyback of Ordinary shares for treasury	-	-	(5,364)	-	-	-	-	(5,364)
Dividend paid	-	-	-	-	-	-	(4,320)	(4,320)
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	-	-	-	(588)	-	-	588	-
Balance at 31 August 2015	39,206	4,484	351	1,392	17,015	429,266	26,921	518,635

The capital reserve includes investment holding gains amounting to £288,730,000 (2015 – £157,395,000), as disclosed in note 9.

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

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

Financial statements

Statement of Cash Flows

	Notes	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Operating activities			
Net return on ordinary activities before finance costs and taxation		163,595	(70,452)
Adjustment for:			
(Gains)/losses on investments		(151,827)	81,793
Currency losses		272	53
Decrease/(increase) in accrued dividend income		610	(284)
Increase in other debtors		(11)	(25)
Increase/(decrease) in other creditors		201	(246)
Stock dividends included in investment income		(1,029)	(2,056)
Overseas withholding tax		(730)	(578)
Net cash flow from operating activities		11,081	8,205
Investing activities			
	9		
Purchases of investments		(63,159)	(71,462)
Sales of investments		72,198	72,095
Net cash from investing activities		9,039	633
Financing activities			
Equity dividends paid	7	(5,788)	(4,320)
Interest paid		(2,092)	(2,093)
Buyback of Ordinary shares	13	(8,841)	(6,405)
Net cash used in financing activities		(16,721)	(12,818)
Increase/(decrease) in cash and cash equivalents		3,399	(3,980)
Analysis of changes in cash and cash equivalents during the year			
Opening balance		9,176	13,209
Effect of exchange rate fluctuations on cash held		(272)	(53)
Increase/(decrease) in cash and cash equivalents as above		3,399	(3,980)
Closing balances		12,303	9,176

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

Notes to the Financial Statements For the year ended 31 August 2016

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Statement of Corporate Governance (unaudited) on page 31.

These financial statements are the first since FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) came into effect for accounting periods beginning on or after 1 January 2015. An assessment of the impact of adopting FRS 102 has been carried out and found that no restatement of balances as at the transition date, 1 September 2014, or comparative figures in the Statement of Financial Position or the Statement of Comprehensive Income is considered necessary. The Company has early adopted Amendments to FRS 102 – Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016.

(b) Investments

Listed investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised on the trade date at fair value, which is generally deemed to be the cost of the investment at that point. Subsequent to initial recognition, investments are valued at fair value, which for listed investments is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange. Gains and losses arising from changes in fair value are included as a capital item in the Income Statement and are ultimately recognised in the capital reserve.

(c) Income

Dividends (other than special dividends), including taxes deducted at source, are included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are reviewed on a case-by-case basis and may be credited to capital, if circumstances dictate. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis so as to reflect the effective yield on shares. Other returns on non-equity shares are recognised when the right to return is established. The fixed return on a debt security, if material, is recognised on a time apportioned basis so as to reflect the effective yield on each security. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the foregone cash dividend is recognised as income. Any excess in the value of the shares received over the amount of cash dividend foregone is recognised in capital reserves. Interest receivable on bank balances is dealt with on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Statement of Comprehensive Income with the exception of expenses directly relating to the acquisition or disposal of an investment, in which case, they are added to the cost of the investment or deducted from the sale proceeds. Such transaction costs are disclosed in accordance with the SORP. These expenses are charged to the capital column of the Statement of Comprehensive Income and are separately identified and disclosed in note 9.

(e) Taxation

The charge for taxation is based on the profit for the year and the effective rate of taxation can vary from year to year depending upon rate of corporation tax ruling at the time.

Deferred taxation

Deferred taxation is provided on all timing differences, that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Statement of Financial Position date, measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered

more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to obtain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(f) Foreign currency

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Statement of Financial Position date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on the realisation of foreign currencies are recognised in the Statement of Comprehensive Income and are then transferred to the capital reserve.

(g) Dividends payable

Final dividends are dealt with in the period in which they are paid.

(h) 3.5% Convertible Unsecured Loan Stock 2018

Convertible Unsecured Loan Stock ("CULS") issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 4.662%. The notional uplift in interest from 3.5% to 4.662% is shown in note 5. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component is subsequently measured at amortised cost using the effective interest rate.

Direct expenses associated with the CULS issue are allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument.

The interest expense on the CULS is calculated according to the effective interest rate method by applying the assumed rate of 4.662% at initial recognition to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying liability of the CULS.

On conversion of CULS, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

When CULS is repurchased for cancellation, the fair value of the liability at the redemption date is compared to its carrying amount, giving rise to a gain or loss on redemption that is recognised through profit or loss. The amount of consideration allocated to equity is recognised in equity with no gain or loss being recognised.

In the event of a winding-up of the Company the rights and claims of the Trustee and CULS holders would be subordinate to the claims of all creditors in respect of the Company's secured and unsecured borrowings, under the terms of the Trust Deed.

(i) Treasury shares

When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effect, and is recognised as a deduction from the special reserve. When these shares are sold subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from the special reserve.

(j) Nature and purpose of reserves

Called up share capital

The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve.

Notes to the Financial Statements continued**Share premium account**

The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising ordinary shares of 20p.

Special reserve

The special reserve arose following Court approval in 1999 to transfer £50m from the share premium account. This reserve is distributable and its function is to fund any share buy backs to be held in treasury by the Company.

Capital redemption reserve

The capital redemption reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital.

Capital reserve

Gains or losses on disposal of investments and changes in fair values of investments are transferred to the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve. The costs of share buybacks to be held in treasury are also deducted from this reserve as the special reserve is extinguished.

Revenue reserve

This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

(k) Accounting judgements

The Company's investments and borrowings are made in a number of currencies, however the Board considers the Company's functional currency to be Sterling. In arriving at this conclusion, the Board considered that the shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom, principally having its shareholder base in the United Kingdom, pays dividends and expenses in Sterling. Consequently, the Board also considers the Company's presentational currency to be Sterling.

(l) Cash and cash equivalents

Cash and cash equivalents comprises cash at banks and money market funds.

	2016	2015
	£'000	£'000
2. Income		
Income from investments		
UK dividend income	1,456	1,009
Overseas dividend income	15,625	15,274
Scrip dividends	1,029	2,056
	<u>18,110</u>	<u>18,339</u>
Other income		
Deposit interest	5	4
Interest from money market funds	29	29
	<u>34</u>	<u>33</u>
Total income	<u>18,144</u>	<u>18,372</u>

	2016 £'000	2015 £'000
Income from investments		
Listed UK	1	912
Listed overseas	18,109	17,427
	18,110	18,339

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
3. Management fee						
Management fee	5,107	-	5,107	5,955	-	5,955

Management fees paid to Aberdeen Fund Managers Limited ("AFML" or "Manager") are calculated at 0.85% per annum on net assets from 1 April 2016. Management fees are calculated and billed on a quarterly basis. Prior to 1 April 2016 management fees were calculated at 1% per annum on net assets up to £600,000,000, 0.9% on net assets between £600,000,000 and £1,000,000,000 and 0.8% on net assets over £1,000,000,000.

Net assets exclude long term borrowings less (i) the value of any investment funds managed by the Manager and (ii) 50% of the value of any investment funds managed or advised by investment managers other than the Manager. There were no commonly managed funds held in the portfolio during the year to 31 August 2016 (2015 – none). The balance due to the Manager at the year end was £1,479,000 (2015 – £1,300,000).

The management agreement is terminable by the Company on three months' notice or in the event of a change of control in the ownership of the Manager. The notice period required by the Manager is six months.

	2016 £'000	2015 £'000
4. Administrative expenses		
Promotional activities	204	203
Directors' fees	142	148
Custody fees	263	239
Auditor's remuneration: Fees payable to the Company's auditor for		
· audit of the Company's annual accounts	17	17
· review of the Company's half yearly accounts	5	5
Other expenses	366	411
	997	1,023

The Company has an agreement with AFML for the provision of promotional activities in relation to the Company's participation in the Aberdeen Investment Trust Share Plan and ISA. The total fees paid and payable under the agreement were £204,000 (2015 – £203,000) and the sum due to AFML at the year end was £34,000 (2015 – £34,000).

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

The Company does not have any employees.

Notes to the Financial Statements continued

	2016	2015
	£'000	£'000
5. Interest payable and similar charges		
Interest on 3.5% Convertible Unsecured Loan Stock 2018	2,092	2,093
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	579	588
Amortisation of 3.5% Convertible Unsecured Loan Stock 2018 issue expenses	59	59
	2,730	2,740

	2016			2015		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
6. Taxation						
(a) Analysis of charge for the year						
Overseas tax suffered	655	–	655	564	–	564
Total tax charge for the year	655	–	655	564	–	564

(b) Factors affecting the tax charge for the year

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

	2016			2015		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Return on ordinary activities before taxation	9,310	151,555	160,865	8,654	(81,846)	(73,192)
Effective rate of corporation tax at 20.00% (2015 – 20.58%)	1,862	30,311	32,173	1,781	(16,844)	(15,063)
Effects of:						
UK dividend income	(291)	–	(291)	(208)	–	(208)
Losses/(gains) on investments not taxable	–	(30,365)	(30,365)	–	16,833	16,833
Currency losses not taxable	–	54	54	–	11	11
Other non-taxable income	(3,331)	–	(3,331)	(3,567)	–	(3,567)
Increase in excess expenses and loan relationship deficit	1,760	–	1,760	1,993	–	1,993
Prior year adjustment in respect of overseas tax	–	–	–	(134)	–	(134)
Net overseas tax suffered	655	–	655	699	–	699
Total tax charge	655	–	655	564	–	564

(c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year or in the prior year.

The Company has not provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items because of its status as an investment trust company.

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset £12,145,000 (2015 – £10,369,000) arising as a result of excess management expenses CULS interest (non-trading loan relationship deficits). These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

7. Dividends

In order to comply with the requirements of Sections 1158 -1159 of the Corporation Tax Act 2010 and with company law, the Company is required to make a final dividend distribution.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 – 1159 are considered. The revenue available for distribution by way of dividend for the year is £8,655,000 (2015 – £8,090,000).

	2016	2015
	£'000	£'000
Proposed final dividend for 2016 – 3.20p per Ordinary share (2015 – paid – 3.00p)	6,080	5,788

The amounts reflected above for the cost of the proposed final dividend for 2016 is based on 189,999,902 Ordinary shares in issue, being the number of Ordinary shares in issue at the date of this Report.

The final dividend will be paid on 16 December 2016 to shareholders on the register at the close of business on 18 November 2016.

8. Return per Ordinary share	2016		2015	
	£'000	pence	£'000	pence
Basic				
Revenue return	8,655	4.50	8,090	4.13
Capital return	151,555	78.86	(81,846)	(41.81)
Total return	160,210	83.36	(73,756)	(37.68)

Weighted average number of Ordinary shares in issue	192,195,250	195,773,845
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Diluted	2016		2015	
	£'000	pence	£'000	pence
Revenue return	11,243	n/a	10,626	n/a
Capital return	151,555	71.67	(81,846)	n/a
Total return	162,798	n/a	(71,220)	n/a

Weighted average number of Ordinary shares in issue[^]	211,470,625	215,052,963
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[^] The calculation of the diluted total, revenue and capital returns per Ordinary share are carried out in accordance with IAS 33, "Earnings per Share". For the purpose of calculating 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). The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary shares of 19,275,375 (2015 – 19,279,118) to 211,470,625 (2015 – 215,052,963) Ordinary shares.

For the years ended 31 August 2016 and 31 August 2015 there was no dilution to the revenue return per Ordinary share. Additionally, for the year ended 31 August 2015 there was no dilution to the capital return per Ordinary share due to a loss being reported. Where dilution does occur, 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 issues expenses are reversed.

Notes to the Financial Statements continued

	Listed overseas £'000	Listed in UK £'000	Total £'000
9. Investments			
Fair value through profit or loss:			
Opening book cost	383,348	25,691	409,039
Opening fair value gains/(losses) on investments held	168,110	(10,715)	157,395
Opening fair value	551,458	14,976	566,434
Movements in year:			
Purchases at cost	61,440	2,601	64,041
Sales – proceeds	(71,051)	(1,117)	(72,168)
Sales – gains/(losses) on sales [^]	21,623	(1,131)	20,492
Current year fair value gains/(losses) on investments held	131,789	(454)	131,335
Closing fair value	695,259	14,875	710,134

[^] Figure includes £510,000 Indian capital gains tax.

	Listed overseas £'000	Listed in UK £'000	Total £'000
Closing book cost	395,360	26,044	421,404
Closing fair value gains/(losses) on investments held	299,899	(11,169)	288,730
Closing fair value	695,259	14,875	710,134

	2016 £'000	2015 £'000
Listed on a recognised overseas investment exchange	695,259	551,458
Listed in the UK	14,875	14,976
	710,134	566,434

	2016 £'000	2015 £'000
Gains/(losses) on investments held at fair value through profit or loss		
Realised gains on sales	20,492	31,058
Increase/(decrease) in fair value gains on investments held	131,335	(112,851)
	151,827	(81,793)

Transaction costs

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

	2016 £'000	2015 £'000
Purchases	102	170
Sales	189	193
	291	363

	2016	2015
	£'000	£'000
10. Debtors and prepayments		
Accrued income	1,357	1,937
Overseas withholding tax recoverable	244	199
Amounts due from brokers	501	531
Other debtors and prepayments	508	496
	2,610	3,163

	2016	2015
	£'000	£'000
11. Creditors: amounts falling due within one year		
Amounts due to brokers	32	179
Amounts due relating to purchase of own shares to treasury	94	30
Other creditors	1,880	1,677
	2,006	1,886

12. Non-current liabilities – 3.5% Convertible Unsecured Loan Stock 2018

	Number of units £'000	Liability component £'000	Equity component £'000
Year ended 31 August 2016			
Balance at 31 August 2015	59,787	58,252	1,392
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary shares	(8)	(9)	(1)
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	–	579	–
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018 transferred to revenue reserve	–	–	(579)
Amortisation of issue expenses (see note 1(h))	–	60	–
Balance at 31 August 2016	59,779	58,882	812

	Number of units £'000	Liability component £'000	Equity component £'000
Year ended 31 August 2015			
Balance at 31 August 2014	59,797	57,614	1,981
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary shares	(10)	(9)	(1)
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	–	588	–
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018 transferred to revenue reserve	–	–	(588)
Amortisation of issue expenses (see note 1(h))	–	59	–
Balance at 31 August 2015	59,787	58,252	1,392

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.

Notes to the Financial Statements continued

The Company was required to recognise the liability component and the equity component of the CULS at their date of issue. The liability component must be increased to the nominal value over the life of the CULS by crediting the liability and debiting the profit and loss account. In order to align the revenue reserves with the distributable reserves 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.

During the year ended 31 August 2016 £8,254 (2015 – £9,582) nominal amount of CULS were converted into 2,658 (2015 – 3,085) Ordinary shares.

As at 31 August 2016, there was £59,778,788 (2015 – £59,787,042) nominal amount of CULS in issue.

	2016	2015
	£'000	£'000
13. Called-up share capital		
Allotted, called-up and fully paid:		
Ordinary shares of 20p (including treasury shares)		
Opening balance of 196,027,844 (2015 – 196,376,759) shares	39,206	39,275
Issue of 2,658 (2015 – 3,085) Ordinary shares on conversion of £8,254 (2015 – £9,582) nominal 3.5% Convertible Unsecured Loan Stock 2018	1	1
Buyback of 3,577,800 (2015 – 2,295,500) Ordinary shares to be held in treasury with no shares (2015 – 352,000) being cancelled	–	(70)
Closing balance of 196,030,502 (2015 – 196,027,844) shares	39,207	39,206

During the year there were a further 2,658 Ordinary shares issued as a result of CULS conversion (2015 – 3,085).

During the year no Ordinary shares of 20p were purchased for cancellation by the Company (2015 – 352,000 shares at a cost of £1,011,000). 3,577,800 Ordinary shares of 20p each were purchased to be held in treasury by the Company (2015 – 1,943,500) at a cost of £8,906,000 (2015 – £5,364,000). At the year end 5,521,300 (2015 – 1,943,500) Ordinary shares of 20p each were held in treasury, which represents 2.9% (2015 – 1.0%) of the Company's total issued share capital at 31 August 2016.

Since the year end a further 509,300 Ordinary shares of 20p each have been purchased by the Company at a total cost of £1,580,000 all of which were held in treasury.

	2016	2015
	£'000	£'000
14. Capital reserve		
At 1 September 2015	429,266	511,112
Movement in fair value gains/(losses)	151,827	(81,793)
Foreign exchange movement	(272)	(53)
Buyback of Ordinary shares for treasury	(8,555)	–
At 31 August 2016	572,266	429,266

The capital reserve includes investment holding gains amounting to £288,730,000 (2015 – £157,395,000), as disclosed in note 9.

15. Net asset value per share

The net asset value per share and the net asset values attributable to the Ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2016	2015
Basic		
Net assets attributable (£'000)	664,159	518,635
Number of Ordinary shares in issue ^A	190,509,202	194,084,344
Net asset value per share (p)	348.62	267.22
<hr/>		
	2016	2015
Diluted		
Net assets attributable (£'000)	723,040	n/a
Number of Ordinary shares in issue ^{AB}	209,783,182	n/a
Net asset value per share (p)	344.66	n/a

^AExcluding shares held in treasury.

^BThe calculations indicate that the exercise of CULS would result in an increase in the number of Ordinary shares of 19,273,980 (2015 – 19,276,641) to 209,783,182 (2015 – 213,360,985) Ordinary shares.

The impact of the 3.5% Convertible Unsecured Loan Stock 2018 on the net asset value per share was non-dilutive for the year ended 31 August 2015.

16. Financial instruments

Risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments comprise securities and other investments, cash balances, Convertible Unsecured Loan Stock and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The Board has delegated the risk management function to AFML under the terms of its management agreement with AFML (further details of which are included under note 3). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors.

Risk management framework

The directors of Aberdeen Fund Managers Limited collectively assume responsibility for AFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

AFML is a fully integrated member of the Aberdeen Group, which provides a variety of services and support to AFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to Aberdeen Asset Management Asia Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk,

Notes to the Financial Statements continued

who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SWORD").

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Group's corporate governance structure is supported by several committees to assist the board of directors of Aberdeen, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

Risk management

The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, currency risk and price risk), (ii) liquidity risk and (iii) credit risk.

Market risk

The fair value of or future cash flows from a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and other price risk. The Company is exposed to gearing risk which has the effect of exacerbating market falls and gains. Long term gearing is represented by £59.8 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS).

Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

Interest risk profile

The interest rate risk profile of the portfolio of the Company's financial assets and liabilities, excluding equity holdings which are all non-interest bearing, at the Balance Sheet date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
At 31 August 2016				
Assets				
Singapore Dollar	–	–	–	129
Sterling	–	0.10	–	12,078
Taiwanese Dollar	–	–	–	3
Vietnamese Dollar	–	–	–	93
Total assets	n/a	n/a	–	12,303
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	1.42	3.50	58,882	–

At 31 August 2015	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Korean Won	–	–	–	23
Singapore Dollar	–	–	–	233
Sterling	–	0.10	–	6,696
Taiwanese Dollar	–	–	–	3
Thailand Baht	–	–	–	2,221
Total assets	n/a	n/a	–	9,176
Liabilities				
3.5% Convertible Unsecured Loan Stock 2018	2.42	3.50	58,252	–

The weighted average interest rate is based on the current yield of each asset, weighted by its market value.

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

The Company's equity portfolio and short-term debtors and creditors have been excluded from the above tables.

Interest rate sensitivity

Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total profit.

Foreign currency risk

The majority of the Company's investment portfolio is invested in overseas securities and the Balance Sheet, therefore, can be significantly affected by movements in foreign exchange rates.

Management of the risk

It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investments with foreign currency borrowings.

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

Foreign currency risk exposure by currency of denomination:

Notes to the Financial Statements continued

	31 August 2016			31 August 2015		
	Overseas	Net	Total	Overseas	Net	Total
	investments	monetary	currency	investments	monetary	currency
	£'000	assets	exposure	£'000	assets	exposure
		£'000	£'000		£'000	£'000
Hong Kong Dollar	153,256	–	153,256	136,200	–	136,200
Indian Rupee	118,932	–	118,932	93,969	–	93,969
Indonesian Rupiah	28,524	–	28,524	10,349	(55)	10,294
Korean Won	72,114	419	72,533	43,180	23	43,203
Malaysian Ringgit	26,768	–	26,768	22,390	(124)	22,266
Philippine Peso	31,139	–	31,139	22,910	–	22,910
Singapore Dollar	131,075	179	131,254	116,204	764	116,968
Sri Lankan Rupee	17,547	–	17,547	17,877	–	17,877
Taiwanese Dollar	46,692	3	46,695	35,619	3	35,622
Thailand Baht	22,142	–	22,142	19,010	2,221	21,231
US Dollar	42,740	–	42,740	33,750	–	33,750
Vietnamese Dong	4,330	93	4,423	–	–	–
	695,259	694	695,953	551,458	2,832	554,290
Sterling	14,875	11,984	26,859	14,976	6,665	21,641
Total	710,134	12,678	722,812	566,434	9,497	575,931

Foreign currency sensitivity

There is no sensitivity analysis included, as the Company's significant foreign currency financial instruments are in the form of equity investments, which have been included within the other price risk sensitivity analysis, so as to show the overall level of exposure.

Other price risk

Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

Management of the risk

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. Both the allocation of assets and the stock selection process, as detailed on page 59, act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges worldwide.

Other price risk sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 August 2016 would have increased/decreased by £71,013,000 (2015 – increased/decreased by £56,643,000) and equity reserves would have increased/decreased by the same amount.

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

The Company's assets mainly comprise readily realisable securities which can be sold to meet funding requirements if necessary. In order to monitor the concentration of Dragon's investee companies with Aberdeen, the total percentage holdings of those securities owned by Aberdeen-managed funds is reviewed by the Board.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions, and reviews these on a regular basis. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 20%. Short-term flexibility can be achieved through the use of loan and overdraft facilities. At 31 August 2015 and 2016 the Company had no loan or overdraft facility in place.

Liquidity risk exposure

At 31 August 2016 the Company had borrowings in the form of the £59,778,788 (2015 – £59,787,042) nominal of 3.5% Convertible Unsecured Loan Stock 2018.

Credit risk

This is the risk of failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

Management of the risk

- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty, including the Depositary, exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, the administrator carries out a stock reconciliation to the Depositary's records on a daily basis to ensure discrepancies are picked up on a timely basis. The Manager's Compliance department carries out periodic reviews of the Depositary's operations and reports its findings to the Manager's Risk Management Committee. This review will also include checks on the maintenance and security of investments held;
- cash is held only with reputable banks with high quality external credit enhancements.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 August was as follows:

	2016		2015	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Current assets				
Loans and receivables	2,610	2,610	3,163	3,163
Cash at bank and in hand	4,603	4,603	4,376	4,376
	7,213	7,213	7,539	7,539

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

Maturity of financial liabilities

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

	2016 £'000	2015 £'000
In more than one year	58,882	58,252

At 31 August 2016 the full contractual liability for the CULS assuming no further conversions was £63,897,000 (2015 – £65,037,000).

Notes to the Financial Statements continued

17. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company has early adopted Amendments to FRS 102 – Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016. This has not resulted in any reclassifications in levelling and the prior year comparative has been disclosed under the new hierarchy. The fair value hierarchy has the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (2015 – same) actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (2016 – £710,134,000; 2015 – £566,434,000) have therefore been deemed as Level 1.

18. Related party transactions and transactions with the Manager

Fees payable during the year to the Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 32 and 33.

The Company has an agreement in place with Aberdeen Fund Managers Limited ("AFML") for the provision of management and administration services, promotional activities and secretarial services. Details of transactions during the year and balances outstanding at the year end disclosed in notes 3 and 4.

At the year end the Company had £7,700,000 (31 August 2016 – £4,800,000) invested in Aberdeen Liquidity Fund (Lux) – Sterling Fund which is managed and administered by AAML. The Company pays a management fee of 0.85% per annum on the value of these holdings but no fee is chargeable at the underlying fund level.

19. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board has imposed a maximum gearing level of 20% of net assets.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market, and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company has no externally imposed capital requirements.

Corporate Information

The Company is an investment trust and aims to achieve long-term capital growth principally through investment in listed companies which are believed by the Investment Manager to have above average prospects for growth.

The Investment Manager is a subsidiary of Aberdeen Asset Management PLC, whose group companies had approximately £301 billion of assets under management as at 30 June 2016.

Central District, Hong Kong

Tower block in Hong Kong's Central District. Aberdeen's new offices are now located in Chater House in Central. Chater House is an office tower in the Central business district. Opened in 2003, the tower is a part of the Hongkong Land portfolio of properties. The building was built on the site of the former Swire House, and was named after Sir Paul Chater, a prominent British Armenian-descended businessman from Hong Kong's Colonial period.

Information about the Investment Manager

Aberdeen Fund Managers Limited

Aberdeen Fund Managers Limited ("AFML"), authorised and regulated by the Financial Conduct Authority, has been appointed as alternative investment fund manager to the Company. AFML has in turn delegated portfolio management to Aberdeen Asset Management Asia Limited.

Aberdeen Asset Management Asia Limited ("AAMA")

AAMA is the investment manager of the Company. AAMA is based in Singapore and is a wholly-owned subsidiary, and the Asia Pacific headquarters of, Aberdeen Asset Management PLC ("Aberdeen Asset Management"), a publicly-quoted company on the London Stock Exchange. Worldwide, Aberdeen Asset Management manages a combined

£301.4 billion (as at 30 June 2016) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds. AAMA has been Aberdeen Asset Management's principal manager of Asia-Pacific assets since 1992, and had 526 staff across the region at 30 June 2016. Total funds in the region are over £60.5 billion as at 30 June 2016.

Aberdeen Asset Management has its headquarters in Aberdeen, with over 38 offices globally including Bangkok, Edinburgh, Frankfurt, Hong Kong, Jersey, Kuala Lumpur, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo. The Aberdeen Group manages over 90 investment companies and other closed-ended funds representing approximately £17.7 billion of assets under management.

The Investment Team Senior Managers

Hugh Young Managing Director

BA in Politics from Exeter University. Started investment career in 1980. In charge of Aberdeen Asia's Far East funds since 1985.

Adrian Lim Senior Investment Manager

Chartered Financial Analyst, B.Acc from Nanyang Technological University (Singapore). Joined Aberdeen in 2000. Previously he was an associate director at Arthur Andersen.

Christopher Wong Senior Investment Manager

BA in Accounting and Finance from Heriot-Watt University, and a Fellow of the Chartered Certified Accountants (FCCA) and a CFA Charterholder. Previously, he was an associate director at Andersen Corporate Finance.

Flavia Cheong Investment Director

Masters in Economics from University of Auckland. Previously with Investment Company of the People's Republic of China and Development Bank of Singapore. Started investment career in 1987. Joined Aberdeen Asia in 1996.

The Investment Process

Philosophy and Style

The Investment Manager's investment philosophy is that markets are not always efficient. We (AAM) believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment.

Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

Risk Controls

We seek to minimise risk by our in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

AAM's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Investment Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.

Investor Information

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through Aberdeen's Investment Plan for Children and Aberdeen's Investment Trust Share Plan, Investment Trust ISA or ISA Transfer.

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 a 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 ("Aberdeen") 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%) where applicable on purchases. 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 Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Aberdeen's Investment Trust Share Plan

Aberdeen 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%) where applicable on purchases. Selling costs are £10+ VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £15,240 can be made in the tax year 2016/17.

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 deducted on 31 March (or the last business day in March)** 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. Investors have full voting and other rights of share ownership.

Dividend Tax Allowance

From 6 April 2016, dividend tax credits have been replaced by an annual £5,000 tax-free allowance on dividend income. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

ISA Transfer

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

Note

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

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

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

Pre-investment Disclosure Document ("PIDD")

The AIFMD requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Edinburgh Dragon Trust plc, to make available to investors certain information prior to such investors' investment in the Company.

The Company's PIDD is available for viewing on its website.

Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:

Telephone: 0808 00 40 00

Website: www.investments.co.uk/en/investmenttrusts/literature-library

Terms and Conditions for the Aberdeen managed savings products can also be found under the Literature section of our website at www.investments.co.uk.

Keeping You Informed

The Company's share price appears daily in the Financial Times.

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available on the Company's website (www.edinburghdragon.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0808 00 00 40 for trust information.

Contact Us

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

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB
Telephone: 0808 00 00 40

Company's Registrars

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

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone: 0371 384 2499
Fax: 0371 384 2100

Shareview Enquiry Line: 0371 384 2020
Textel/hard of hearing: 0371 384 2255
(Lines open 8.30am to 5.30pm, Monday to Friday).

Online Dealing Providers

Investor Information

There are a number of other ways in which you can buy and hold shares in the Company.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell You Invest
Alliance Trust Savings
Barclays Stockbrokers
Charles Stanley Direct
Halifax Share Dealing
Hargreave Hale
Hargreaves Lansdown
Idealing
Interactive Investor
Selftrade
The Share Centre
Stocktrade
TD Direct

Investor Information continued

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at www.thewma.co.uk

Financial Advisers

To find an adviser who makes recommendations on investment trusts, visit www.unbiased.co.uk

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or at
 Website: www.fca.org.uk/firms/systems-reporting/register/search
 Email: register@fca.org.uk

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 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Financial Calendar

31 August 2016	Company's financial year end
3 November 2016	Announcement of annual results for the year ended 31 August 2016
15 November 2016	Annual Report and Accounts published
15 December 2016 (12 noon)	Annual General Meeting
16 December 2016	Final dividend on Ordinary shares paid
3 January to 31 January 2017	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2018 (CULS) can elect to convert into Ordinary shares
31 January 2017	Conversion date for any CULS converted into Ordinary shares
31 January 2017	Half-yearly interest on CULS paid
28 February 2017	Company's financial half-year end
April 2017	Announcement of half-yearly financial report for the six months ended 28 February 2017
May 2017	Half-Yearly Report published
3 July to 31 July 2017	Period during which CULS holders can elect to convert into Ordinary shares
31 July 2017	Conversion date for any CULS converted into Ordinary shares
31 July 2017	Half-yearly interest on CULS paid

General

Glossary of Terms and Definitions

Aberdeen, AAM or Aberdeen Group	Aberdeen Asset Management PLC group of companies.
AFML, AIFM or Manager	Aberdeen Fund Managers Limited ("AFML") is a wholly owned subsidiary of Aberdeen Asset Management PLC and acts as the Alternative Investment Fund Manager ("AIFM") for the Company. It is authorised and regulated by the Financial Conduct Authority.
AAMA or Investment Manager	Aberdeen Asset Management Asia Limited ("AAMA" or "Investment Manager") is a subsidiary company of Aberdeen Asset Management PLC which has been delegated responsibility for the Company's day-to-day investment management.
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
AIFMD	Alternative Investment Fund Managers Directive
CULS	The £59.8 million nominal of 3.5% Convertible Unsecured Loan Stock 2018.
CULS Conversion Date	The CULS is convertible at any time during the periods of 28 days ending on 31 January and 31 July in each year commencing July 2011 and ending January 2018 (each such period and any other period during which Conversion Rights may be exercised being a "Conversion Period") conversions requests are to be received by 5.00 p.m. on the last day of the relevant Conversion Period (each such last day being a "Conversion Date" and the Conversion Date falling on 31 January 2018 or Final Repayment Date being the "Final Conversion Date").
CULS Conversion Price	The CULS is convertible semi-annually on the Conversion Date on the basis of 310.1528p nominal of CULS for one Ordinary Share. This equated to a 10% premium to the unaudited NAV per Ordinary Share (including income) of 281.9571p at 5 January 2011.
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Leverage	For the purposes of the Alternative Investment Fund Managers ("AIFM") Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.
NMPI	Non-mainstream pooled investment products.
Net Asset Value (NAV)	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Net Gearing	Net gearing is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.
Ongoing Charges	Ratio of ongoing expenses expressed as percentage of average daily shareholders' funds calculated as

Glossary of Terms and Definitions continued

	per the industry standard.
Premium	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
Price/Earnings Ratio	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Total Assets	Total Assets less current liabilities (before deducting prior charges as defined above).
Total Return	Total Return involves reinvesting the net dividend in the month that the share price goes up. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.
Winding-up Date	The date specified in the articles of association for winding-up a company.

Summary of Share Capital History

Issued Share Capital and Borrowings at 31 August 2016

196,030,502	Ordinary shares of 20p (of which 5,521,300 are held in treasury).
£59,778,788	3.5% Convertible Unsecured Loan Stock 2018 (CULS) nominal.

Capital History

Year to 31 August 2016	During the year to 31 August 2016, 2,658 Ordinary shares were issued following elections by CULS holders to convert £8,254 nominal of CULS. 3,577,800 Ordinary shares were repurchased into treasury.
Year to 31 August 2015	During the year to 31 August 2015, 3,085 Ordinary shares were issued following elections by CULS holders to convert £9,582 nominal of CULS. 352,000 Ordinary shares were repurchased for cancellation and 1,943,500 Ordinary shares were repurchased into treasury.
31 August 2011 - 31 August 2014	30,409 Ordinary shares were issued following elections by CULS holders to convert £94,389 nominal of CULS.
Year to 31 August 2011	In January 2011, the Company issued £60 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 (CULS). In August 2011, 35,131 Ordinary shares were issued following elections by CULS holders to convert £108,987 nominal of CULS.
Year to 31 August 2010	In January 2010, following a Tender Offer for up to 15% of the Ordinary shares of the Company at a discount of 3 per cent. to Formula Asset Value, 15% of the Ordinary shares (34,643,156 shares) were repurchased for cancellation at the repurchase price of 197.2794p per share.
2006-2009	6,122,500 Ordinary shares were repurchased for cancellation in the year to 31 August 2008 and 200,000 Ordinary shares were repurchased for cancellation in the year to 31 August 2007.
1993 - 2005	In 1995 and 1996 the Company issued 841,571 Ordinary shares at a premium to the NAV. All of the 5,864,444 warrants 1996 were converted in the period up to 31 January 1996, the final conversion date. During the period 1998 - 2000 the Company repurchased 43,760,874 Ordinary shares for cancellation. Prior to their final conversion date in 2005, 421,540 warrants 2005 were converted into Ordinary shares and 8,926,018 warrants 2005 were purchased for cancellation. The final conversion of 10,508,903 warrants 2005 took place in 2005.
1987 - 1993	The Company was launched in 1987 with a share capital of 120,000,000 Ordinary 5p shares and 24,000,000 warrants 1996. In 1989, following a placing and open offer, 192,000,000 Ordinary 5p shares and 38,400,000 warrants 2005 were issued. In April 1993, following the acquisition of Drayton Asia Trust plc, the Company issued 740,002,520 Ordinary shares and 42,086,268 warrants 2005. During the period 1987-1993, 542,223 warrants 1996 and 1,060,423 warrants 2005 were converted into Ordinary shares. In November 1993, following a four for one consolidation, the Company's issued share capital was 263,401,291 Ordinary 20p shares, 5,864,444 warrants 1996 and 19,856,461 warrants 2005.

General

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Aberdeen Fund Managers Limited ("AFML") and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website. There have been no material changes to the disclosures contained within the PIDD since its first publication in July 2014 and subsequent updates.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 16 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company Secretary, Aberdeen Asset Managers Limited on request (see contact details on page 70) and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 30 September 2015 are available on the Company's website and for the year ended 30 September 2016 will be made available in due course.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross method	Commitment method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 August 2016	1.11:1	1.13:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which AFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Notice

Notice of Annual General Meeting

Notice is hereby given that the twenty-eighth annual general meeting of Edinburgh Dragon Trust plc will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on 15 December 2016 at 12 noon to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 11 inclusive will be proposed as ordinary resolutions and resolutions 12 to 14 inclusive will be proposed as special resolutions:

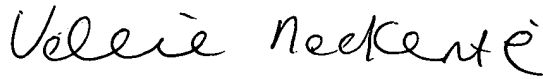
1. To receive the reports of the Directors and auditor and the audited financial statements for the year to 31 August 2016.
2. To approve the Directors' Remuneration Report, excluding the Directors' Remuneration Policy, for the year to 31 August 2016.
3. To approve payment of a final dividend of 3.2p per Ordinary share.
4. To re-elect Mr McKenzie as a Director of the Company.
5. To re-elect Ms Langridge as a Director of the Company.
6. To re-elect Mr Maynard as a Director of the Company.
7. To re-elect Mr McLaren as a Director of the Company.
8. To elect Mr Ricketts as a Director of the Company.
9. To re-appoint KPMG LLP as auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
10. To authorise the Directors to determine the remuneration of the auditor for the year to 31 August 2017.
11. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("securities") up to an aggregate nominal amount of £12.7 million or, if less, the number representing 33.3% of the Company's issued Ordinary share capital as at the date of passing of this resolution, such authority to expire on 28 February 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
12. That, subject to the passing of resolution 11 as set out above and in substitution for any existing power under Sections 570 and 573 of the Companies Act 2006 (the "Act") but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Directors be and are hereby generally empowered, pursuant to Sections 570 and 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority under Section 551 of the Act conferred by resolution 11 or by way of a sale of treasury shares (within the meaning of Section 560 (3) of the Act) as if Section 561 of the Act did not apply to any such allotment, provided that this power shall:
 - (i) be limited up to an aggregate nominal amount of £1.9 million or, if less, the number representing 5% of the Company's issued Ordinary share capital as at the date of passing of this resolution; and
 - (ii) expire on 28 February 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.
13. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 20p each in the capital of the Company ("shares") and to cancel or hold in treasury such shares, provided that:
 - (i) the maximum aggregate number of shares hereby authorised to be purchased is 28.48 million or, if less, the number representing 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
 - (ii) the minimum price which may be paid for a share shall be 20p (exclusive of expenses);

Notice

Notice of Annual General Meeting continued

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- (iii) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and
 - (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 28 February 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.
14. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution.

By order of the Board
Aberdeen Asset Managers Limited
Secretary
15 November 2016



Registered office:
7th Floor
40 Princes Street
Edinburgh EH2 2BY

Notes:

- (i) A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share.
- (ii) A form of proxy for use by shareholders is enclosed with this document. Completion and return of the form of proxy will not prevent any shareholder from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority at the address stated thereon, so as to be received not later than 12 noon on 13 December 2016.
- (iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than 6.30pm on 13 December 2016 (or, in the event that the Meeting is adjourned, at 6.30pm on the day which is two business days before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting referred to above.
- (iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 12 noon on 13 December 2016 (or in the event the meeting is adjourned no later than 48 hours (excluding non-working days) before the time of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies

- appointed through CREST should be communicated to the appointee through other means.
- (vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (viii) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes (i) and (ii) above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.
- (ix) No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection at the meeting venue for at least 15 minutes prior to the Meeting and during the Meeting.
- (x) As at close of business on 2 November 2016 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 189,999,902 Ordinary shares of 20 pence each and there were a further 6,030,600 shares held in treasury. Each Ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at close of business on 2 November 2016 is 189,999,902. Treasury shares represent 3.1% of the total issued Ordinary share capital (inclusive of treasury shares).
- (xi) Any person holding 3% or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
- (xii) Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
- (xiii) The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: The Company Secretary, Edinburgh Dragon Trust plc, 40 Princes Street, Edinburgh EH2 2BY.
- (xiv) Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website, www.edinburghdragon.co.uk.
- (xv) Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xvi) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- (xvii) There are special arrangements for holders of shares through the Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Contact Addresses

Directors

Allan McKenzie (Chairman)
Kathryn Langridge
Peter Maynard
Iain McLaren
Charlie Ricketts

Website

Website: www.edinburghdragon.co.uk

Manager, Secretary and Registered Office

Alternative Investment Fund Manager*

Aberdeen Fund Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH
Website: www.aberdeen-asset.com

(Registered in England and Wales with Company Registration Number: 00740118)

(* appointed as required by EU Directive 2011/61/EU).

Investment Manager

Aberdeen Asset Management Asia Limited
(a subsidiary of Aberdeen Asset Management PLC which is authorised and regulated by the Financial Conduct Authority)

Secretary and Registered Office

Aberdeen Asset Managers Limited
(authorised and regulated by the Financial Conduct Authority)

7th Floor
40 Princes Street
Edinburgh EH2 2BY
Telephone: 0131 528 4000

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2499
Website: www.equiniti.com

Depository

BNP Paribas Securities Services, London Branch

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Broker

Winterflood Securities
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Company Registration Number

SC106049

Foreign Account Tax Compliance Act ("FATCA") Registration Number (GIIN)

IRS Registration Number (GIIN): 2WA1VW.99999.SL.826