

# Edinburgh Dragon Trust plc



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## City Developments

City Developments Limited is a leading Singapore-based property developer with seasoned management. The Investment Manager sees value in the company, not just from its sizeable low-cost land bank but also from its holding in the global Millennium & Copthorne hotel chain.





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Visit our Website

To find out more about Edinburgh Dragon Trust plc, please visit [www.edinburghdragon.co.uk](http://www.edinburghdragon.co.uk)

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Edinburgh Dragon Trust plc, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

# Company Overview

Launched in 1987, the Company is an investment company and its Ordinary shares 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 Standard Investments (the investment arm of Standard Life Aberdeen plc group of companies).

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 Asia with the exception of Japan and Australasia. Investments are made primarily in stock markets in the region, principally in large companies. When appropriate, the Company will utilise gearing to maximise long term returns.

## Financial Highlights

Net asset value total return<sup>AB</sup>

+2.3%

2017 +21.6%

Benchmark total return<sup>A</sup> (in sterling terms)

+2.2%

2017 +27.2%

Earnings per share (revenue)

5.03p

2017 4.68p

Share price total return<sup>A</sup>

+3.4%

2017 +20.8%

Ongoing charges<sup>A</sup>

0.80%

2017 1.03%

Dividend per share

4.00p

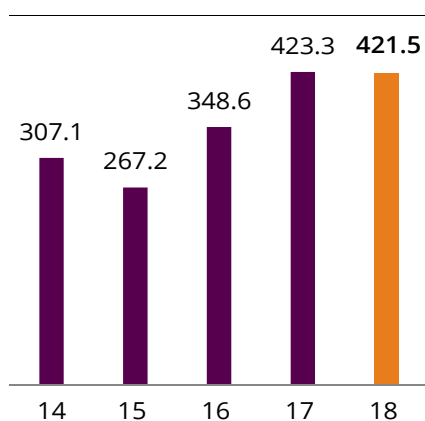
2017 3.30p

<sup>A</sup> Alternative Performance Measure (see pages 11, 68 and 69).

<sup>B</sup> 2018 presented on an undiluted basis as Convertible Unsecured Loan Stock ("CULS") matured during the year; 2017 - presented on a diluted basis as CULS "in the money".

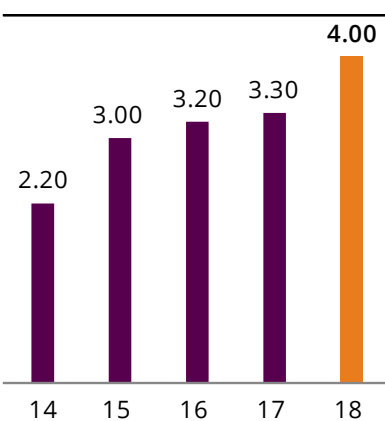
## Net asset value per share

At 31 August - pence



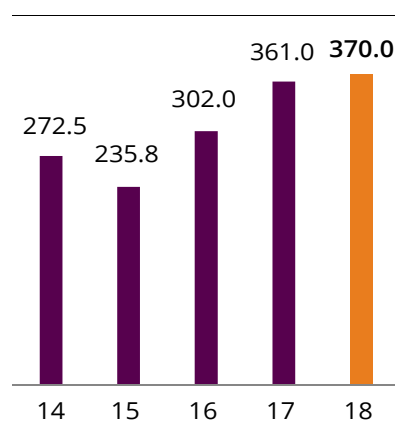
## Dividends per share

pence



## Mid-market price per share

At 31 August - pence



# Overview

## Chairman's Statement

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Allan McKenzie  
Chairman

### Overview

Over the year to 31 August 2018 the Company's net asset value (NAV) rose by 2.3% on a total return basis and the share price rose by 3.4%. In comparison, the benchmark MSCI All Country Asia (ex Japan) Index gained 2.2%.

This rise in Asian equities over the year came alongside a significant increase in volatility during the second half. Unlike 2017, when stock markets tracked the synchronised global economic upswing, the new year was disrupted by three key factors. The first was the squeeze on US dollar liquidity, caused by the White House led tax reforms that compelled American companies to repatriate their foreign cash hoards, as well as the Federal Reserve's accelerated interest rate normalisation. The second reason was the increased US hostility towards key trading partners that resulted in a series of tit-for-tat tariff increases. Thirdly, heightened worries of contagion afflicted emerging markets after a series of individual mishaps in Argentina, South Africa, and Turkey, which could be partially attributed to the first two factors. As a result, China lost a fifth of its value from its peak in January, while the broader developing markets followed suit in mid-August amid concerns that the market turmoil might spread.

There has been some stabilisation in investment performance over the last 12 months. This may be a result of investors' greater focus on corporate fundamentals in light of the market gyrations, as well as your Manager's continued efforts to identify long-term capital growth opportunities, including building exposure to China, particularly in companies that are benefiting from emerging structural technology and growing domestic consumption trends. The changes made to the underlying portfolio have started to yield results: contributions from your Manager's choice of holdings outweighed the negative impact of the portfolio's exposure to individual markets and adverse currency movements in the review period.

### Performance

Overall, the Company's portfolio benefited from your Manager's decision to increase exposure to Chinese equities. Notably, half of the top 10 contributors to the portfolio's performance were from the mainland, including China International Travel, China Conch, Kweichow Moutai, Shanghai International Airport and China Resources Land. Further Chinese companies were added to the portfolio in the second half of the reporting period. A more detailed analysis of your Company's performance can be found in the Investment Manager's Review.

### Gearing

Since 2011, the Company's gearing has been provided by its 3.5% Convertible Unsecured Loan Stock 2018 ("CULS"), which matured at the end of January 2018. The Company continued to make use of its capacity to implement structural gearing through the £50 million one year unsecured multi-currency revolving credit loan facility with Scotiabank (Ireland) Designated Activity Company. Due to downward pressure on Asian markets and economies, the Manager has only drawn down around half of this facility with the view to increase gearing further when there is greater clarity in the outlook. As at 31 August 2018, £25.5m was drawn down under this facility and net gearing represented 2.2% of net assets.

The Board continues to believe that the sensible use of modest financial gearing should enhance returns to shareholders and further gearing options will be considered prior to the maturity of the loan facility at the end of January 2019.

### Discounts and Share Buybacks

The Board has continued to demonstrate its commitment to the buying back of shares in order to keep Dragon's discount in line with its peer group. The final conversion date for CULS holders was 31 January 2018 which resulted in the listing of 14.4 million new

## Overview

# Chairman's Statement continued

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Ordinary shares on 9 February 2018. Not all of these shareholders wished to retain their holdings and the Company was willing to buy back some of these shares.

During the year ended 31 August 2018, 18.2 million shares were bought back into treasury at a cost of £67.9 million. Since the period end, a further 827,000 shares have been bought back into treasury at a cost of £3.0 million. The discount at the end of August 2018 was 12.2% compared to 14.7% at the previous year end.

The Company trades at a comparable discount to the broad Asia Pacific Equity investment trust peer group. Sentiment towards the sector remains lukewarm in light of the uncertainty created by the prospect of a damaging US-China trade war, as well as ongoing concerns around the health of a number of weaker global emerging markets.

### Fees

The Board maintains an ongoing dialogue with the Manager on the level of management fees payable by the Company. In the last 5 years, the management fee has been reduced from 1.0% of net assets to 0.85% of net assets up to £350 million and 0.5% on net assets over £350 million, which has resulted in a reduction in ongoing charges from 1.23% to 0.8%.

The Board will continue to monitor fee levels and maintain the dialogue with the Manager.

### Revenue Account

I am pleased to report that the Company's revenue return per share increased to 5.03p for the year to 31 August 2018 (2017 – 4.68p). 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 4.0p per Ordinary share (2017 – 3.3p) which, if approved by shareholders at the Annual General Meeting, will be paid on 21 December 2018.

### Review of Manager

Last year, I reported on the due diligence exercise that the Board had carried out on your Manager in 2017. I noted that the Board would continue to review the Manager's performance. To that end the Board again visited with the team in Singapore in April 2018 and gained comfort with the leadership and changes made to date. I am encouraged that the Company's recent performance has improved and is marginally ahead of

the index over the year. The Board will, of course, continue to monitor the Manager's performance.

### The Board

The Board is pleased to report the appointment of James Will as a non-executive director on 1 October 2018. James is the former Chairman of law firm Shepherd and Wedderburn LLP where he was a senior corporate partner, heading its financial sector practice. He has experience in working with companies across a wide range of industry sectors, including financial services, technology, energy and life sciences. He is currently the chairman of The Scottish Investment Trust, as well as the audit committee chairman of Herald Investment Trust.

Charlie Ricketts will join the Audit Committee with effect from the AGM, replacing Allan McKenzie.

### Continuation Vote

As shareholders will be aware, they are given the opportunity to vote on the continuation of the Company every three years. Edinburgh Dragon Trust is one of the largest investment trusts specialising in the Asia (ex Japan) sector. The Board believes that the Trust offers investors a broad and marketable exposure to Asian equity markets, many of which continue to provide attractive long-term investment opportunities in the region. The Directors believe that the prospects for Asian markets remain positive, and your Company is managed by one of the leading Asian fund managers. Your Board, thus, strongly recommends that shareholders vote in favour of the resolution.

The Board has an ongoing programme of contact with shareholders. The Board and the Company's advisers have recently consulted a number of the larger shareholders of Dragon, some of whom had indicated their wish for a tender offer to be offered in conjunction with this year's Annual General Meeting at which the three yearly continuation vote will be considered.

As a result, the Board will, subject to the continuation vote, propose a tender offer for 30% of the Company's issued shares at a discount of 2% to formula asset value (being net asset value less the costs of the tender offer) on the calculation date, which will be at the end of the tender offer process.

The tender offer is expected to be conducted, following the necessary shareholder approval, in early 2019. A document setting out the terms of the tender offer will be sent to shareholders shortly in December 2018.

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

The Company's largest shareholder, City of London Investment Management, has provided an irrevocable undertaking to vote in favour of the continuation vote and tender offer.

### Annual General Meeting

The Annual General Meeting will be held at the Manager's London office on Monday 17 December 2018 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

Like the rest of the emerging markets, the situation in Asia appears bleak at first glance, especially in view of the US dollar liquidity crunch, the US induced trade war, the tensions in the South China Sea and the Fed's planned interest-rate hikes.

Deeper analysis suggests that Asia does not face the same challenges as those emerging economies currently under such close scrutiny. This is because none of the Asian countries is in the same boat as those in the other troubled regions, having learnt well the lessons from the 1997 financial crisis. Inflation is relatively low, economic growth is still resilient and central banks have been uncompromising in their approach. Indonesia, which was identified lately as being vulnerable to the emerging markets contagion, saw its central bank raise interest rates successively to quell inflation and staunch the rupiah's decline.

Fears over China's moderating growth rate and elevated debt levels appear overdone as well, chiefly because its financial system is a closed one, with little likelihood of spill-over impact if the situation goes awry. In addition, Beijing has been responsive and shown a steady hand during difficult spells. It could also bring to bear its massive arsenal of foreign exchange reserves that stand at more than 1.5 times that of Japan, the next nearest country on the World Bank's top five list.

On the US-China trade war front, while shots have been fired and tariffs imposed, both sides have nevertheless

shown restraint in not pushing for the maximum amount flaunted in the rhetoric. This supports the view that all the sound and fury has merely been posturing so far and both countries have left ample room for future negotiations. President Trump's "Art of the Deal" approach to trade relations is starting to become somewhat predictable, with his opening gambit giving way to a subsequent more composed compromise, as was the case with the recently concluded NAFTA deal, now known as the United States-Mexico-Canada Agreement.

With these factors in mind, the outlook for Asia seems relatively positive, with an environment that should suit your Manager's style, and should bode well for your Company in the years ahead.

On a personal note I intend to retire from the Board in July 2019. A new Chairman of the Board will be appointed at that time. It has been a great privilege to have been on the Board since 2006 and Chairman since 2009. My focus at all times has been to look after the interests of all shareholders. I would like to thank all who have served with me on the Board since my initial appointment. I would also like to thank all of you who have interacted with me at annual one-to-one meetings and at AGMs.

For Edinburgh Dragon Trust plc

**Allan McKenzie**  
Chairman

1 November 2018





## Strategic Report

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 Company invests in a portfolio of about 70 companies in the Asia Pacific region with the exception of Japan and Australasia. It is one of the larger investment trusts investing in the Asia Pacific region ex Japan.

Fundamental research drives the investment process. Aberdeen Standard Investments (ASI) 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. The Investment Manager focuses on management, governance and the business plan; due diligence and a focus on quality is their main form of risk control.

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# 1987

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

Housing Development Finance Corp

HDFC is a leading local mortgage provider in India with excellent asset quality and feeding off the strong growth in the domestic housing industry.



# Strategic Report

## Overview of Strategy

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### 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 2018 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 Standard Investments (Asia) Limited ("ASI Asia" or the "Investment Manager") by way of a delegation agreement. ASI Asia changed its name from Aberdeen Asset Management Asia Limited on 3 September 2018. ASI Asia and AFML are both wholly owned subsidiaries of Standard Life Aberdeen plc, formed by the merger of

Aberdeen Asset Management PLC and Standard Life plc on 14 August 2017.

### 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. 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. 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 64.

A comprehensive analysis of the Company's portfolio by country and by sector is disclosed on pages 17 to 22, including a description of the ten largest investments, the full investment portfolio by value and sector/geographical analysis. At 31 August 2018, the Company's portfolio consisted of 72 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 2018, the Company's net gearing was 2.2%.

### 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 and undertaken a robust review of 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.

# Strategic Report

## Overview of Strategy continued

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### Risk

**Investment Performance\*** - The Company's investment performance is the most critical factor to the Company's long term success. Sustained underperformance may result in reduced demand for the Company's shares.

### Mitigating Action

The Board continually monitors the investment performance of the Company, taking account of stockmarket factors, and reviews the Company's performance compared to its benchmark index and peer group.

In addition to its own due diligence, the Board uses consultants to provide an independent perspective on the Manager's process and performance.

**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.

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

**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.

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.

**Gearing** - As at 31 August 2018 the Company had £25.5 million of bank borrowings. Gearing has the effect of exacerbating market falls and gains.

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

**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.

The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager, AIC updates and reports from the Company Secretary.

The Directors do not anticipate any significant adverse effect on the Company arising from Brexit.

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

The Board monitors the discount level of the Company's shares and has in place a buyback mechanism whereby the Manager is authorised to buy back shares within certain limits.

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

The Board reviews the performance of third party providers on an annual basis. The Manager monitors the quality of services provided through regular reports and due diligence reviews. Third party service providers report periodically on their internal controls which includes confirmation of their business continuity arrangements and procedures to address cyber-crime.

\* 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.

## 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	Performance is measured against the Company's benchmark, the MSCI All Country Asia (ex Japan) Index (in sterling terms).  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.
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 shown on page 12.

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 Manager 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 Manager and regular reports are provided to the Board on promotional activities as well as an analysis of the shareholder register.

### Board Diversity

The Board's statement on diversity is set out in the Statement of Corporate Governance. At 31 August 2018 there were four male Directors and one female Director. Subsequent to the year end, a male director was appointed to the Board on 1 October 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.

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 investment is set out in the Statement of Corporate Governance.

### Viability Statement

In accordance with the provisions of the Listing Rules and 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 at the 2018 AGM and the renewal of the Company's borrowings in January 2019.

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

- the principal risks set out in the Strategic Report on pages 8 to 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;
- the level of gearing and revenue surplus generated by the Company. The Company has the ability to renew or repay its gearing; and
- the feed-back following consultation with major shareholders on the continuation of the Company and the proposed Tender offer.

When considering the risk of under-performance, the Board reviewed the impact of stress testing on the portfolio, including the effects of any substantial future falls in investment values. 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. The results of the stress tests have given the Board comfort over the viability of the Company.

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 of this assessment to 31 August 2023.

**Allan McKenzie**  
Chairman

1 November 2018



# Strategic Report

## Results

### Financial Highlights

	31 August 2018	31 August 2017	% change
<b>Performance</b>			
Equity shareholders' funds (£'000)	788,019	807,330	-2.4
Net asset value per share (basic) (p)	421.54	423.26	-0.4
Net asset value per share (diluted) (p)	N/A	415.19	N/A
Share price (p)	370.00	361.00	+2.5
Market capitalisation (£'000)	691,672	688,577	+0.4
MSCI AC Asia (ex Japan) Index (in sterling terms; capital return basis)	958.84	962.36	-0.4
Revenue return per share (basic) (p)	5.03	4.68	+7.5
Total return per share (basic) (p)	5.33	79.08	-93.3
<b>Gearing</b>			
Net gearing (%) <sup>A</sup>	2.2	4.1	
<b>Discount</b>			
Discount to net asset value (basic) (%)	12.2	14.7	
<b>Operating costs</b>			
Ongoing charges ratio <sup>B</sup>	0.80	1.03	

<sup>A</sup> Calculated in accordance with AIC guidance "Gearing Disclosures post RDR".

<sup>B</sup> Considered to be an Alternative Performance Measure. Ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of the management fee and administrative expenses divided by the average fair value cum income net asset value throughout the year.

### Year's Highs/Lows

	High	Low
Share price (p)	394.0	343.0
Net asset value (p)	449.0	394.7
Discount (%)	-10.0	-15.5

### Performance (total return)<sup>A</sup>

	1 year return	3 year return	5 year return
	%	%	%
Share price <sup>A</sup>	+3.4	+62.1	+52.5
Net asset value – diluted <sup>AB</sup>	+2.3	+62.3	+57.0
MSCI AC Asia (ex Japan) Index (in sterling terms)	+2.2	+72.9	+77.9

<sup>A</sup> Considered to be an Alternative Performance Measure (see Glossary on page 68 for more information).

<sup>B</sup> 1 year return presented on an undiluted basis as Convertible Unsecured Loan Stock ("CULS") matured during the year; 2017 – presented on a diluted basis as CULS "in the money".

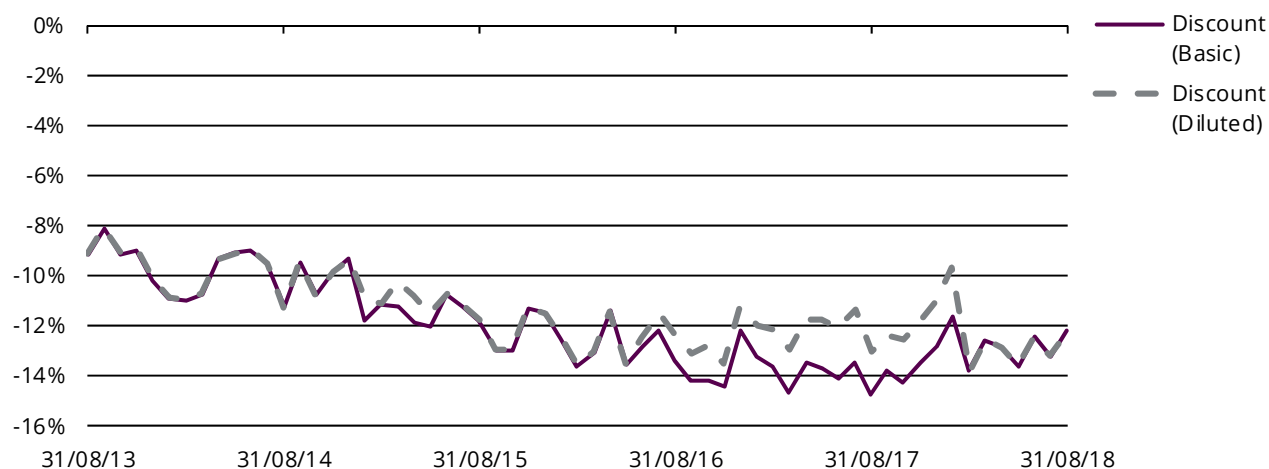
### Dividends

	Rate	xd date	Record date	Payment date
Proposed final 2018	4.00p	22 November 2018	23 November 2018	21 December 2018
Final 2017	3.30p	23 November 2017	24 November 2017	15 December 2017

# Strategic Report Performance

## Share Price Discount to NAV

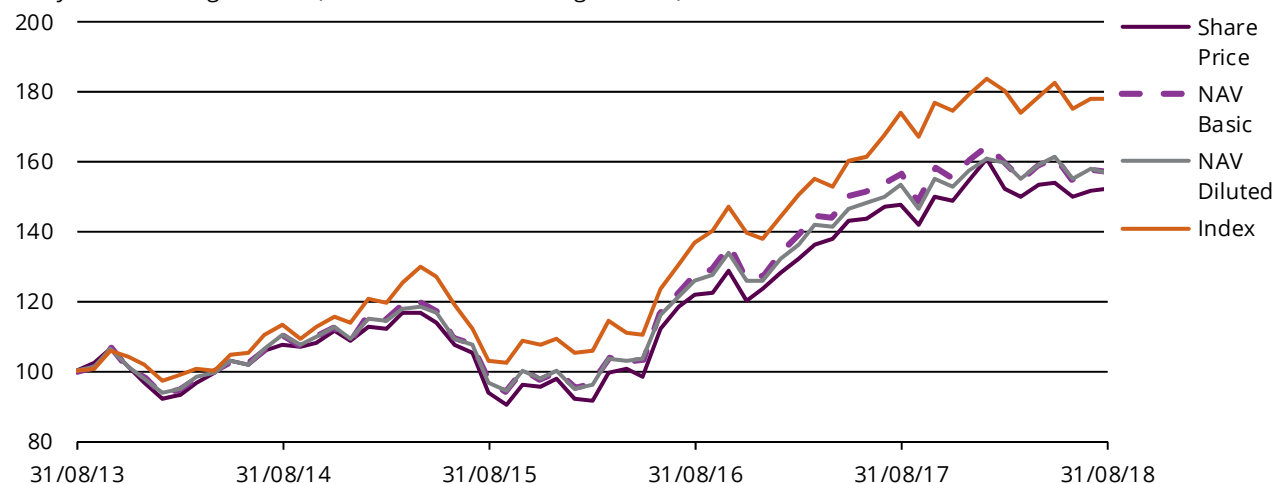
Five years to 31 August 2018



Source: Morningstar

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

Five years to 31 August 2018 (rebased to 100 at 31 August 2013)



Source: Standard LifeAberdeen & Lipper

## 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 <sup>A</sup>
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	493,555	251.37	4.31	230.00	8.5	1.2
2012	519,765	264.70	3.30	237.30	10.4	1.3
2013	550,346	280.26	3.42	254.70	9.1	1.2
2014	603,077	307.10	3.43	272.50	11.3	1.2
2015	518,635	267.22	4.13	235.75	11.8	1.2
2016	664,159	348.62	4.50	302.00	13.4	1.1
2017	807,330	423.26	4.68	361.00	13.1	1.0
2018	788,019	421.54	5.03	370.00	12.2	0.8

<sup>A</sup> The 2011 to 2018 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 2009 to 2010 disclosed were calculated using previous best practice, which used the average monthly net asset value throughout the year within the calculation.

# Strategic Report

## Investment Manager's Review

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### Background/Portfolio review

Asian equities posted decent returns over a review year of two distinct halves. Markets were buoyant in the first six months, boosted by steady global growth, upbeat earnings results and optimism over Chinese internet stocks. But volatility spiked subsequently, as investors grew nervous over aggressive interest rate hikes in the US and further escalation in the US-China trade war. In China, fears of moderating growth further pressured stocks and the renminbi, prompting policymakers to boost liquidity and introduce fresh stimulus.

Against this backdrop, the Trust's net asset value (NAV) total return increased by 2.3% over the year, slightly ahead of the benchmark MSCI All Country Asia (ex Japan) Index which gained 2.2% in sterling terms. The share price rose by 3.4% on a total return basis to 370p, and the discount to NAV narrowed from 14.7% at the start of the period to 12.2% as at 31 August 2018.

The portfolio's returns were driven mainly by our approach of investing in well run companies with sound fundamentals, resilient business models and healthy cashflows. These traits build resilience into your portfolio in volatile conditions.

Your Company's holdings in China, especially those in the consumer discretionary and industrial sectors, were the portfolio's key contributors. We are mindful of the speculative nature of China's capital markets, the risk of heavy handed state intervention and generally weak standards of corporate governance. Nevertheless, we have identified companies that met our stringent investment criteria, and we have been building the portfolio's exposure to China gradually. Notably, these mainland holdings delivered attractive returns amid a subdued broader market thus underlining the value of our approach.

Two consumer companies stood out: **China International Travel Services** (CITS) and **Kweichow Moutai**. CITS, a leading domestic land tour company and the mainland's largest duty free operator, benefited from growing demand for domestic travel. As the only nationwide player, it is well positioned to take advantage of the growing affluence of the middle class. Similarly, Kweichow Moutai, a distiller of high end spirits, delivered excellent results underpinned by robust sales growth. It commands pricing power through a solid brand and is well placed to capitalise on shifting consumer preferences towards premium products.

Industrial names also contributed to returns. **Shanghai International Airport** was a key contributor, as growth in rental income from its newly renovated passenger

terminal prompted the airport operator to forecast healthy profits. Cement maker **Anhui Conch** advanced, thanks to rising cement prices that resulted from better industry discipline and supply side reforms.

The portfolio's performance was also lifted by technology stocks, which benefited from a favourable semiconductor cycle, though concerns over smartphone demand capped gains. **Samsung Electronics** delivered record earnings on higher memory chip prices, a segment where it remains the technology leader globally. Supported by a solid balance sheet and steady cash flows, Samsung has also made good progress in returning more money to shareholders over the past few years, including an increase in dividend payouts. While profit taking and reduced risk appetite have pressured Asian technology names in recent months, we remain confident of the longer term outlook of the sector. We see new demand from growing use of smartphones, autonomous driving, internet connected homes and factories, as well as high performance computing.

Nevertheless, the portfolio's larger exposure to cement and real estate stocks weighed on performance. Within the Indian cement industry, which continues to suffer from oversupply, subdued demand and rising energy costs, India's **Grasim Industries** was the main laggard. After rallying at the end of 2017 on the back of restructuring efforts, it succumbed to profit taking amid renewed concerns over muted cement prices. We remain confident of its prospects and expect demand to exceed capacity expansion soon. Grasim's cement business is also benefiting from higher infrastructure spending and demand for affordable housing in the rural regions.

In real estate, Singapore developer **City Developments** (CDL) fell after the government intervened to cool the resurgent domestic property market, with the severity of the measures catching many by surprise. Myanmar focused group **Yoma Strategic** was pressured by a property slowdown in the country, though its latest earnings showed signs of stabilising. We still like CDL for its sizeable low cost land bank and its holding in the global Millennium & Copthorne hotel chain and find Yoma is well placed to tap Myanmar's longer term growth potential.

Elsewhere, Hong Kong-based investment holding group **Jardine Strategic** faltered, mainly due to pullbacks in the stock prices of Indonesian conglomerate **Astra International**, auto group Jardine Cycle & Carriage and retailer group Dairy Farm. Astra, which the portfolio also holds directly, similarly declined as its market share was pressured by increased competition.

### Portfolio activity

Market volatility during the year afforded opportunities for us to introduce attractively valued companies. We continued to build the portfolio's exposure in China, particularly in companies that are benefiting from emerging technology and growing domestic consumption trends.

Hong Kong-listed **Tencent Holdings** is one such company with high quality growth potential. The Chinese internet giant has succeeded in diversifying its products, creating a powerful, interlocking suite of services that has entrenched itself in the everyday lives of Chinese consumers, who use Tencent's products to make electronic payments, read the news and stay in touch with family and friends. The company's growing product shelf deepens this relationship with end users and entices them to pay for value added services, which will drive future earnings growth. Its shares have fallen in recent months, following a country wide freeze on approvals for new online games that affected its mobile version of a blockbuster game. However, Tencent's management is confident that its game would receive approval eventually. Tighter control over the industry will strengthen the positions of big players such as Tencent.

To capture opportunities within the Chinese consumption theme, we introduced **Autohome**, the dominant online hub for car transactions on the mainland, and hospitality chain **Huazhu Hotels Group**. Autohome has a classifieds advertising business that draws those interested in buying and selling cars, which is complemented by its comprehensive content that attracts high quality user traffic. Meanwhile, Huazhu's portfolio of almost 4,000 hotels serves as a proxy for tourism growth. It operates with an asset light franchise model, receiving revenues in the form of fees and booking commissions. Its management's track record and its partnership with Accor should drive further margin improvements.

We also initiated positions in three other mainland companies: **Ping An Insurance, China Resources Land, and Wuxi Biologics**. Ping An is a Chinese financial conglomerate with one of the best life insurance franchises domestically. It has adroitly tapped technology to build a robust financial supermarket and is well positioned in a structurally growing segment. Its competent management has also put in place adequate risk management processes that mitigate the complexity of the group.

China Resources Land is a Hong Kong-listed Chinese developer with superior profitability, substantial land bank, as well as a good mix of property development and

investment. It enjoys steady growth in its malls and low financing costs as a state owned enterprise.

Wuxi Biologics, meanwhile, is a contract development manufacturing organisation (CDMO) with a significant model in the biologics outsourcing market. It is the only CDMO that offers end to end service, from drug discovery and development all the way to commercial manufacturing of biological drugs. This means that it owns the intellectual property and has high technical knowhow. With R&D at the drug discovery stage, it has a higher chance of retaining customers through the lifecycle of a drug.

Other recent additions to the portfolio include Thai mall developer **Central Pattana**, which has a good track record of executing its strategic goals and could grow margins from increasing rentals, and Vietnamese lender **Vietnam Technological & Commercial Joint Stock Bank** (Techcombank), which is led by internationally experienced management that is focused on profitability rather than market share.

Against these, we divested our positions in Singapore defence group ST Engineering, as well as Swire Pacific and MTR Corporation in Hong Kong, after their share prices rallied. We also took advantage of pre-election liquidity in the Malaysian market to exit financial group CIMB and investment holding company Batu Kawan.

### Outlook

Given prevailing trade tensions, investor sentiment has turned more wary, and politics and policy will likely continue to hold sway over Asian markets. Many companies are shelving investment plans, which could dampen near term economic growth in the region. There are also other market specific issues that could present challenges to the portfolio's underlying holdings. In India and Indonesia, political risk may feature more prominently given upcoming elections. Beijing's delicate tightrope between reducing risks in the financial system and sustaining growth could have wide reaching implications. More broadly, central banks in the region also have to grapple with defending their currencies and maintaining price stability, while contending with rising commodity prices, tightening US monetary policy and a strengthening US dollar.

However, many Asian economies are in better shape, with healthy external balances and foreign currency reserves. Corporate fundamentals remain resilient too. Despite more cautious forecasts, many of your Company's holdings are still delivering fair earnings growth. The portfolio, given its exposure to largely domestic companies with local revenues and costs, is also relatively



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insulated from the trade war between the US and its major trading partners. Many holdings stand to benefit from improving consumer sentiment in both China and the rest of the region.

**Aberdeen Standard Investments (Asia) Limited\***

1 November 2018

\* on behalf of Aberdeen Fund Managers Limited. Both companies are subsidiaries of Standard Life Aberdeen plc.

## Portfolio

The Investment Manager's theoretical universe of companies is all listed stocks within the Asia (ex Japan) 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, the Manager has eliminated a vast proportion, mainly for reasons of size, business quality or governance. Edinburgh Dragon Trust currently has 72 companies in its portfolio that meet the Investment Manager's selection criteria.

The Investment Manager 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 Investment Manager invests for the long term – and only in companies it believes it understands and can add value.

### China Resources Land

China Resources Land's business is the development and management of residential and investment properties in mainland China major cities. Their flagship project, Shenzhen MIXC, is a forerunner in China's shopping centres.



## Portfolio Ten Largest Investments

As at 31 August 2018

Company	Industry	Country	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
<b>Samsung Electronics (Pref)</b> A leading semiconductor company which is also a major player in mobile phones and consumer electronics.	Technology Hardware, Storage & Peripherals	South Korea	48,576	6.0	38,129
<b>Tencent Holdings</b> The internet giant continues to strengthen its ecosystem, and the Manager sees tremendous potential in Tencent's advertising business as it starts monetising its social media and payment platforms.	Internet Software & Services	China	41,686	5.1	-
<b>Taiwan Semiconductor Manufacturing Company</b> The leading semiconductor foundry in Taiwan.	Semiconductors & Semiconductor Equipment	Taiwan	35,748	4.4	32,769
<b>Bank Central Asia</b> Among the largest local private banks in Indonesia, it is well capitalised and has a big and stable base of low-cost deposits that funds its lending, while asset quality has remained solid.	Banks	Indonesia	25,236	3.1	19,821
<b>AIA Group</b> 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	24,922	3.1	27,446
<b>Oversea-Chinese Banking Corporation</b> A leading, well-run Singaporean banking group with assets and operations in South East Asia and China.	Banks	Singapore	24,380	3.0	29,849
<b>Housing Development Finance Corp</b> Leading domestic mortgage provider with a leading distribution network, cost structure and balance sheet quality.	Thriffs & Mortgage Finance	India	23,759	3.0	28,115
<b>Jardine Strategic Holdings</b> A Singapore-listed conglomerate with interests across the region spanning property, hotels and consumer-related businesses.	Industrial Conglomerates	Hong Kong	22,810	2.8	36,053
<b>ITC</b> An associate of British American Tobacco, it is a dominant cigarette player in the Indian market with a strong distribution system.	Tobacco	India	19,412	2.4	19,300
<b>Siam Cement</b> Thailand's largest cement producer with other key interests in petrochemicals, pulp & paper and building materials. Its balance sheet remains strong and valuations are reasonable, with an attractive dividend yield.	Construction Materials	Thailand	18,152	2.2	19,973
<b>Top ten investments</b>			<b>284,681</b>	<b>35.1</b>	

## Portfolio Other Investments

As at 31 August 2018

Company	Sector	Country	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
Ping An Insurance	Insurance	China	16,937	2.1	–
China International Travel Services 'A'	Hotels, Restaurants & Leisure	China	16,913	2.1	8,758
HSBC Holdings	Banks	Hong Kong	16,857	2.1	18,811
Hong Kong Exchanges & Clearing	Capital Markets	Hong Kong	16,673	2.0	16,691
Swire Properties	Real Estate Management & Development	Hong Kong	15,743	1.9	10,299
Tata Consultancy Services	IT Services	India	15,316	1.9	11,895
DBS Group	Banks	Singapore	14,926	1.8	12,558
City Developments	Real Estate Management & Development	Singapore	14,632	1.8	25,000
Naver Corp	Internet Software & Services	South Korea	14,101	1.7	12,297
China Resources Land	Real Estate Management & Development	China	13,780	1.7	1,815
Top twenty investments			<b>440,559</b>	<b>54.2</b>	
Ayala Land	Real Estate Management & Development	Philippines	13,028	1.6	14,978
Astra International	Automobiles	Indonesia	12,648	1.6	10,765
Keppel Corp	Industrial Conglomerates	Singapore	12,477	1.5	12,269
Kweichow Moutai 'A'	Beverages	China	12,315	1.5	13,853
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	12,049	1.5	21,627
Bank of Philippine Islands	Banks	Philippines	11,909	1.5	14,340
Grasim Industries	Construction Materials	India	11,889	1.5	20,323
Yum China Holdings	Hotels, Restaurants & Leisure	China	11,663	1.4	10,752
John Keells Holdings	Industrial Conglomerates	Sri Lanka	10,270	1.3	12,704
Kotak Mahindra Bank	Banks	India	10,109	1.2	8,598
Top thirty investments			<b>558,916</b>	<b>68.8</b>	
Piramal Enterprises	Pharmaceuticals	India	9,862	1.2	14,908
Standard Chartered <sup>A</sup>	Banks	United Kingdom	9,832	1.2	17,404
Shanghai International Airport 'A'	Transport Infrastructure	China	9,510	1.2	10,550
LG Chem	Chemicals	South Korea	9,254	1.1	–
Bangkok Dusit Medical Services 'F'	Health Care Providers & Services	Thailand	8,920	1.1	3,865
Public Bank	Banks	Malaysia	8,809	1.1	7,940
Hangzhou Hikvision Digital 'A'	Electronic Equipment, Instruments & Components	China	8,802	1.1	11,973
Kerry Logistics Network	Air Freight & Logistics	Hong Kong	8,382	1.0	8,143
United Overseas Bank	Banks	Singapore	8,368	1.0	12,149
HDFC Bank	Banks	India	8,267	1.0	7,946
Top forty investments			<b>648,922</b>	<b>79.8</b>	



Company	Sector	Country	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
Midea Group 'A'	Household Durables	China	7,974	1.0	9,518
China Conch Venture Holdings	Machinery	China	7,855	1.0	8,044
Hero MotoCorp	Automobiles	India	7,271	0.9	11,732
Vietnam Dairy Products	Food Products	Vietnam	6,912	0.9	6,769
E-Mart Co	Food & Staples Retailing	South Korea	6,815	0.8	8,763
Autohome	Internet Software & Services	China	6,755	0.8	-
Taiwan Mobile	Wireless Telecommunication Services	Taiwan	6,616	0.8	12,010
Ayala Corp	Diversified Financial Services	Philippines	6,439	0.8	4,170
Han's Laser Technology 'A'	Machinery	China	5,896	0.7	5,529
ASM Pacific Technology	Semiconductors & Semiconductor Equipment	Hong Kong	5,863	0.7	6,909
Top fifty investments			<b>717,318</b>	<b>88.2</b>	
Hang Lung Group	Real Estate Management & Development	Hong Kong	5,842	0.7	8,524
CNOOC	Oil, Gas & Consumable Fuels	China	5,521	0.7	6,364
Ultratech Cement	Construction Materials	India	5,476	0.7	3,642
Unilever Indonesia	Household Products	Indonesia	5,249	0.6	8,295
Huazhu Group	Hotels, Restaurants & Leisure	China	5,215	0.6	-
Amorepacific Corp (Pref)	Personal Products	South Korea	4,744	0.6	5,625
Holcim Indonesia	Construction Materials	Indonesia	4,694	0.6	4,232
Hindustan Unilever	Household Products	India	4,360	0.5	4,297
China Mobile	Wireless Telecommunication Services	China	4,359	0.5	23,794
Raffles Medical Group	Health Care Providers & Services	Singapore	4,316	0.5	3,117
Top sixty investments			<b>767,094</b>	<b>94.2</b>	
Sunny Optical Technology	Electronic Equipment Instruments & Components	China	4,250	0.5	-
Koh Young Technology	Semiconductors & Semiconductor Equipment	South Korea	4,041	0.5	-
China Merchants Bank	Banks	China	4,015	0.5	-
Wuxi Biologics (Cayman)	Life Sciences Tools & Services	China	3,981	0.5	-
Indocement Tunggul Prakarsa	Construction Materials	Indonesia	3,698	0.5	4,578
Saic Motor Corp	Automobiles	China	3,666	0.5	-
Hang Lung Properties	Real Estate Management & Development	Hong Kong	3,350	0.4	6,414
Yoma Strategic Holdings	Real Estate Management & Development	Singapore	2,658	0.3	4,825
Vietnam Technological & Commercial Bank	Banks	Vietnam	2,475	0.3	-
Central Pattana Public Co	Real Estate Management & Development	Thailand	2,404	0.3	-
Top seventy investments			<b>801,632</b>	<b>98.5</b>	

Portfolio  
**Other Investments** continued

As at 31 August 2018

Company	Sector	Country	Valuation	Total	Valuation
			2018	assets	2017
			£'000	%	£'000
DFCC Bank	Banks	Sri Lanka	2,137	0.3	3,429
Amorepacific Group	Personal Products	South Korea	1,988	0.2	2,754
<b>Total investments</b>			<b>805,757</b>	<b>99.0</b>	
<b>Net current assets<sup>B</sup></b>			<b>7,762</b>	<b>1.0</b>	
<b>Total assets<sup>C</sup></b>			<b>813,519</b>	<b>100.0</b>	

<sup>A</sup> 2018 valuation reflects UK listing holding of £9,832,000. 2017 valuation reflects UK listed equity holding of £15,222,000 and Hong Kong listed equity holdings of £2,182,000.

<sup>B</sup> Excludes bank loan of £25,500,000.

<sup>C</sup> See definition on page 70.

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

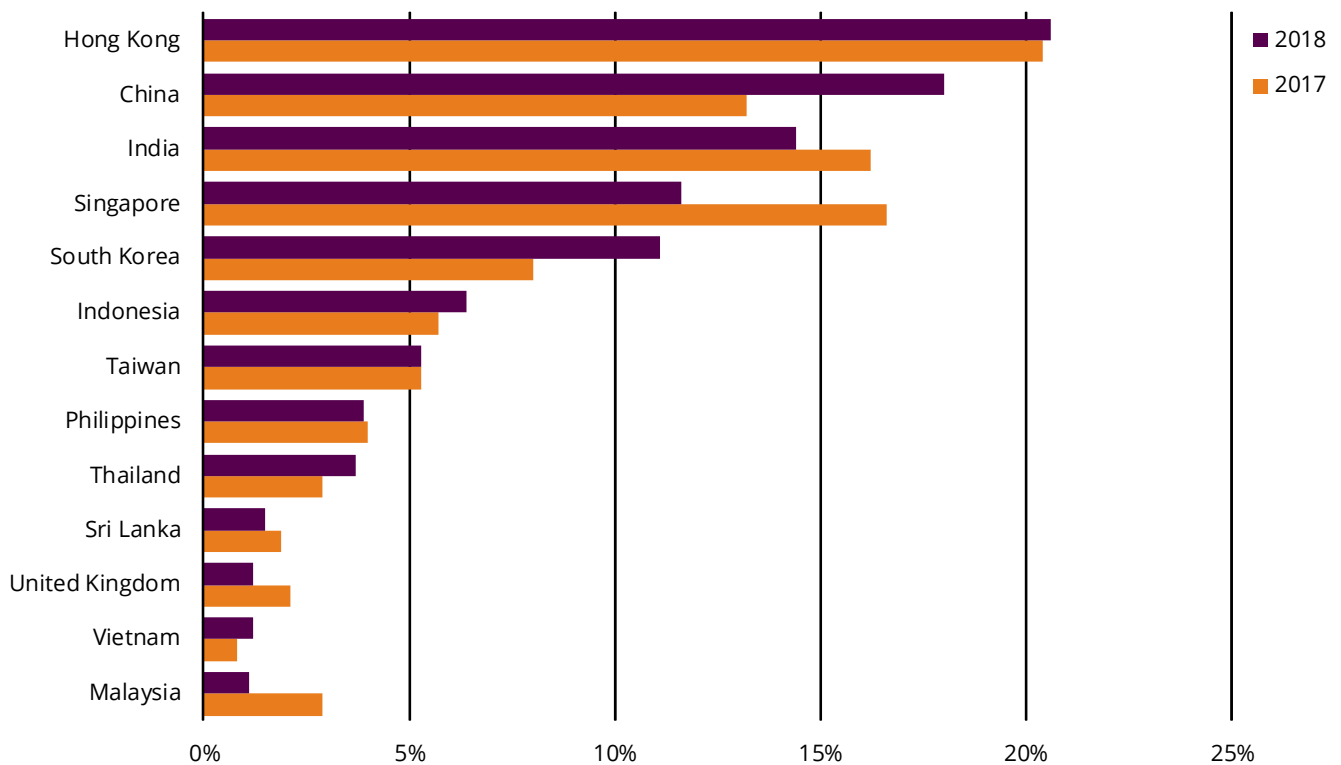
## Portfolio Changes in Asset Distributions

Country	Value at 31 August 2017 £'000	Purchases £'000	Sales proceeds £'000	Gains/ (losses) £'000	Value at 31 August 2018 £'000
China	110,948	58,143	44,461	20,763	145,393
Hong Kong	173,634	53,644	48,728	(12,408)	166,142
India	137,077	11,517	35,851	2,979	115,722
Indonesia	47,691	6,212	1,584	(794)	51,525
Malaysia	24,089	174	16,969	1,515	8,809
Philippines	33,489	3,868	4,826	(1,156)	31,375
Singapore	138,511	4,719	41,303	(8,120)	93,807
South Korea	67,568	25,602	4,019	366	89,517
Sri Lanka	16,133	-	623	(3,103)	12,407
Taiwan	44,779	3,754	11,203	5,034	42,364
Thailand	23,836	5,253	-	388	29,477
United Kingdom	15,222	-	3,351	(2,039)	9,832
Vietnam	6,769	3,979	-	(1,361)	9,387
<b>Total investments</b>	<b>839,746</b>	<b>176,865</b>	<b>212,918</b>	<b>2,064</b>	<b>805,757</b>
Net current assets	11,999	-	-	(4,237)	7,762
<b>Total assets less current liabilities</b>	<b>851,745</b>	<b>176,865</b>	<b>212,918</b>	<b>(2,173)</b>	<b>813,519</b>

## Analysis of Portfolio

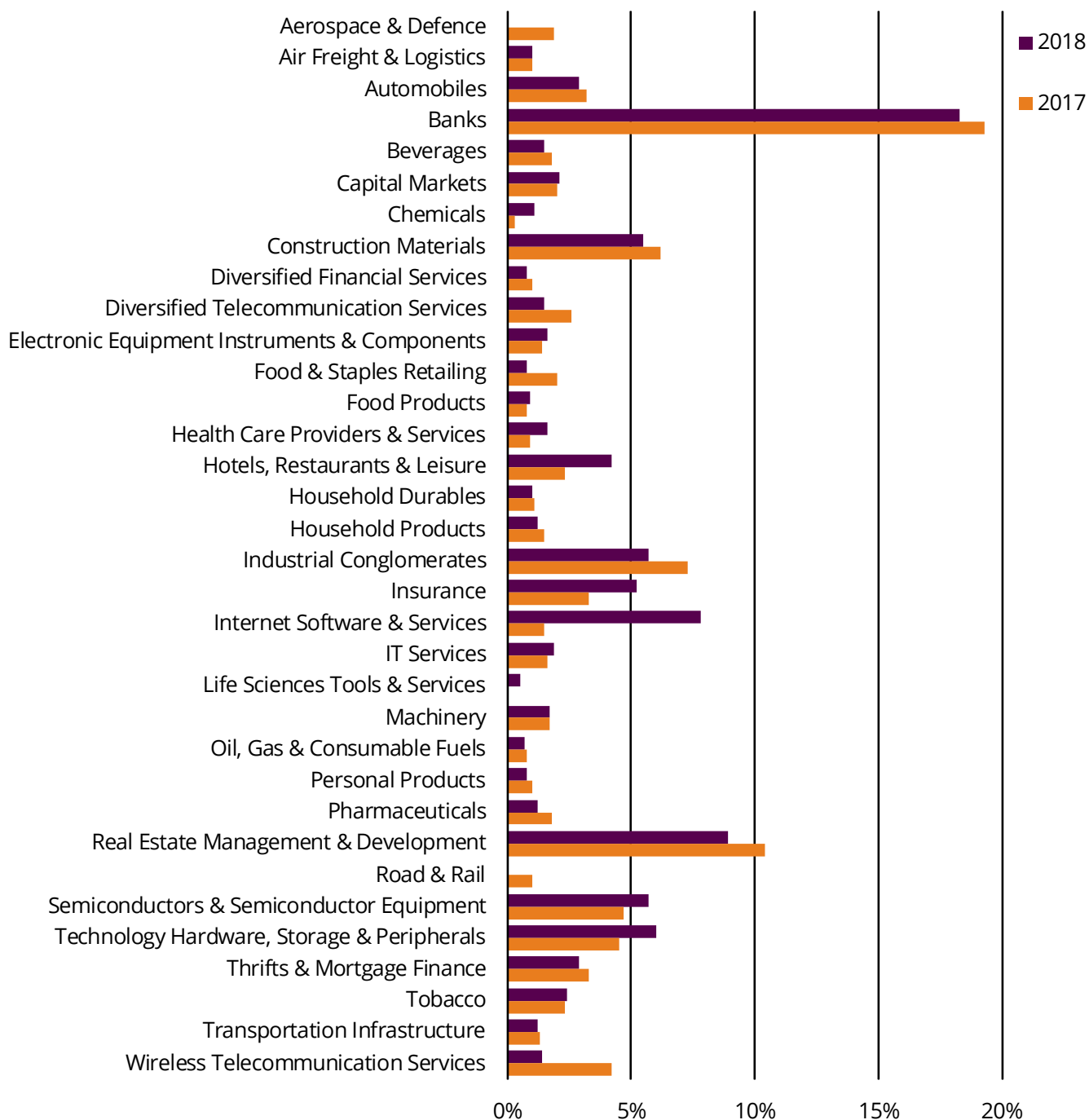
As at 31 August 2018

### Geographic Summary



# Portfolio Changes in Asset Distributions continued

## Sector Breakdown





A tall, cylindrical skyscraper with a white facade and many windows, topped with the OCBC Bank logo. The building is set against a blue sky with light clouds. In the foreground, there are other buildings, including a glass-fronted one and some residential-style buildings with red roofs.

## 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 approved by HM Revenue & Customs as an investment trust.

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

OCBC is a well-managed Singapore bank with a solid capital base and good cost-to-income ratio. It is diversified by both geography and service offerings, with interests spanning South East Asia, North Asia, wealth management and life assurance as well as its core banking activities.

## Governance

# Your Board of Directors

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**Allan McKenzie**  
**Independent Chairman**

**Length of service:** 12 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:** 6 years, appointed on 29 October 2012

**Experience:** Over 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 and head of the 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 her roles included head of Asian investments and head of international equity products. She began her career in Asia with Jardine Fleming.



**Charles Ricketts**

**Length of service:** 2 years, 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 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. He is a non-executive director of Templeton Emerging Markets Investment Trust PLC.



**Peter Maynard**

**Length of service:** 7 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:** 8 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 chairman of F&C UK High Income Trust Plc and a non-executive director of Baillie Gifford Shin Nippon Plc, Ecofin Global Utilities and Infrastructure Trust plc and JadeStoneEnergy Limited. He is a former President of the Institute of Chartered Accountants of Scotland.



**James Will**

**Length of service:** Appointed on 1 October 2018

**Experience:** Former Chairman of law firm Shepherd and Wedderburn LLP where he was a senior corporate partner, heading its financial sector practice. He has experience of working with companies in a wide range of industry sectors including financial services, technology, energy and life sciences. He is chairman of The Scottish Investment Trust plc and Audit Committee chairman of Herald Investment Trust plc.

# Governance

## Directors' Report

### Capital Structure

At 31 August 2018, the Company had 186,938,409 fully paid Ordinary shares of 20p each (2017: 190,741,556) with a further 28,365,944 Ordinary shares of 20p held in treasury (2017: 10,157,500) in issue. During the year to 31 August 2018, 18,208,444 Ordinary Shares were bought back and held in treasury. The final conversion date for the holders of the 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") was 31 January 2018 which resulted in the issue of 14,405,297 new Ordinary shares on 9 February 2018. Further details on the changes to the capital structure during the year ended 31 August 2018 are provided on page 71. Subsequent to the period end a further 827,000 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 any restriction on the transfer of shares or the voting rights.

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.

### Directors

Biographies of the Directors of the Company are shown on pages 24 to 25. There were no changes to the composition of the Board during the period. James Will was appointed as a non-executive Director on 1 October 2018.

### Directors' and Officers' Liability Insurance

The Company's articles of association indemnify each of the Directors out of the assets of the Company against any liabilities incurred by them as a Director of the Company in defending proceedings, or in connection with any application to the Court in which relief is granted. In

addition, the Directors have been granted qualifying indemnity provisions by the Company which are currently in force. Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

### Dividends

The Directors recommend that a final dividend of 4.0p per Ordinary share (2017: 3.3p) be paid on 21 December 2018 to shareholders on the register on 23 November 2018. The ex-dividend date is 22 November 2018.

### Management Agreement

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

Details of the management agreement, including the notice period and fees paid to Aberdeen Group companies during the year ended 31 August 2018 are shown in note 4 to the financial statements.

### Borrowings

The Company has a one year multicurrency revolving loan facility of £50 million with Scotiabank (Ireland) Designated Activity Company with a maturity date of 30 January 2019. At the year end £25.5 million had been drawn down under the facility.

### Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is contained on pages 29 to 33.

### Substantial Share Interests

At 31 August 2018 the Company had been notified or was aware of the following substantial interests in the Ordinary shares:

Shareholder	Number of Ordinary shares held	% held
City of London Investment Management	40,649,587	21.7
Lazard Asset Management	16,867,622	9.0
Wells Capital Management	16,572,386	8.9
Derbyshire County Council	12,300,000	6.6
1607 Capital Partners	8,455,812	4.5
Investec Wealth & Investment Ltd	8,123,252	4.4



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Subsequent to the year end the Company was notified of the following change:

- City of London Investment Management was interested in 41,250,704 Ordinary shares (representing 22.1% of the issued shares).

As at the date of this Report, no other 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 37 and 40.

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 17 December 2018, the following resolutions will be proposed:

(i) **Continuation Vote**

Resolution 12, which is an ordinary resolution, will, if approved, allow the Company to continue as an investment trust.

(ii) **Section 551 Authority to Allot Shares**

Resolution 13, 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 £12.4 million based on the Company's issued share capital as at the date of this Report). Such authority will expire on 28 February 2020 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).

(iii) **Limited Disapplication of Pre-emption Provisions**

Resolution 14, which is a special resolution, seeks to give the Directors power, conditional on Resolution 13 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 £1.86 million based on the Company's issued share capital as at the date of this Report).

This authority will expire on 28 February 2020 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.

(iv) **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 71. Resolution 15, which will be proposed as a special resolution, will renew 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 27.9 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 2020 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

**(v) Notice Period for General Meetings**

Resolution 16, 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, 63,882 Ordinary shares, and representing 0.02% of the existing issued Ordinary share capital of the Company.

**Greenhouse Gas Emissions**

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

**Other Information**

The rules concerning the appointment and replacement of Directors, amendments to the articles of association and powers to issue or buy back the 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 48, 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  
1 November 2018

**Registered office:**  
7<sup>th</sup> Floor  
40 Princes Street  
Edinburgh EH2 2BY

**Company Registration Number:**  
SC106049

# Governance

## 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 2016 (the "UK Code"), which is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk), throughout the financial year.

The Company is 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 ([www.theaic.co.uk](http://www.theaic.co.uk)).

The Board confirms that, during the year to 31 August 2018, the Company complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code's provisions relating to:

- the role of the chief executive (A.1.2);
- executive directors' remuneration (D.1.1 and D.1.2); and
- the need for an internal audit function (C.3.6).

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company.

### The Board

The Board consists of six non-executive Directors. Profiles of the Board members appear on pages 24 to 25. 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 table below 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 have a number of discussions by email, telephone or meeting to deal with administrative matters and ad hoc issues between scheduled Board meetings.

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 Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Management Engagement Committee Meetings
A McKenzie <sup>1,2</sup>	5 (5)	3 (3)	1 (1)	1 (1)
K Langridge	5 (5)	n/a	n/a	1 (1)
P Maynard <sup>1</sup>	5 (5)	3 (3)	n/a	1 (1)
I McLaren <sup>1,2</sup>	5 (5)	3 (3)	1 (1)	1 (1)
C Ricketts	5 (5)	n/a	n/a	1 (1)
J Will <sup>3</sup>	n/a	n/a	n/a	n/a

<sup>1</sup> Member of Audit Committee <sup>2</sup> Member of Remuneration Committee <sup>3</sup> Appointed on 1 October 2018

## Governance

# Statement of Corporate Governance continued

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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.

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Board takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country.

### 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.

### 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 composition 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, Fletcher Jones, to identify potential candidates for the Board which resulted in the appointment of Mr Will on 1 October 2018.

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.

### 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. Further information may be found in the Directors' Remuneration Report.

### 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 pages 8 to 9.

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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 2018 meeting, the Audit Committee performed its annual assessment of internal controls for the year ended 31 August 2018 and taking account of events since 31 August 2018. 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.

## 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 have qualified as chartered accountants and the Committee is satisfied that it has the necessary recent and relevant financial experience and competence relevant to the investment trust sector in order to fulfil its responsibilities. 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').

### 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



## Governance

# Statement of Corporate Governance continued

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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 fees for non-audit services provided by the auditor is assessed and for the year to 31 August 2018 were £4,800 (2017 - £4,660) 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 partner.
- 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 company law, listed companies are required to tender the external audit every 10 years. Under transitional arrangements, KPMG will be required to resign as auditor after completion of the audit for the year ended 31 August 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 partner is rotated at least every five years, in accordance with professional guidelines. The current audit partner from KPMG was appointed for the 2017 year end audit.

### Going Concern

Shareholders will be given the opportunity to vote on the continuation of the Company at the next Annual General Meeting in December 2018. As referred to, and for the reasons set on in the Chairman's Statement, the Directors recommend that shareholders vote in favour of the continuation vote.

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

Having regard to the matters referred to above, inclusive of the discussion regarding the continuation vote included in the Chairman's Statement, and after due consideration, 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.

### Management Engagement Committee

A separate Management Engagement Committee, which was established during the financial year and comprises all the Directors, reviews the performance of the Manager and its compliance with the management agreement. The terms of reference, which are available on request and on the Company's website, are reviewed on an annual basis. The Committee keeps the resources of the Manager under constant review, conducts an annual review of the terms and conditions of the management agreement ("Agreement") and undertakes 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 although the performance of the Manager remains under close review. The Board believes that the Manager has satisfactorily met the terms of the management agreement with the Company, and considers 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

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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](http://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.

# Governance

## Directors' Remuneration Report

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) A Remuneration Policy, set out below, which was last approved by shareholders at the 2017 AGM. This policy is subject to a vote every three years. Any change to this policy during this interval would require shareholder approval;
- (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 at the AGM; 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 page 39. 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 changes in 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 the UK Code of Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. Directors' remuneration is determined by the Remuneration Committee.

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.

### 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.

	1 September 2018 £	1 September 2017 £
Chairman	39,800	39,800
Chairman of Audit Committee	30,900	30,900
Member of Audit Committee and Board	28,800	28,800
Member of Board only	26,600	26,600
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.

### Implementation Report

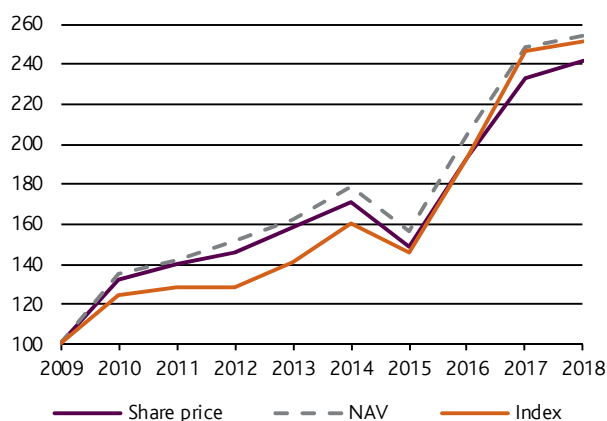
#### Directors' Fees

During the financial year the Board carried out a review of Directors' fees and it was agreed that fees would remain

unchanged. The fees were last increased on 1 September 2016.

### 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 Country Asia (ex Japan) Index for the nine year period to 31 August 2018 (rebased to 100 at 31 August 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 12 December 2017, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 August 2017 and the Directors Remuneration Policy:

Resolution	For	Against	Withheld
Approve Directors' Remuneration Policy	127.2m (99.83%)	177,427 (0.14%)	37,127 (0.03%)
Receive and Adopt Directors' Remuneration Report	127.2m (99.80%)	184,913 (0.15%)	64,757 (0.05%)

### 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.

### Fees Payable (audited)

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	2018 £	2017 £
A McKenzie	39,800	39,800
K Langridge	26,600	26,600
P Maynard	28,800	28,800
I McLaren	31,900	31,900
C Ricketts	26,600	26,600
J Will (appointed on 1 Oct 2018)	n/a	n/a
<b>Total</b>	<b>153,700</b>	<b>153,700</b>

### Directors' Interests in the Company (audited)

The Directors (including their connected persons) at 31 August 2018 and 31 August 2017 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 2018 Ordinary shares	CULS	31 August 2017 Ordinary shares
A McKenzie	34,291	28,820	25,000
K Langridge	5,000	-	5,000
P Maynard	2,500	-	2,500
I McLaren	17,091	21,029	10,226
C Ricketts	5,000	-	5,000
J Will (appointed on 1 Oct 2018)	n/a	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 2018:

- 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  
1 November 2018



## Financial Statements

The Company's NAV per share rose by 2.3% for the year ended 31 August 2018 compared to a rise in the benchmark of 2.2% (all figures in sterling total return terms).

The image shows the Aberdeen Standard Investments logo mounted on a light-colored building facade. The word 'Aberdeen' is written in large, dark, three-dimensional letters. To the left of the 'A' is a blue wave-like graphic element. Below the main logo, the words 'TWO STREET' are visible in smaller, gold-colored letters.

Aberdeen

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



# Financial statements

## Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required 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*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies 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.

### Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, 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.

For Edinburgh Dragon Trust plc  
**Allan McKenzie**  
Chairman

1 November 2018

# Financial statements

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

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### 1. Our opinion is unmodified

We have audited the financial statements of the Edinburgh Dragon Trust plc ("the Company") for the year ended 31 August 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2018 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders prior to 1988. The period of total uninterrupted engagement is at least the 30 financial years ended 31 August 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2017), in arriving at our audit opinion above, together with our key audit procedures to address the matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

#### Carrying amount of quoted equity investments

(£805.8 million; 2017: £839.7 million)

Refer to page 31 (Audit Committee Report), page 46 (accounting policy) and pages 51 and 52 (financial disclosures).

#### Low risk, high value

The Company's portfolio of quoted equity investments makes up 98.7% of the Company's total assets (by value) and is considered to be the key driver of results. We do not consider these investments to be at a 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 the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our procedures included:

- **Tests of detail:** Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and
- **Enquiry of custodians:** Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians.

**Our results:** We found the carrying amount of quoted equity investments to be acceptable (2017: acceptable).

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

Materiality for the financial statements as a whole was set at £8,167,000 (2017: £8,540,000), determined with reference to a benchmark of total assets, of which it represents 1% (2017: 1%).

We agreed to report to the Audit Committee any uncorrected identified misstatements exceeding £408,000 (2017: £427,000), 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 KPMG LLP in Glasgow.

### 4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 2 (a) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 32 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

### 5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Disclosures of principal risks and longer-term viability

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

- the Directors' confirmation within the Viability Statement (page 10) that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its

# Financial statements

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

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liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

### Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

### 6. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

### 7. Respective responsibilities

#### Directors' responsibilities

As explained more fully in their statement set out on page 37, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, and through discussion with the Directors (as required by auditing standards).

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We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) as well as the Company's qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team which included individuals with experience relevant to those laws and regulations and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

### **8. The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**John Waterson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS

1 November 2018



## Financial statements

# Statement of Comprehensive Income

	Notes	Year ended 31 August 2018			Year ended 31 August 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	10	-	2,064	2,064	-	141,223	141,223
Currency losses		-	(167)	(167)	-	(289)	(289)
Income	3	18,299	-	18,299	20,041	-	20,041
Investment management fee	4	(5,296)	-	(5,296)	(6,228)	-	(6,228)
Administrative expenses	5	(1,211)	-	(1,211)	(1,219)	-	(1,219)
<b>Net return before finance costs and taxation</b>		<b>11,792</b>	<b>1,897</b>	<b>13,689</b>	<b>12,594</b>	<b>140,934</b>	<b>153,528</b>
Interest payable and similar charges	6	(1,137)	-	(1,137)	(2,678)	-	(2,678)
<b>Return before taxation</b>		<b>10,655</b>	<b>1,897</b>	<b>12,552</b>	<b>9,916</b>	<b>140,934</b>	<b>150,850</b>
Taxation	7	(1,085)	(1,326)	(2,411)	(1,051)	(52)	(1,103)
<b>Return after taxation</b>		<b>9,570</b>	<b>571</b>	<b>10,141</b>	<b>8,865</b>	<b>140,882</b>	<b>149,747</b>
<b>Return per share (pence)</b>							
<b>Basic</b>	9	<b>5.03</b>	<b>0.30</b>	<b>5.33</b>	<b>4.68</b>	<b>74.40</b>	<b>79.08</b>
<b>Diluted</b>	9	<b>n/a</b>	<b>0.29</b>	<b>5.61</b>	<b>n/a</b>	<b>67.62</b>	<b>73.12</b>

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 on pages 46 to 61 are an integral part of the financial statements.

# Financial statements

## Statement of Financial Position

	Notes	As at 31 August 2018 £'000	As at 31 August 2017 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	10	805,757	839,746
<b>Current assets</b>			
Debtors and prepayments	11	2,185	5,010
Money market funds		-	4,800
Cash and short term deposits		8,775	4,487
		10,960	14,297
<b>Creditors: amounts falling due within one year</b>			
Other creditors	12	(3,198)	(2,298)
3.5% Convertible Unsecured Loan Stock 2018	12	-	(44,415)
Bank loan	12	(25,500)	-
		(28,698)	(46,713)
<b>Net current liabilities</b>		<b>(17,738)</b>	<b>(32,416)</b>
<b>Net assets</b>		<b>788,019</b>	<b>807,330</b>
<b>Share capital and reserves</b>			
Called-up share capital	13	43,061	40,180
Share premium account		60,416	18,618
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	12	-	238
Capital redemption reserve		17,015	17,015
Capital reserve	14	630,239	697,550
Revenue reserve		37,288	33,729
<b>Equity shareholders' funds</b>		<b>788,019</b>	<b>807,330</b>
<b>Net asset value per Ordinary share (pence)</b>			
<b>Basic</b>	15	<b>421.54</b>	<b>423.26</b>
<b>Diluted</b>	15	<b>N/A</b>	<b>415.19</b>

The financial statements were approved by the Board of Directors and authorised for issue on 1 November 2018 and were signed on its behalf by:

**Allan McKenzie**  
Chairman

The accompanying notes on pages 46 to 61 are an integral part of the financial statements.

## Financial statements

# Statement of Changes in Equity

	Notes	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2017		40,180	18,618	238	17,015	697,550	33,729	807,330
Return after taxation		-	-	-	-	571	9,570	10,141
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	13	2,881	41,798	-	-	-	-	44,679
Buyback of Ordinary shares for treasury	14	-	-	-	-	(67,882)	-	(67,882)
Dividend paid	8	-	-	-	-	-	(6,249)	(6,249)
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	6	-	-	(238)	-	-	238	-
<b>Balance at 31 August 2018</b>		<b>43,061</b>	<b>60,416</b>	<b>-</b>	<b>17,015</b>	<b>630,239</b>	<b>37,288</b>	<b>788,019</b>

### For the year ended 31 August 2017

	Notes	Share capital £'000	Share premium account £'000	Equity component CULS 2018 £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2016		39,207	4,492	812	17,015	572,266	30,367	664,159
Return after taxation		-	-	-	-	140,882	8,865	149,747
Issue of new Ordinary shares from conversion of 3.5% Convertible Unsecured Loan Stock 2018	13	973	14,126	-	-	-	-	15,099
Buyback of Ordinary shares for treasury	14	-	-	-	-	(15,598)	-	(15,598)
Dividend paid	8	-	-	-	-	-	(6,077)	(6,077)
Transfer of notional interest element on 3.5% Convertible Unsecured Loan Stock 2018	6	-	-	(574)	-	-	574	-
<b>Balance at 31 August 2017</b>		<b>40,180</b>	<b>18,618</b>	<b>238</b>	<b>17,015</b>	<b>697,550</b>	<b>33,729</b>	<b>807,330</b>

The capital reserve includes investment holding gains amounting to £265,721,000 (2017 – £357,950,000), as disclosed in note 10.

The Revenue reserve and the part of the Capital reserve represented by realised capital gains represent the amount of the Company's reserves distributable by way of dividend.

The accompanying notes on pages 46 to 61 are an integral part of the financial statements.

## Financial statements

# Statement of Cash Flows

	Notes	Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000
<b>Operating activities</b>			
Net return before taxation		12,552	150,850
Adjustment for:			
Gains on investments		(2,064)	(141,223)
Currency losses		167	289
Decrease/(increase) in accrued dividend income		1,014	(1,130)
Decrease in other debtors		1	56
Increase in other creditors		802	287
Interest payable and similar charges	6	1,137	2,678
Scrip dividends included in investment income		(685)	(2,150)
Overseas withholding tax		(2,425)	(1,122)
<b>Cash from operations</b>		<b>10,499</b>	<b>8,535</b>
Interest paid	6	(873)	(2,045)
<b>Net cash inflow from operating activities</b>		<b>9,626</b>	<b>6,490</b>
<b>Investing activities</b>			
Purchases of investments		(176,034)	(149,415)
Sales of investments		214,694	161,967
<b>Net cash from investing activities</b>		<b>38,660</b>	<b>12,552</b>
<b>Financing activities</b>			
Equity dividends paid	8	(6,249)	(6,077)
Buyback of Ordinary shares		(67,882)	(15,692)
Drawdown of bank loan		25,500	-
<b>Net cash used in financing activities</b>		<b>(48,631)</b>	<b>(21,769)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(345)</b>	<b>(2,727)</b>
<b>Analysis of changes in cash and cash equivalents during the year</b>			
Opening balance		9,287	12,303
Effect of exchange rate fluctuations on cash held		(167)	(289)
Decrease in cash and cash equivalents as above		(345)	(2,727)
<b>Closing cash and cash equivalents</b>		<b>8,775</b>	<b>9,287</b>

The accompanying notes on pages 46 to 61 are an integral part of the financial statements.

# Financial statements

## Notes to the Financial Statements

For the year ended 31 August 2018

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### 1. Principal activity

The Company is a closed-end investment company, registered in Scotland No SC106049, with its Ordinary shares being listed on the London Stock Exchange.

### 2. Accounting policies

#### (a) Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture capital Trusts issued in November 2014 and updated in February 2018 with consequential amendments. 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, on the assumption the continuation vote is passed by Shareholders at the forthcoming Annual General Meeting, 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 32.

#### Key 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.

#### (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 10.



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**(e) Deferred taxation**

Deferred taxation is provided on all timing differences, that have originated but not reversed at the reporting 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 reporting 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) Capital reserves**

Gains and losses on investments and changes in fair values of investments which are readily convertible to cash, without accepting adverse terms, are transferred to the capital reserve.

**(g) Foreign currency**

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the reporting 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. Unrealised and realised gains and losses on foreign currency movements on investments held through profit or loss are recognised in the capital column of the Statement of Comprehensive Income.

**(h) Dividends payable**

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

**(i) 3.5% Convertible Unsecured Loan Stock 2018**

Convertible Unsecured Loan Stock ("CULS") issued by the Company has been 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 6. The fair value of the equity component, representing the option to convert liability into equity, was derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component was subsequently measured at amortised cost using the effective interest rate.

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

The interest expense on the CULS was 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 was added to the carrying liability of the CULS.

On conversion of CULS, equity was issued and the liability component was derecognised. The original equity component recognised at inception remained 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.

## Financial statements

# Notes to the Financial Statements continued

### (j) 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 capital reserve. When these shares are sold subsequently, the amount received is recognised as an increase in equity, and any resulting surplus on the transaction is transferred to the share premium account and any resulting deficit is transferred from the capital reserve.

	2018 £'000	2017 £'000
<b>3. Income</b>		
<b>Income from investments</b>		
UK dividend income	1,137	390
Overseas dividend income	16,437	17,480
Scrip dividends	685	2,150
	18,259	20,020
<b>Other income</b>		
Deposit interest	7	1
Interest from money market funds	33	20
	40	21
<b>Total income</b>	<b>18,299</b>	<b>20,041</b>

	2018 £'000	2017 £'000
<b>Income from investments</b>		
Listed UK	196	-
Listed overseas	18,063	20,020
	18,259	20,020

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>4. Management fee</b>						
Management fee	5,296	-	5,296	6,228	-	6,228

Management fees paid to Aberdeen Fund Managers Limited ("the Manager") are calculated at 0.85% per annum on net assets up to £350 million and 0.50% per annum on net assets over £350 million. Management fees are calculated and payable on a quarterly basis.

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 2018 (2017 - none) where the Manager earned a management fee elsewhere on the underlying holding. The balance due to the Manager at the year end was £1,291,000 (2017 - £1,716,000).

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 to be given by the Manager is six months.

	2018	2017
	£'000	£'000
<b>5. Administrative expenses</b>		
Promotional activities	200	200
Directors' fees	154	154
Custody fees	316	355
Auditor's remuneration: Fees payable to the Company's auditor for		
• audit of the Company's annual report	18	21
• review of the Company's half yearly report	5	5
Other expenses	518	484
	<b>1,211</b>	<b>1,219</b>

The Company has an agreement with Aberdeen Fund Managers Limited ("the Manager") for the provision of promotional activities in relation to the Company's participation in the Aberdeen Standard Investment Trust Share Plan and ISA. The total fees paid and payable under the agreement were £200,000 (2017 – £200,000) and the sum due to the Manager at the year end was £34,000 (2017 – £34,000).

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

The Company does not have any employees.

	2018	2017
	£'000	£'000
<b>6. Interest payable and similar charges</b>		
Interest on 3.5% Convertible Unsecured Loan Stock 2018	646	2,045
Notional interest of 1.162% on 3.5% Convertible Unsecured Loan Stock 2018	238	574
Amortisation of 3.5% Convertible Unsecured Loan Stock 2018 issue expenses	26	59
Interest on bank loans	227	–
	<b>1,137</b>	<b>2,678</b>

	2018			2017		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>7. Taxation</b>						
<b>(a) Analysis of charge for the year</b>						
Overseas tax suffered	1,085	–	1,085	1,051	52	1,103
<b>Total current tax charge for the year</b>	<b>1,085</b>	<b>–</b>	<b>1,085</b>	<b>1,051</b>	<b>52</b>	<b>1,103</b>
Deferred tax liability on Indian capital gains	–	1,326	1,326	–	–	–
<b>Total tax charge for the year</b>	<b>1,085</b>	<b>1,326</b>	<b>2,411</b>	<b>1,051</b>	<b>52</b>	<b>1,103</b>

On 1 April 2018, the Indian Government withdrew an exemption from capital gains tax on investments held for twelve months or longer. Accordingly, the Company has recognised a deferred tax liability of £1,326,000 (2017 – £nil) on capital gains which may arise if Indian investments are sold.

The Company has not recognised a deferred tax asset of £13,331,000 (2017 – £12,041,000) arising as a result of excess management expenses and non-trading loan relationship deficits (CULS interest). These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

## Financial statements

# Notes to the Financial Statements continued

### (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.

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return before taxation	10,655	1,897	12,552	9,916	140,934	150,850
Effective rate of corporation tax at 19.00% (2017 – 19.58%)	2,024	361	2,385	1,942	27,595	29,537
Effects of:						
UK dividend income	(216)	–	(216)	(216)	–	(216)
Gains on investments not taxable	–	(392)	(392)	–	(27,651)	(27,651)
Currency losses not taxable	–	31	31	–	56	56
Other non-taxable income	(3,253)	–	(3,253)	(3,705)	–	(3,705)
Expenses not deductible for tax purposes	3	–	3	–	–	–
Increase in excess expenses and loan relationship deficit	1,442	–	1,442	1,979	–	1,979
Capital gains tax charge	–	–	–	–	52	52
Movement in deferred tax liability on Indian capital gains	–	1,326	1,326	–	–	–
Net overseas tax suffered	1,085	–	1,085	1,051	–	1,051
<b>Current tax charge for year</b>	<b>1,085</b>	<b>1,326</b>	<b>2,411</b>	<b>1,051</b>	<b>52</b>	<b>1,103</b>

### 8. 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 £9,570,000 (2017 – £8,865,000).

	2018 £'000	2017 £'000
<b>Proposed final dividend for 2018 – 4.00p per Ordinary share (2017 – 3.30p)</b>	<b>7,444</b>	<b>6,249</b>

The amounts reflected above for the cost of the proposed final dividend for 2018 is based on 186,111,029 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 21 December 2018 to shareholders on the register at the close of business on 23 November 2018.

9. Return per Ordinary share	2018		2017	
	£'000	pence	£'000	pence
<b>Basic</b>				
Revenue return	9,570	5.03	8,865	4.68
Capital return	571	0.30	140,882	74.40
<b>Total return</b>	<b>10,141</b>	<b>5.33</b>	<b>149,747</b>	<b>79.08</b>
<b>Weighted average Ordinary shares in issue</b>	<b>190,358,754</b>		<b>189,359,122</b>	

Diluted	2018		2017	
	£'000	pence	£'000	pence
Revenue return	10,457	n/a	11,460	n/a
Capital return	571	0.29	140,882	67.62
<b>Total return</b>	<b>11,028</b>	<b>5.61</b>	<b>152,342</b>	<b>73.12</b>
<b>Weighted average Ordinary shares in issue<sup>A</sup></b>	<b>196,712,871</b>		<b>208,338,133</b>	

<sup>A</sup> 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 14,405,297 (2017 - 18,979,011) to 196,712,916 (2017 - 208,338,133) Ordinary shares.

For the years ended 31 August 2018 and 31 August 2017 there was no dilution to the revenue return per Ordinary share. 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.

10. Investments	Listed overseas	Listed in UK	Total
	£'000	£'000	£'000
<b>Fair value through profit or loss:</b>			
Opening book cost	459,574	22,222	481,796
Opening fair value gains/(losses) on investments held	364,950	(7,000)	357,950
<b>Opening fair value</b>	<b>824,524</b>	<b>15,222</b>	<b>839,746</b>
Movements in year:			
Purchases at cost	176,865	-	176,865
Sales - proceeds	(209,567)	(3,351)	(212,918)
Sales - gains/(losses) on sales	95,539	(1,246)	94,293
Current year fair value losses on investments held	(91,437)	(792)	(92,229)
<b>Closing fair value</b>	<b>795,924</b>	<b>9,833</b>	<b>805,757</b>
	Listed overseas	Listed in UK	Total
	£'000	£'000	£'000
Closing book cost	522,411	17,625	540,036
Closing fair value gains/(losses) on investments held	273,513	(7,792)	265,721
<b>Closing fair value</b>	<b>795,924</b>	<b>9,833</b>	<b>805,757</b>



# Financial statements

## Notes to the Financial Statements continued

	2018	2017
	£'000	£'000
<b>Gains on investments held at fair value through profit or loss</b>		
Realised gains on sales	94,293	72,003
(Decrease)/increase in fair value gains on investments held	(92,229)	69,220
	<b>2,064</b>	<b>141,223</b>

### Transaction costs

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

	2018	2017
	£'000	£'000
Purchases	304	226
Sales	376	342
	<b>680</b>	<b>568</b>

The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

	2018	2017
	£'000	£'000
<b>11. Debtors and prepayments</b>		
Accrued income	1,337	2,351
Overseas withholding tax recoverable	366	401
Amounts due from brokers	31	1,806
Other debtors and prepayments	451	452
	<b>2,185</b>	<b>5,010</b>

### 12. Creditors: amounts falling due within one year

	Number of units	Liability component	Equity component
	£'000	£'000	£'000
<b>(a) 3.5% Convertible Unsecured Loan Stock 2018</b>			
<b>Year ended 31 August 2018</b>			
Balance at 31 August 2017	44,679	44,415	238
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary shares	(44,679)	(44,679)	-
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	-	238	-
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018 transferred to revenue reserve	-	-	(238)
Amortisation of issue expenses (see note 2(i))	-	26	-
<b>Balance at 31 August 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Number of units	Liability component	Equity component
Year ended 31 August 2017	£'000	£'000	£'000
Balance at 31 August 2016	59,779	58,882	812
Conversion of 3.5% Convertible Unsecured Loan Stock 2018 into Ordinary shares	(15,100)	(15,100)	-
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	-	574	-
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018 transferred to revenue reserve	-	-	(574)
Amortisation of issue expenses (see note 2(i))	-	59	-
<b>Balance at 31 August 2017</b>	<b>44,679</b>	<b>44,415</b>	<b>238</b>

In January 2011, the Company issued a total of £60,000,000 nominal amount of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS"). The CULS were convertible at the election of holders into Ordinary Shares during the months of January and July each year up to January 2018 at a rate of 1 Ordinary share for every 310.1528p nominal of CULS. Interest was 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 during the life of the CULS.

The Company was required to recognise the liability component and the equity component of the CULS at the date of issue. The liability component was required to be increased to the nominal value over the life of the CULS by crediting the liability and debiting the profit or 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.

Following the maturity of the CULS on 31 January 2018, the Company received conversion requests in respect of £43,741,559 nominal of CULS from CULS holders. The result was the issue of 14,103,127 Ordinary shares on 9 February 2018.

In accordance with the Trust Deed, and after receiving independent financial advice, the remaining £937,189 nominal of CULS, for which no conversion requests had been from received from the CULS holders, were converted into Ordinary shares at a price of 310.1528p per share by the Trustee. The Ordinary shares arising as a result of the exercise of conversion rights, being 302,170 Ordinary shares, were sold to the market at a price of 383p per Ordinary share with the proceeds of this sale, less any applicable expenses, being returned to those CULS holders who had made no conversion election pro rata their holding of unconverted CULS.

	2018	2017
(b) Bank loans	£'000	£'000
Falling due within one year	25,500	-

The Company entered into a £50 million Revolving Facility Agreement with Scotiabank (Ireland) Designated Activity Company (the "Lender") on 31 January 2018, with the option to increase this facility to £75 million if required. This agreement will terminate on 31 January 2019. At the year end £25,500,000 had been drawn down at a rate of 1.412% which matured on 11 September 2018. At the date of this Report, £25,500,000 has been rolled over at an interest rate of 1.521% until maturity on 12 November 2018.

The agreement contains the following covenants:

- the net asset value of the Company shall not at any time be less than £385 million.
- the adjusted asset coverage of the Company, as defined in the loan facility agreement, shall not at any time be less than 4.00 to 1.00.

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Notes to the Financial Statements *continued*

	2018	2017
	£'000	£'000
<b>(c) Other creditors</b>		
Amounts due to brokers	277	131
Deferred tax liability on capital gains	1,326	-
Other amounts due	1,595	2,167
	<b>3,198</b>	<b>2,298</b>

	2018	2017
	£'000	£'000
<b>13. Called-up share capital</b>		
<i>Allotted, called-up and fully paid:</i>		
<i>Ordinary shares of 20p</i>		
Opening balance of 200,899,056 (2017 – 196,030,502) shares	40,180	39,207
Issue of 14,405,297 (2018 – 4,868,554) Ordinary shares on conversion of £44,678,748 (2017 – £15,100,040) nominal 3.5% Convertible Unsecured Loan Stock 2018	2,881	973
<b>Closing balance of 215,304,353 (2017 – 200,899,056) shares</b>	<b>43,061</b>	<b>40,180</b>

During the year 14,405,297 Ordinary shares were issued as a result of CULS conversion (2017 – 4,868,554).

During the year 18,208,444 Ordinary shares of 20p each were purchased to be held in treasury by the Company (2017 – 4,636,200) at a total cost of £67,882,000 (2017 – £15,598,000). At the year end 28,365,944 (2017 – 10,157,500) Ordinary shares of 20p each were held in treasury, which represents 15.2% (2017 – 5.3%) of the Company's total issued share capital at 31 August 2018.

Since the year end a further 827,380 Ordinary shares of 20p each have been purchased by the Company at a total cost of £2,957,000 all of which were held in treasury.

	2018	2017
	£'000	£'000
<b>14. Capital reserve</b>		
At 1 September 2017	697,550	572,266
Movement in fair value gains	2,064	141,223
Foreign exchange movement	(167)	(289)
Buyback of Ordinary shares for treasury	(67,882)	(15,598)
Capital gains tax charge	(1,326)	(52)
<b>As at 31 August 2018</b>	<b>630,239</b>	<b>697,550</b>

The capital reserve includes investment holding gains amounting to £265,721,000 (2017 – £357,950,000), as disclosed in note 10.

**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:

<b>Basic</b>	<b>2018</b>	<b>2017</b>
Net assets attributable (£'000)	788,019	807,330
Number of Ordinary shares in issue <sup>A</sup>	186,938,409	190,741,556
Net asset value per share (p)	421.54	423.26

<b>Diluted</b>	<b>2018</b>	<b>2017</b>
Net assets attributable (£'000)	N/A	851,745
Number of Ordinary shares in issue	N/A	205,146,955
Net asset value per share (p)	N/A	415.19

<sup>A</sup> Excluding shares held in treasury.

The CULS matured on 31 January 2018, and therefore a diluted net asset value is not applicable at 31 August 2018. Details of the CULS maturity are disclosed in note 12.

## 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, bank loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The 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 Standard Life Aberdeen Group (the "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 Standard Investments (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, who reports to the co-Chief Executive Officers 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 co-CEOs 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.

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# Notes to the Financial Statements continued

The Group's corporate governance structure is supported by several committees to assist the board of directors of Standard Life Aberdeen Group, 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. Short term gearing is represented by a £50 million Revolving Credit Facility which is due to terminate on 31 January 2019. At 31 August 2018 £25,500,000 had been drawn down at a rate of 1.4116% and matured on 11 September 2018. At the date of this Report, £25,500,000 has been rolled over at an interest rate of 1.521% until maturity on 12 November 2018.

### 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 reporting date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 August 2018</b>				
<b>Assets</b>				
Hong Kong Dollar	–	–	–	153
Sterling	–	–	–	4,159
Taiwanese Dollar	–	–	–	3
Vietnamese Dollar	–	–	–	4,460
<b>Total assets</b>	<b>n/a</b>	<b>n/a</b>	<b>–</b>	<b>8,775</b>
<b>Liabilities</b>				
Bank loan	0.42	1.41	25,500	–



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At 31 August 2017	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>Assets</b>				
Chinese Yuan	-	-	-	2
Indian Rupee	-	-	-	3,261
Singapore Dollar	-	-	-	485
Sterling	-	0.10	-	5,321
Taiwanese Dollar	-	-	-	3
Vietnamese Dollar	-	-	-	215
<b>Total assets</b>	<b>n/a</b>	<b>n/a</b>	<b>-</b>	<b>9,287</b>
<b>Liabilities</b>				
3.5% Convertible Unsecured Loan Stock 2018	0.42	3.50	44,415	-

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 Statement of Financial Position, 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 Statement of Comprehensive Income 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:

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# Notes to the Financial Statements continued

	31 August 2018			31 August 2017		
	Overseas	Net	Total	Overseas	Net	Total
	investments	monetary	currency	investments	monetary	currency
	£'000	assets	exposure	£'000	assets	exposure
		£'000	£'000		£'000	£'000
Chinese Yuan	179,430	–	179,430	60,180	2	60,182
Hong Kong Dollar	120,442	(81)	120,361	169,573	984	170,557
Indian Rupee	115,721	31	115,752	137,077	3,962	141,039
Indonesian Rupiah	51,525	–	51,525	47,691	–	47,691
Korean Won	89,519	–	89,519	67,568	–	67,568
Malaysian Ringgit	8,809	–	8,809	24,089	–	24,089
Philippine Peso	31,376	–	31,376	33,489	–	33,489
Singapore Dollar	93,806	–	93,806	138,511	475	138,986
Sri Lankan Rupee	12,407	–	12,407	16,133	–	16,133
Taiwanese Dollar	42,364	3	42,367	44,779	3	44,782
Thailand Baht	29,476	–	29,476	23,838	–	23,838
US Dollar	11,663	(43)	11,620	54,827	–	54,827
Vietnamese Dong	9,387	4,460	13,847	6,769	215	6,984
	795,925	4,370	800,295	824,524	5,641	830,165
Sterling	9,832	4,159	13,991	15,222	5,321	20,543
<b>Total</b>	<b>805,757</b>	<b>8,529</b>	<b>814,286</b>	<b>839,746</b>	<b>10,962</b>	<b>850,708</b>

### 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 64, 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 reporting 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 2018 would have increased/decreased by £80,576,000 (2017 – increased/decreased by £83,975,000) 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

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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.

#### Liquidity risk exposure

At 31 August 2018, the Company had drawn down £25,500,000 (2017 – n/a) from a £50 million Revolving Facility Agreement with Scotiabank (Ireland) Designated Activity Company, which matured on 11 September 2018 with interest payable at maturity and was subsequently rolled over details of which are disclosed in note 12 on page 53. At 31 August 2017 the Company had borrowings in the form of the £44,678,748 nominal of 3.5% Convertible Unsecured Loan Stock 2018 which matured on 31 January 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 third party administrators' 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 finding 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 Statement of Financial Position, the maximum exposure to credit risk at 31 August was as follows:

	2018		2017	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Current assets</b>				
Loans and receivables	2,185	2,185	5,010	5,010
Cash at bank and in hand	8,775	8,775	4,487	4,487
	<b>10,960</b>	<b>10,960</b>	<b>9,497</b>	<b>9,497</b>

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

# Financial statements

## Notes to the Financial Statements continued

### Maturity of financial liabilities

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

	2018 £'000	2017 £'000
In less than one year	25,500	44,415
In more than one year	-	-
	<b>25,500</b>	<b>44,415</b>

At 31 August 2018 the full contractual liability for the CULS assuming no further conversions was £nil (2017 – £45,699,000).

### 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 fair value hierarchy shall have 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 (2017 – same) which are 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 as at 31 August 2018 of £805,757,000 (31 August 2017 – £839,746,000) has 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 34 and 35.

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 4 and 5.

At the year end the Company had £nil (31 August 2017 – £4,800,000) invested in Aberdeen Liquidity Fund (Lux) – Sterling Fund which is managed and administered by ASI. 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.

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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.

## 20. Subsequent events

On 10 October 2018, the Board announced that it had undertaken a shareholder consultation exercise ahead of the Company's continuation vote in December 2018. As a result of this consultation exercise the Board announced that, if the continuation vote is passed, it intends to undertake a tender offer for up to 30 per cent. of the Ordinary shares in issue at a tender price equal to 98 per cent. of the prevailing net asset value (less the costs of implementing the tender offer). The Board intends to post a circular to shareholders in due course containing details of the tender offer, timetable and the procedure for tendering shares. It is expected that the tender offer will take place in early 2019 and depending on the level of support from Shareholders could materially impact the size of the Company.





## Corporate information

The Manager is a subsidiary of Standard Life Aberdeen plc. Assets under the management of the Group's investment division, Aberdeen Standard Investments, were equivalent to £557.1 billion at 30 June 2018.

Central District, Hong Kong  
Tower block in Hong Kong's Central District. Aberdeen Standard Investments' offices are located in Chater House, 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.

## Corporate information

# Information about the Manager

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### Aberdeen Fund Managers Limited

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

### Aberdeen Standard Investments (Asia) Limited (“ASI Asia”)

ASI Asia is the investment manager of the Company. ASI Asia is based in Singapore and is a wholly-owned subsidiary of Standard Life Aberdeen plc. Assets under the management of the combined investment division, Aberdeen Standard Investments, were equivalent to £557.1 billion at 30 June 2018.

ASI Asia has 560 staff across the region at 30 June 2018. Total funds in the region are over £49.8 billion as at 30 June 2018.

### The Investment Team Senior Managers



**Flavia Cheong**  
Head of Equities, Asia Pacific exc  
Japan

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 ASI Asia in 1996.



**Adrian Lim**  
Investment Director

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



**Hugh Young**  
Managing Director

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



**Pruksa lamthongthong**  
Investment Director

Chartered Financial Analyst, BA in Business Administration from Chulalongkorn University, Thailand. Joined ASI Asia in 2007.

**The Investment Process**

**Philosophy and Style**

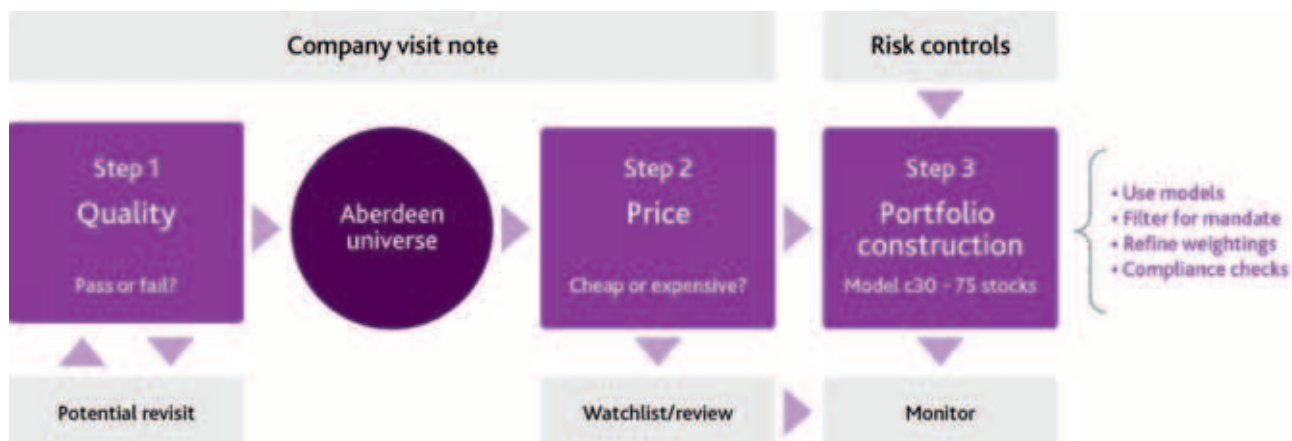
The Investment Manager’s investment philosophy is that markets are not always efficient. ASI believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake 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 a 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.

The Investment Manager’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.





# Corporate information

## Investor Information

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### How to Invest

Investors can buy and sell shares in Edinburgh Dragon Trust plc (the "Company") directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Many have online facilities. Alternatively, for retail clients, shares may be bought directly through Aberdeen Standard Investment Trust Share Plan, Individual Savings Account ("ISA") or Investment Plan for Children.

### Aberdeen Standard Investment Trust Share Plan

Aberdeen Standard Investments operates an Investment Trust Share Plan (the "Plan") through which shares in the Company 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 Standard Investments in writing at any time.

### Aberdeen Standard Investment Trust ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment made be made of up to £20,000 in the tax year 2018/19.

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 where applicable. 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.

### ISA Transfer

Investors can choose to transfer previous tax year investments to Aberdeen Standard Investments which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

### Aberdeen Standard Investment Plan for Children

Aberdeen Standard Investments operates an Investment Plan for Children (the "Children's Plan") which covers a

number of investment companies under its management including the Company. 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 Standard Investments in writing at any time.

### Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in the Aberdeen Standard Investment Trust Share Plan, Investment Trust ISA or Investment Plan for Children are held in nominee accounts and investors have full voting and other rights of share ownership.

### Dividend Tax Allowance

The annual tax-free personal allowance for dividend income, for UK investors, is £2,000 for the 2018/19 tax year. 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.

### 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.

### Keeping You Informed

The Company's share price can be found in the Financial Times under the heading 'Investment Companies' and information of the Company may be found on its dedicated website ([www.edinburghdragon.co.uk](http://www.edinburghdragon.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Details on the Company or literature and application forms on Aberdeen Standard Investments managed savings products can be found:

Website: [www.invtrusts.co.uk](http://www.invtrusts.co.uk)  
Email: [inv.trusts@aberdeenstandard.com](mailto:inv.trusts@aberdeenstandard.com)  
Tel: 0808 500 0040  
Address: Aberdeen Standard Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB

Terms and conditions for the Aberdeen Standard investment trust products can be found under the Literature section of this website.

### 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

Shareholder helpline: 0371 384 2499  
Shareview enquiry line: 0371 384 2020  
Textel/hard of hearing: 0371 384 2255  
Overseas helpline: +44 (0) 121 415 7047

(Lines open 8.30am to 5.30pm, Monday to Friday excluding bank holidays. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider).

### Pre-investment Disclosure Document ("PIDD")

The AIFMD requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of the Company, 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.

### Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website at: [invtrusts.co.uk/en/investmenttrusts/literature-library](http://invtrusts.co.uk/en/investmenttrusts/literature-library).

### Suitable for Retail/NMPI Status

The Company's shares are intended 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 the Company can be recommended by a financial adviser 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.

### Online Dealing providers and platforms

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company, such as self-invested personal pension (SIPP). 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; Fidelity Personal Investing; Hargreave Hale; Hargreaves Lansdown; Idealing; Interactive Investor; Selftrade; The Share Centre; Stocktrade.

### 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 Personal Investment Management & Financial Advice Association at: [pimfa.co.uk](http://pimfa.co.uk).



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## Financial Advisers

To find an adviser who recommends on investment trusts, visit: [unbiased.co.uk](http://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  
Website: [fca.org.uk/firms/systems-reporting/register/search](http://fca.org.uk/firms/systems-reporting/register/search)  
Email: [register@fca.org.uk](mailto:register@fca.org.uk)

## Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen Standard Investments has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under their management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment

from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with the Aberdeen Standard Investments.

Aberdeen Standard Investments does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact its Customer Services Department using the above details.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: [fca.org.uk/consumers/scams](http://fca.org.uk/consumers/scams)

*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 Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority.*

## Financial Calendar

31 August 2018	Company's financial year end
2 November 2018	Announcement of annual financial report for the year ended 31 August 2018
15 November 2018	Annual Report and Accounts published
17 December 2018 (12 noon)	Annual General Meeting
21 December 2018	Final dividend on Ordinary shares paid
January 2019	General meeting for approval of the Tender Offer
28 February 2019	Company's financial half-year end
April 2019	Announcement of half-yearly financial report for the six months ended 28 February 2019
May 2019	Half-Yearly Report published
31 August 2019	Company's financial year end

# General Glossary of Terms and Definitions

**Aberdeen Standard Investments** Aberdeen Standard Investments (“ASI”) is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

**AFML, AIFM or Manager** Aberdeen Fund Managers Limited (“AFML”) is a wholly owned subsidiary of Standard Life Aberdeen plc and acts as the Alternative Investment Fund Manager (“AIFM”) for the Company. It is authorised and regulated by the Financial Conduct Authority.

**ASI Asia or Investment Manager** Aberdeen Standard Investments (Asia) Limited (“ASI Asia” or “Investment Manager”) is a subsidiary company of Standard Life Aberdeen plc which has been delegated responsibility for the Company’s day-to-day investment management.

**Alternative Performance Measures** Alternative performance measures are numerical measures of the Company’s current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company’s applicable financial framework includes FRS 102 and the AIC SORP.

The Directors assess the Company’s performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. A number of APMs are used to present a measure of profitability which is aligned with the requirements of its investors and potential investors, to draw out meaningful data around revenues and earnings, and to provide additional information not required for disclosure under accounting standards. All APMs relate to past performance.

## **Total return**

Total return is considered to be an alternative performance measure. NAV total return involves investing the same net dividend in the NAV of the Company with debt at fair value on the date on which that dividend was earned. Share price total return involves reinvesting the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 31 August 2018 and 31 August 2017 and at the year ends.

	Dividend rate	NAV	Share price
<b>2018</b>			
31 August 2017	N/A	415.19p	361.00p
23 November 2017	3.30p	432.67p	371.50p
31 August 2018	N/A	421.54p	370.00p
<b>Total return</b>		<b>2.3%</b>	<b>3.4%</b>

	Dividend rate	NAV	Share price
<b>2017</b>			
31 August 2016	N/A	344.66p	302.00p
17 November 2016	3.20p	336.52p	292.75p
31 August 2017	N/A	415.19p	361.00p
<b>Total return</b>		<b>21.6%</b>	<b>20.8%</b>

### Ongoing charges

Ongoing charges is considered to be an alternative performance measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses expressed as a percentage of the average net asset values throughout the year.

	2018	2017
Investment management fees (£'000)	5,296	6,228
Administrative expenses (£'000)	1,211	1,219
Less: non-recurring charges (£'000)	(20)	-
<b>Ongoing charges (£'000)</b>	<b>6,487</b>	<b>7,447</b>
<b>Average net assets (£'000)</b>	<b>808,836</b>	<b>720,065</b>
<b>Ongoing charges ratio</b>	<b>0.80%</b>	<b>1.03%</b>

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs with the PRIIPs regulations.

<b>Asset Cover</b>	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.
<b>AIFMD</b>	Alternative Investment Fund Managers Directive
<b>CULS</b>	The 3.5% Convertible Unsecured Loan Stock 2018 issued in January 2011. The CULS were convertible semi-annually 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. The Final Conversion Date of the CULS was 31 January 2018.
<b>Dilution</b>	Dilution is the potential impact of the conversion of CULS to Ordinary shares on the net asset value and share price of the Company.
<b>Discount</b>	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.
<b>Dividend Cover</b>	Earnings per share divided by dividends per share expressed as a ratio.
<b>Dividend Yield</b>	The annual dividend expressed as a percentage of the share price.
<b>FCA</b>	Financial Conduct Authority
<b>Key Information Document or KID</b>	The Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.
<b>Leverage</b>	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

## General Glossary of Terms and Definitions *continued*

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method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

<b>Net Asset Value ("NAV")</b>	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.
<b>Net Gearing</b>	Net gearing is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.
<b>Notional Interest</b>	At the date the CULS were issued, 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%. Notional interest is calculated as the difference between this effective interest rate of 4.662% and the coupon rate of 3.5%.
<b>Ongoing Charges</b>	Ratio of ongoing expenses expressed as percentage of average daily shareholders' funds calculated as per the industry standard.
<b>PIDD</b>	The pre-investment disclosure document made available by the AIFM in relation to the Company.
<b>Premium</b>	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.
<b>Price/Earnings Ratio</b>	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.
<b>Prior Charges</b>	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.
<b>Standard Life Aberdeen plc or the Group</b>	The Standard Life Aberdeen plc group of companies. Standard Life Aberdeen plc was formed by the merger of Aberdeen Asset Management PLC and Standard Life plc on 14 August 2017.
<b>Total Assets</b>	Total Assets less current liabilities (before deducting prior charges as defined above).
<b>Total Return</b>	Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. 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 half year or year end date.

# General Summary of Share Capital History

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## Issued Share Capital at 31 August 2018

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215,304,353 Ordinary shares of 20p (of which 28,365,944 are held in treasury).

## Capital History

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Year to 31 August 2018	14,405,297 Ordinary shares were issued following the final conversion of £44,678,748 nominal of CULS. 18,208,444 Ordinary shares were repurchased into treasury.
Year to 31 August 2017	4,868,554 Ordinary shares were issued following elections by CULS holders to convert £15,100,040 nominal of CULS. 4,636,200 Ordinary shares were repurchased into treasury.
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	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)

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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 publication in November 2017.

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 77) and the remuneration disclosures in respect of the AIFM’s reporting period for the year ended 30 September 2017 are available on the Company’s website and for the period ended 31 December 2018 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 2018	1.06:1	1.07:1

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

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Notice is hereby given that the thirtieth annual general meeting of Edinburgh Dragon Trust plc will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on 17 December 2018 at 12 noon to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 13 inclusive will be proposed as ordinary resolutions and resolutions 14 to 16 inclusive will be proposed as special resolutions:

### Ordinary Business

1. To receive the reports of the Directors and auditor and the audited financial statements for the year to 31 August 2018.
2. To receive and adopt the Directors' Remuneration Report, excluding the Directors' Remuneration Policy, for the year to 31 August 2018.
3. To approve payment of a final dividend of 4.0p 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 re-elect Mr Ricketts as a Director of the Company.
9. To elect Mr Will as a Director of the Company.
10. 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.
11. To authorise the Directors to determine the remuneration of the auditor for the year to 31 August 2019.

### Special Business

12. To continue the Company as an investment trust company.
13. 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 £12.4 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 2020 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.
14. That, subject to the passing of resolution 13 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 13 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 £1.86 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 2020 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.
15. 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

## Notice Notice of Annual General Meeting *continued*

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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 27.9 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);
  - (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 2020 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.
16. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days’ notice provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution.

**By order of the Board**  
**Aberdeen Asset Managers Limited**  
Secretary  
15 November 2018

**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 2018.
- (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 2018 (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](http://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 2018 (or in the event the meeting is adjourned no later than 48 hours (excluding non-

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- 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 1 November 2018 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 186,111,029 Ordinary shares of 20 pence each and there were a further 29,193,324 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 1 November 2018 is 186,111,029. Treasury shares represent 13.6% 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](http://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.
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## Notice Notice of Annual General Meeting continued

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- (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

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## Directors

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

## Website

Website: [www.edinburghdragon.co.uk](http://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.aberdeenstandard.com](http://www.aberdeenstandard.com)

(authorised and regulated by the Financial Conduct Authority)

## Investment Manager

Aberdeen Standard Investments (Asia) Limited

(a subsidiary of Standard Life Aberdeen plc which is authorised and regulated by the Financial Conduct Authority)

## Secretary and Registered Office

Aberdeen Asset Managers Limited  
7<sup>th</sup> Floor  
40 Princes Street  
Edinburgh EH2 2BY  
Telephone: 0131 528 4000

(authorised and regulated by the Financial Conduct Authority)

## Company Registration Number

SC106049

## Registrars

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone: 0371 384 2499  
Website: [www.equiniti.com](http://www.equiniti.com)

## Depositary

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

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

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

## Legal Entity Identifier ("LEI")

549300W4KB0D75D1N730



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[edinburghdragon.co.uk](http://edinburghdragon.co.uk)