

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you are recommended immediately to seek your own personal financial advice from your independent financial adviser, stockbroker, solicitor, accountant, bank manager or from an appropriately qualified independent adviser authorised pursuant to the Financial Services and Markets Act 2000. All Shareholders and Savings Plans Participants are strongly advised to consult their professional advisers regarding their own tax position.**

This Circular is not being sent to Shareholders and Savings Plans Participants with registered addresses in the United States, Australia, Canada or Japan and is not an offer of securities for sale in any of these jurisdictions. Accordingly copies of this document or any accompanying documents are not being mailed and must not be, directly or indirectly, mailed or otherwise distributed, forwarded or transmitted into the United States, Australia, Canada or Japan and all persons receiving such documents (including, without limitation, custodians, nominees and trustees) should observe these restrictions and must not mail or otherwise distribute, forward or transmit them in, into or from the United States, Australia, Canada or Japan.

If you have sold or otherwise transferred all of your Shares in the Company, please send this document (but not any accompanying personalised forms) at once to the purchaser or transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Australia, Canada or Japan or into any other jurisdiction if to do so would constitute a violation of the relevant laws and regulations in such other jurisdiction.

Winterflood Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority in the conduct of investment business, is acting for the Company in connection with the Proposals and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Winterflood Securities Limited nor for providing advice in relation to the Proposals.

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## **EDINBURGH DRAGON TRUST PLC**

*(a closed-ended investment trust company incorporated under the laws of Scotland with registered number SC 106049)*

### **Tender Offer for up to 15 per cent. of the issued share capital of the Company and Notice of General Meeting**

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Applications by Shareholders to tender Shares for purchase under the Tender Offer may only be made on the applicable Tender Form or, in the case of Shares held in uncertificated form (that is, in CREST), by making a TTE Instruction. Applications by Savings Plans Participants to tender Shares for purchase under the Tender Offer may only be made on the applicable Savings Plan Tender Form.

The Tender Offer is not being made directly or indirectly in, into, or from the United States, Australia, Canada or Japan, except where permitted by applicable law. Accordingly, the Tender Form may not be distributed or sent in, into or from (whether by use of mails or by any means or instrumentality of interstate or foreign commerce) the United States, Australia, Canada or Japan and doing so may render invalid any purported tender. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation to forward the Tender Form should read paragraph 10 of Part IV of this document before taking any action.

**The Proposals described in this document are conditional on approval from Shareholders, which is being sought at the General Meeting of the Company to be held at 12.00 noon on Friday 15 January 2010 at Bow Bells House, 1 Bread Street, London EC4M 9HH. Notice of the General Meeting is set out at the end of this document.**

Shareholders and Savings Plans Participants are requested to return the reply-paid Form of Proxy or Voting Direction Form (as applicable) accompanying this document. To be valid, the Form of Proxy accompanying this document for use by Shareholders at the General Meeting must be completed and returned in accordance with the instructions therein so as to be received by the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR by post, as soon as possible and, in any event, not later than 12.00 noon on Wednesday 13 January 2010. The lodging of a Form of Proxy will not prevent a Shareholder from attending the General Meeting and voting in person if they so wish. To be valid, the Voting Direction Form accompanying this document for use by Savings Plans Participants in connection with the General Meeting must be completed and returned in accordance with the instructions therein so as to be received by Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR by post, as soon as possible and, in any event, not later than 11.00 a.m. on Friday 8 January 2010.

Enclosed with this document is a Tender Form for use by Shareholders or a Savings Plan Tender Form for use by Savings Plans Participants, in connection with the Tender Offer. To be effective, such forms must be returned as indicated on the relevant form so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on Tuesday 12 January 2010 (in the case of Shareholders) and not later than 11.00 a.m. on Friday 8 January 2010 (in the case of Savings Plans Participants).

**Your attention is drawn to the sections headed "Action to be Taken" and "Risk Factors" on pages 4 and 5, respectively, of this document.**

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for participation in the Tender Offer	close of business on 10 November 2009
Latest time and date for receipt of Voting Direction Forms and Savings Plan Tender Forms	11.00 a.m. on 8 January 2010
Latest time and date for receipt of Tender Forms from Shareholders in respect of the Tender Offer	11.00 a.m. on 12 January 2010
Latest time and date for receipt of Forms of Proxy from Shareholders in respect of the General Meeting	12.00 noon on 13 January 2010
<b>General Meeting</b>	<b>12.00 noon on 15 January 2010</b>
Calculation Date for Realisation NAV	close of business on 15 January 2010
Results of the Tender Offer and Repurchase Price announced	by 22 January 2010
Settlement date – cheques despatched and CREST accounts credited with proceeds in respect of successfully tendered Shares and with unsold uncertificated Shares	by 27 January 2010
Balancing certificates despatched in respect of unsold certificated Shares	week commencing 1 February 2010

*Each of the times and dates in the expected timetable may be extended or brought forward without further notice. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders and Savings Plans Participants by an announcement through a Regulatory Information Service provider.*

*All references to times are to London times.*

## ACTION TO BE TAKEN

Enclosed with this document are (as applicable) a Form of Proxy, Voting Direction Form, Tender Form and/or Savings Plan Tender Form.

If you do not wish to tender any of your Shares, do not complete and return the Tender Form or Savings Plan Tender Form (as applicable).

**Whether or not you wish to tender any of your Shares under the Tender Offer, you are requested to complete and return your Form of Proxy or Voting Direction Form (as applicable) in accordance with the instructions therein so as to be received as soon as possible and, in any event, not later than the times and dates specified on page 3 of this document.**

Full details of the action to be taken are set out in this document and in the instructions on the respective forms. You should read the whole of this document which contains the terms of the Tender Offer. The attention of Overseas Persons is drawn to the section headed "Overseas Persons" in paragraph 10 of Part IV of this document.

### **Shareholder and Savings Plans Participants Helpline**

If you have any queries in relation to your Shareholding(s) or the Savings Plans, please call Equiniti Limited on 0871 384 2050 (or, if you are calling from outside the United Kingdom, +44 121 415 0259). The helpline is available from 8.30 a.m. to 5.30 p.m. Monday to Friday (except bank holidays) and will remain open until 5.30 p.m. on 25 January 2010. Calls to the 0871 384 2050 number from inside the United Kingdom are charged at 8 pence per minute (including VAT) from a BT landline; other service providers' charges may vary. Calls to the +44 121 415 0259 number from outside the United Kingdom are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Please note that, for legal reasons, the Shareholder and Savings Plans Participants Helpline is only able to provide information contained in this document, information relating to the Company's register of members and information regarding completion of forms and is unable to give advice on the merits of the Tender Offer or to provide legal, financial, tax or investment advice.

## PART I

### Risk Factors

**Shareholders and Savings Plans Participants considering whether to tender their Shares should read this document carefully.**

In considering the Proposals, Shareholders and Savings Plans Participants should have regard to the following risk factors. This list of risk factors is not exhaustive.

#### *General risk factors*

- Shareholders and Savings Plans Participants should be aware that past performance is not necessarily indicative of likely future performance. The price and/or Net Asset Value of the Shares may go down as well as up.
- As with all investment trust shares, the market price of the Shares may not reflect their underlying Net Asset Value and the discount (or premium) to Net Asset Value at which Shares trade may fluctuate from day to day, depending on factors such as supply and demand, market conditions and general market sentiment.
- The assets of the Company are subject to normal stock market fluctuations and other risks inherent in investing in securities. There can be no guarantee that any appreciation in the value of the Company's assets will occur or that the investment objective of the Company will be achieved.
- The information in this document is based on existing legislation, including taxation legislation, as well as revenue authority practice. The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document (including those in relation to ISAs) are those currently available and their value depends on the individual circumstances of investors.
- The dividends on the Shares may fluctuate and will depend upon the receipt by the Company of revenue from the securities in which it invests. It may not be possible to grow or even to maintain the level of dividend paid in future years.
- The Company or the Manager may borrow funds, or engage in repurchase agreements. Borrowing money may provide an opportunity for greater capital appreciation but, at the same time, it increases the Company's exposure to capital risk and produces higher current expenses.

#### *Risk factors relating to the Tender Offer*

- If the maximum number of Shares permitted to be tendered pursuant to the Tender Offer is tendered, the issued share capital of the Company will be reduced and the Company will be smaller. As a result, the fixed costs of the Company will be spread over fewer Shares.
- The proceeds of the Tender Offer will be dependent on the realisation of the assets necessary to meet the number of Shares tendered and on the price at which such assets are realised. There can be no assurance as to the value it is possible to realise from the sale of the assets and the Repurchase Price is likely to differ from the illustrative figures provided in this document.
- If the Tender Offer is more than 50 per cent. taken up, the Board expects that all of the costs of the Tender offer will be borne by those Shareholders who tender Shares. If the Tender Offer is less than 50 per cent. taken up, it is expected that some of the costs will be borne by the Company to ensure that those Shareholders who tender Shares do not suffer more than a 5 per cent. deduction from the NAV on the Calculation Date.
- The aggregate proceeds of the Tender Offer will be dependent on, amongst other things, the costs of realisation of such of the Company's investments as is necessary to meet the number of Shares tendered.

## PART II

### Letter from the Chairman

# EDINBURGH DRAGON TRUST PLC

*(a closed-ended investment trust company incorporated with limited liability under the laws of Scotland  
with registered number SC 106049)*

**Directors:**

Allan McKenzie (Chairman)  
Frank Frame  
David Gairns  
Tony Lowrie  
Peter Tyrie  
Iain Watt

**Registered Office:**

40 Princes Street  
Edinburgh  
EH2 2BY

16 December 2009

**To: Shareholders and Savings Plans Participants in Edinburgh Dragon Trust plc**

**Tender Offer for up to 15 per cent. of the issued share capital of the Company  
and  
Notice of General Meeting**

**Introduction**

On 5 November 2009, your Board announced that it had become aware that one of the Company's larger shareholders wished the Board to present a tender offer in conjunction with this year's AGM at which the three yearly continuation vote was to be considered.

The Board and the Company's advisers then consulted a number of the Company's other larger shareholders and, as a result, the Board is proposing a tender offer for up to 15 per cent. of the Company's issued shares at a discount of 3 per cent. to Formula Asset Value (being, essentially, Net Asset Value less the costs of the Tender Offer) on the Calculation Date.

I am writing to you today to set out the details of the Tender Offer and to explain how Shareholders and Savings Plans Participants may tender their Shares, should they wish to do so.

This document sets out details of, and the terms and conditions relating to, the Tender Offer and convenes a General Meeting of the Company to approve the Tender Offer. The Notice of the General Meeting is set out at the end of this document.

This letter is not a recommendation for Shareholders and/or Savings Plans Participants to tender their Shares under the Tender Offer. Whether or not Shareholders and/or Savings Plans Participants tender their Shares will depend on, among other things, their view of the Company's prospects and their own individual circumstances, including their tax position, on which they should seek their own independent advice.

The Board believes the Company has benefited from the investment management skills of the Manager since the Company's launch over 22 years ago and concurs with the Manager's positive long term outlook for the Far East. **In light of this, none of the Directors who holds Shares will be tendering any of his Shares.**

**However, the Board recommends that Shareholders should vote in favour of the Resolution to enable the Tender Offer to be implemented and so enable those Shareholders who wish to do so to realise all or part of their investment in the Company.**

Whilst only Shareholders will be entitled to vote at the General Meeting, Savings Plans Participants should give their instructions in relation to the Resolution on the Voting Direction Form.

**Background**

The Company was launched in 1987 to achieve long term capital growth through investment in the Far East. Investments are made in the stock markets in the region, with the exception of Japan and

Australasia, principally in large companies. When appropriate, the Company can utilise gearing to maximise long term returns.

In the 10 years to 11 December 2009, the Company has achieved a net asset value total return of 102.5 per cent. Over the same period, the MSCI All Country Asia (ex Japan) Index (in Sterling terms), the Company's benchmark, has returned 90.2 per cent. (*source: Lipper Hindsight and Fundamental Data*). Please note that the NAV total return figures in this paragraph are calculated excluding net revenue.

For the last 12 months to 11 December 2009, the Company's NAV total return was 53.3 per cent. compared to a return of 54.7 per cent. from the Benchmark (*source: Lipper Hindsight and Fundamental Data*).

While the Company does not have a finite life, it holds a continuation vote every three years. The Company's continuation as an investment trust was recently approved by Shareholders at the Annual General Meeting of the Company held on 9 December 2009. The next continuation vote will be held in 2012.

The Board has an ongoing programme of contact with Shareholders. It was during consultation with Shareholders in advance of Shareholders' consideration of this year's continuation vote that the Company was made aware that one of its larger investors had specific views in relation to continuation votes, namely that, in conjunction with a continuation vote, a company should, as a means of discount control, offer a return of capital at close to NAV through a tender offer.

As set out in the Company's Annual Report and Accounts for the financial year ended 31 August 2009, the Board monitors closely the level of discount at which the Shares trade and seeks to control the discount through opportunistic use of the Company's share buy back authority, which is renewed annually. The Company's average discount over the 12 months to 11 December 2009 was 7.5 per cent. The weighted average discount of the Company's peer group, Far East ex Japan investment trusts, was 7.8 per cent. over the same period (*source: Winterflood Securities*).

The Board does not consider that tender offers and continuation votes are linked events. However, following wider consultation with a number of the Company's other larger Shareholders, the Board has decided that it would be in the interests of Shareholders as a whole to propose a tender offer for up to 15 per cent. of the Company's issued share capital at a 3 per cent. discount to Formula Asset Value as at the Calculation Date.

### **The Tender Offer**

The Tender Offer is designed to enable those Shareholders and Savings Plans Participants (other than certain Overseas Persons) who wish to realise Shares or their beneficial interest in Shares (as the case may be) in the Company to do so. Shareholders who successfully tender their shares will receive a Repurchase Price per Share which will be equal to the Net Asset Value per Share (inclusive of undistributed revenue reserves) on the Calculation Date, from which the direct costs and expenses of the Tender Offer (including stamp duty and realisation costs), together with a 3 per cent. discount, have been deducted. The Tender Offer will be made for up to 15 per cent. of the Company's Shares in issue on the Record Date.

If the Tender Offer is more than 50 per cent. taken up, the Board expects that all of the costs of the Tender Offer will be taken into account in the Repurchase Price. However, if the Tender Offer is less than 50 per cent. taken up, some of the direct costs of the Tender Offer may need to be borne by the Company to ensure that those Shareholders who have successfully tendered their Shares do not suffer more than a 5 per cent. deduction from their Net Asset Value on the Calculation Date.

The Record Date for participation in the Tender Offer was the close of business on 10 November 2009. Further details of the Tender Offer are set out in Part IV of this document.

Whilst none of the Directors who holds Shares will be tendering any of his Shares into the Tender Offer, the Board believes that proposing the Tender Offer on the terms set out here and in Part IV of this document is in the interests of Shareholders as a whole because:

- a tender offer for up to 15 per cent. of the Shares in issue provides an exit for those Shareholders who wish to receive cash while maintaining the Company as a large and tradeable investment trust;
- a tender offer conducted on a formula asset value basis is designed to protect Shareholders who do not tender any shares from the cost of the Tender Offer; and

- a tender offer conducted at a discount to formula asset value may provide continuing Shareholders with a small uplift to their Net Asset Value per Share following completion of the Tender Offer.

**Shareholders and Savings Plans Participants are not obliged to tender any Shares and, if they do not wish to participate in the Tender Offer, Shareholders and Savings Plans Participants should not complete or return their Tender Form or Savings Plan Tender Form (as applicable).**

Under the terms of the Tender Offer, Shareholders and Savings Plans Participants (other than certain Overseas Persons) will be entitled to tender up to 15 per cent. of the Shares they hold, either directly or through the Savings Plans, as at the Record Date (their “**Basic Entitlement**”). Such Shareholders and Savings Plans Participants will be able to tender additional Shares but such excess tenders will only be satisfied to the extent that other Shareholders and Savings Plans Participants tender less than their aggregate Basic Entitlements, and will be satisfied on a *pro rata* basis. Tenders will be rounded down to the nearest whole number of Shares. Savings Plans Participants will be treated, in the aggregate, in the same way as Shareholders for the purpose of pro rating.

The Tender Offer is being made by Winterflood Securities. Winterflood Securities will purchase the Shares tendered as principal and, following the completion of all such purchases, will sell the relevant Shares on to the Company pursuant to the Repurchase Agreement at the Repurchase Price by way of an on-market transaction. Those Shares which the Company acquires from Winterflood Securities will be cancelled on acquisition. All transactions will be carried out through the facilities of the London Stock Exchange. The repurchase of Shares by the Company under the Tender Offer will be funded from the sale of investments in the Company’s portfolio and/or the Company’s cash resources.

Implementation of the Tender Offer will require approval by Shareholders at the General Meeting, which is to be held at 12.00 noon on Friday 15 January 2010. The Tender Offer is also conditional upon Winterflood Securities being satisfied that the Company has sufficient funds available to meet its obligations under the Repurchase Agreement. In addition, the Tender Offer may be postponed or terminated in certain circumstances as set out in paragraph 2 of Part IV of this document.

The Company’s authority to repurchase its own Shares, granted at the Company’s Annual General Meeting on 9 December 2009 in respect of up to 14.99 per cent. of the Company’s issued share capital as at the date of that meeting, will remain in force and unaffected by the Tender Offer. In order, however, to comply with the Listing Rules, the Company will limit repurchases under that 9 December 2009 buy-back authority to such number of shares as equates to 14.99 per cent. of the Shares in issue immediately following completion of the Tender Offer.

The attention of Shareholders and Savings Plans Participants is drawn to the letter from Winterflood Securities set out in Part III of this document and to Part IV of this document which, together with the accompanying Tender Form and Savings Plan Tender Form (as applicable), constitute the terms and conditions (the “**Terms and Conditions**”) of the Tender Offer. Details of how to tender Shares can be found in paragraph 4 of Part IV of this document.

Further details of the calculation of the Repurchase Price are set out in paragraph 3 of Part IV of this document. The full Terms and Conditions of the Tender Offer are set out in Part IV of this document.

### **Illustrative Repurchase Price**

For illustrative purposes only, had the Tender Offer been subscribed in full and had the Repurchase Price been calculated as at 11 December 2009, the Repurchase Price, calculated in accordance with Part IV, but excluding portfolio realisation costs as necessary to meet the number of Shares tendered, would have been approximately £1.9401.

### **Overseas Persons**

The making of the Tender Offer to persons outside the United Kingdom, the Channel Islands or the Isle of Man may be prohibited or affected by the relevant laws of the relevant overseas jurisdictions. Shareholders and Savings Plans Participants with registered or mailing addresses outside the United Kingdom, the Channel Islands or the Isle of Man or who are citizens or nationals of, or resident in, a jurisdiction other than the United Kingdom, the Channel Islands or the Isle of Man should read carefully paragraph 10 of Part IV of this document.

It is the responsibility of all Overseas Persons to satisfy themselves as to the observance of any legal requirements in their jurisdiction including, without limitation, any relevant requirements in relation



to the ability of such persons to complete and return a Form of Proxy, Voting Direction Form, Tender Form or Savings Plan Tender Form or to make a TTE Instruction (as applicable).

Any Shareholder who is unable to give the warranties set out in paragraphs 6.1.8, 6.1.9 and 6.1.10 in Part IV of this document will be deemed not to have tendered their Shares pursuant to the Tender Offer and their Tender Forms may be rejected.

## **Taxation**

**The following paragraphs are intended only as a general guide to certain aspects of current UK tax law and HM Revenue & Customs' published practice, and do not constitute tax advice. They are of a general nature and only apply to Shareholders who are resident or ordinarily resident in the UK (except where indicated) and who hold their Shares beneficially as an investment.**

Shareholders who sell Shares in the Tender Offer should, subject to the following, be treated as having sold their Shares in the normal way and may, depending on their individual circumstances, incur a liability to taxation on chargeable gains. UK individual Shareholders and trustee Shareholders should be aware that HM Revenue & Customs may seek to treat part of the disposal proceeds of their Shares as income under the provisions of Chapter 1 of Part 13 ITA 2007, although we would not expect these provisions to apply to sales made for genuine commercial reasons.

The attention of Shareholders is drawn to Part V of this document which sets out a general guide to certain aspects of current UK taxation law and HM Revenue & Customs' published practice.

The ability of the Company to qualify as an investment trust for the purposes of Section 842 ICTA 1988 will not be affected by the Tender Offer.

**Shareholders and Savings Plans Participants who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser.**

## **General Meeting**

The Proposals set out in this document are subject to Shareholder approval, at the General Meeting, which has been convened for 12.00 noon on Friday 15 January 2010, to be held at Bow Bells House, 1 Bread Street, London EC4M 9HH. Notice of the General Meeting is set out at the end of this document.

## **Action to be Taken**

### **(a) Shareholders**

#### *Form of Proxy*

Shareholders will find enclosed a Form of Proxy for use at the General Meeting. Shareholders do not need to tender their Shares in the Tender Offer in order to be able to vote at the General Meeting. **Whether or not you wish to tender your Shares under the Tender Offer and regardless of whether you intend to attend the General Meeting, you are requested to complete the accompanying Form of Proxy in accordance with the instructions printed therein and return it to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR by post, as soon as possible and, in any event, not later than 12.00 noon on 13 January 2010.** Completion and return of a Form of Proxy will not affect your right to attend the General Meeting and vote in person should you so wish.

#### *Tender Form*

Shareholders who wish to participate in the Tender Offer, and who hold their Shares in certificated form, should complete the Tender Form in accordance with the instructions set out therein and return the completed Tender Form and Share certificate(s) and/or other documents of title to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA by post, or (during normal business hours only) by hand, to Equiniti Limited, Corporate Actions, Holm Oak, Holm Oak Business Park, Goring by Sea, Worthing, West Sussex, BN12 4FE, to arrive by no later than 11.00 a.m. on 12 January 2010. A reply-paid envelope for use in the UK only is enclosed for your convenience.

Shareholders who hold their Shares in uncertificated form (that is, in CREST) should arrange for the relevant Shares to be transferred to escrow as described in paragraph 4.2.2 of Part IV of this document, by sending a TTE Instruction in accordance with the provisions of Part IV of this document.

**(b) Savings Plans Participants**

*Voting Direction Form*

Savings Plans Participants may attend the General Meeting although they cannot exercise any voting rights at the meeting as this may only be done by the registered holder of the Shares, being Puddledock Nominees Limited. Savings Plans Participants may, therefore, instruct Puddledock Nominees Limited to vote at the General Meeting in respect of the Shares which Puddledock Nominees Limited holds on their behalf by completing the Voting Direction Form enclosed with this document. **Whether or not Savings Plans Participants wish to tender their Shares under the Tender Offer, they are requested to send their Voting Direction Form directing Puddledock Nominees Limited to vote on their behalf, to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR by post, so as to arrive as soon as possible and, in any event, not later than 11.00 a.m. on 8 January 2010.**

*Savings Plan Tender Form*

Savings Plan Participants should read the information under paragraph 4.2.3 of Part IV of this document which sets out the action they must take if they wish to tender Shares under the Tender Offer.

**If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.**

**Recommendation**

The Board, which has received advice from Winterflood Securities, considers that the Tender Offer is in the interests of Shareholders and Savings Plans Participants as a whole. Accordingly, the Board recommends that Shareholders vote (or, in the case of Savings Plans Participants, give an instruction to vote) in favour of the Resolution to be proposed at the General Meeting, as those Directors who hold beneficial interests in Shares intend to do in respect of their own beneficial holdings of Shares which, in aggregate, amount to 37,289 Shares representing approximately 0.016 per cent. of the issued share capital of the Company.

Whether or not Shareholders and Savings Plans Participants decide to tender any of their Shares will depend, among other things, on their individual circumstances including their tax position and on their view of the Company's prospects, particularly in relation to the outlook for and the Company's exposure to investment in the Far East. Shareholders and Savings Plans Participants in any doubt as to the action they should take should consult an appropriately qualified independent financial adviser, authorised under the Financial Services and Market Act 2000, without delay.

None of those Directors who holds Shares will be tendering any of his Shares under the Tender Offer.

Yours faithfully,

**Allan McKenzie**  
*Chairman*

## PART III

### Letter from Winterflood Securities

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

**To: Shareholders and Savings Plans Participants in Edinburgh Dragon Trust plc**

16 December 2009

Dear Sir or Madam,

#### Tender Offer

As explained in the letter from your Chairman in Part II of this document, Shareholders and Savings Plans Participants, through the registered holder of Shares for the Savings Plans, (other than certain Overseas Persons, as described in more detail in paragraph 10 of Part IV of this document) are being given the opportunity to tender some or all of their Shares for purchase in the Tender Offer, subject to passing the Resolution to such effect. The purpose of this letter is to set out the principal terms and conditions of the Tender Offer.

Winterflood Securities hereby invites Shareholders (including the registered holder of Shares for the Savings Plans) (other than certain Overseas Persons) on the Register on the Record Date to tender Shares for purchase by Winterflood Securities for cash at a price per Share equal to the Formula Asset Value per Share as at the Calculation Date subject to a discount of 3 per cent. The Tender Offer is subject to the Terms and Conditions set out in Part IV of this document and in the accompanying Tender Form.

Shareholders and Savings Plans Participants will be entitled to sell as little or as much of their shareholding as they wish, save that where Shareholders and/or Savings Plans Participants tender Shares in excess of their Basic Entitlement, such tender shall, to the extent that other Shareholders tender Shares in respect of less than the whole of their Basic Entitlement (or do not tender any Shares), be satisfied on a *pro rata* basis by reference to each tendering Shareholder's and Savings Plans Participant's shareholding. Tenders will be rounded down to the nearest whole number of Shares. For the purposes of pro rating, Savings Plans Participants will, in the aggregate, be treated in the same way as Shareholders.

The total number of Shares to be purchased under the Tender Offer will not in any event exceed 34,643,156 Shares, representing 15 per cent. of the Company's existing issued share capital as at 10 November 2009.

#### Procedure for tendering Shares

Shareholders who hold their Shares in certificated form and who wish to tender Shares should complete the Tender Form in accordance with the instructions set out therein and return the completed form to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA by post, or (during normal business hours only) by hand, to Equiniti Limited, Corporate Actions, Holm Oak, Holm Oak Business Park, Goring by Sea, Worthing, West Sussex, BN12 4FE, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 12 January 2010.

Savings Plans Participants who wish to tender Shares should complete the appropriate Savings Plan Tender Form in accordance with the instructions therein and return the completed form to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA by post, or (during normal business hours only) by hand, to Equiniti Limited, Corporate Actions, Holm Oak, Holm Oak Business Park, Goring by Sea, Worthing, West Sussex, BN12 4FE, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 8 January 2010.

Shareholders who hold their Shares in certificated form should also return the Share certificate(s) and/or other document(s) of title in respect of the Shares tendered with their Tender Form. Shareholders who hold their Shares in uncertificated form (that is, in CREST) should not complete a Tender Form and should instead arrange for their Shares to be transferred to escrow as described in paragraph 4

of Part IV of this document and in the Tender Form. **Shareholders should note that, once tendered, Shares may not be sold, transferred, charged or otherwise disposed of.**

Full details of the procedure for tendering are set out in Part IV of this document and the Tender Form and the Savings Plan Tender Form. By signing and returning the Tender Form, Shareholders will be deemed to have appointed Equiniti Limited as their agent in respect of the sale of Shares to Winterflood Securities under the Tender Offer. Winterflood Securities will therefore issue a contract note to Equiniti Limited on behalf of all Shareholders for the sale of Shares under the Tender Offer.

#### **Validity of Tenders and Purchases**

Tender Forms and Savings Plan Tender Forms which are received after the deadlines specified above or which at that time are incorrectly completed and/or not accompanied by all relevant documents or instructions may be rejected and returned to Shareholders, Savings Plans Participants or their appointed agent, together with any accompanying Share certificate(s) and/or other document(s) of title, in each case at the risk of Shareholders or Savings Plans Participants (as appropriate).

Winterflood Securities reserves the right to treat as valid Tender Forms which are not entirely in order and/or which are not accompanied (in the case of Shares held in certificated form) by the relevant Share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof.

#### **Overseas Persons**

The making of the Tender Offer to persons outside the United Kingdom, the Channel Islands or the Isle of Man may be prohibited or affected by the relevant laws of the overseas jurisdiction. Shareholders and Savings Plans Participants who are citizens or nationals of, or resident in, a jurisdiction other than the United Kingdom, the Channel Islands or the Isle of Man should read paragraph 10 of Part IV of this document carefully.

#### **Conditions**

The Tender Offer is conditional, amongst other things, on the passing of the Resolution set out in the Notice of General Meeting at the end of this document not later than 15 January 2010 or such later date (being not later than 26 February 2010) as the Company and Winterflood Securities may determine. The Tender Offer is further conditional on the other matters specified in paragraph 2 of Part IV of this document.

#### **Termination or postponement of Tender Offer**

The Tender Offer may be terminated or postponed in the circumstances described in paragraph 2 of Part IV of this document.

#### **Settlement**

Subject to the Tender Offer becoming unconditional, payment of the consideration due to Shareholders whose tenders under the Tender Offer have been accepted is expected to be despatched (by cheque or by a CREST payment, as appropriate) by 27 January 2010.

#### **The City Code on Takeovers and Mergers**

Shareholders should note the important information in paragraph 3 of Part VI of this document relating to certain provisions of the City Code, which will be relevant to purchases of Shares after the date of this document.

#### **Further information**

Your attention is drawn to the information contained in the rest of this document, including, in particular, the risk factors and Terms and Conditions of the Tender Offer in Parts I and IV, respectively, of this document.

Yours faithfully,

**Robin Archibald**

**For and on behalf of Winterflood Securities Limited**

## PART IV

### Terms and Conditions of the Tender Offer

#### 1. Tenders

- 1.1 All Shareholders (other than certain Overseas Persons) may tender Shares for purchase by Winterflood Securities as principal, subject to the Terms and Conditions set out in this document and in the accompanying Tender Form (which together with this document constitute the Tender Offer). **Shareholders are not obliged to tender any Shares.**
- 1.2 The Tender Offer will be made at the Repurchase Price calculated in accordance with paragraph 3 of this Part IV. The consideration for each tendered Share acquired by Winterflood Securities pursuant to the Tender Offer will be paid in accordance with the settlement procedures set out in paragraph 5 of this Part IV.
- 1.3 Upon the Tender Offer becoming unconditional and unless the Tender Offer has been (and remains) suspended or has lapsed or has been terminated in accordance with the provisions of paragraph 2 of this Part IV, Winterflood Securities will accept the offers of Shareholders validly made in accordance with this Part IV, subject as mentioned below, on the following basis:
  - 1.3.1 each Shareholder (other than certain Overseas Persons) will be entitled to sell to Winterflood Securities their Basic Entitlement; and
  - 1.3.2 a facility is available under which Shareholders (other than certain Overseas Shareholders) may tender Shares in excess of their Basic Entitlement. Such excess tender requests will be satisfied to the extent that other Shareholders tender Shares in respect of less than the whole of their Basic Entitlement (or do not tender Shares at all), *pro rata* in proportion to the amount in excess of the Basic Entitlement tendered (rounded down to the nearest whole number of Shares). For the purposes of these calculations, Savings Plans Participants shall be treated, in the aggregate, as if they were a Shareholder holding Shares directly rather than through the Savings Plans.
- 1.4 A maximum number of 34,643,156 Shares, representing 15 per cent. of the existing issued Shares of the Company as at 10 November 2009, will be acquired by Winterflood Securities under the Tender Offer. If more than 34,643,156 Shares are tendered for purchase such tenders shall be rounded down *pro rata* such that the aggregate number of Shares deemed to be tendered shall equal, in aggregate, 34,643,156 Shares.

#### 2. Conditions, Suspension and Termination

- 2.1 The Tender Offer is conditional on the following (together the “**Conditions**”):
  - 2.1.1 the passing of the Resolution, as set out in the Notice of the General Meeting at the end of this document, by not later than 15 January 2010 or such later date (being not later than 26 February 2010) as the Company and Winterflood Securities may determine;
  - 2.1.2 Winterflood Securities being satisfied that the Company has in its control or to its order the aggregate amount payable under the Tender Offer in accordance with the Repurchase Agreement; and
  - 2.1.3 the Tender Offer not having been terminated in accordance with this paragraph 2 of this Part IV prior to the fulfilment of the conditions referred to in sub-paragraphs 2.1.1 and 2.1.2 above.

Winterflood Securities will not purchase Shares pursuant to the Tender Offer unless the Conditions have been satisfied in full or waived. The Conditions, other than that contained in sub-paragraph 2.1.2 above, may not be waived by Winterflood Securities. If the Conditions are not satisfied prior to the close of business on 15 January 2010, the Company may postpone the Tender Offer for up to 30 Business Days, after which time the Tender Offer, if not then completed, will lapse.

If the Company (acting through the Directors) shall at any time prior to Winterflood Securities effecting the purchase as principal of the tendered Shares (in accordance with the settlement provisions outlined in paragraph 5 of this Part IV) notify Winterflood Securities

in writing that, in its reasonable opinion, either (i) there has occurred a change in national or international financial, economic, political or market conditions such that it has either become impractical or inappropriate for the Company to dispose of its investments or otherwise to raise finance to enable it to fund the repurchase of such of the Shares as are to be repurchased by it pursuant to the Repurchase Agreement without materially harming Shareholders as a whole, including amongst other things, the cost of realisation of investments having become excessive or (ii) the completion of the purchase of Shares under the Tender Offer would have unexpected adverse fiscal consequences (whether by reason of a change in legislation or practice or otherwise) for the Company or its Shareholders if the Tender Offer were to proceed, Winterflood Securities may either terminate the Tender Offer by written notice to the Company or postpone the Calculation Date or the completion of the Tender Offer for up to 30 Business Days, after which the Tender Offer, if and to the extent not then completed by reason of the postponement circumstances continuing, will lapse.

### **3. Calculation of the Repurchase Price**

The Repurchase Price will be calculated as follows:

3.1 The Company will calculate its Net Asset Value as at the Calculation Date which, for the purposes of the Tender Offer, shall mean the value of all the assets (including the revenue account for the period since 31 August 2009) less all the liabilities of the Company. Such Net Asset Value shall be calculated before taking account of the expenses of the Proposals and to the extent that any such expenses have already been paid or accrued, the amount thereof shall be added back into the Net Asset Value. For this purpose the following bases of valuation shall be adopted:

3.1.1 the value of those investments of the Company which are listed, quoted or dealt in on a stock exchange shall be calculated by reference to bid quotations or prices or the last trade prices recorded, as the case may be, as at the close of business on the Calculation Date, provided that if no price is available then the relevant investment shall be deemed to come within paragraph 3.1.2 below and not this paragraph 3.1.1;

3.1.2 the value of all other investments of the Company shall be calculated as being their fair values (calculated in accordance with the normal accounting policies of the Company) as at the close of business on the Calculation Date as determined by the Directors;

3.1.3 any value otherwise than in pounds Sterling shall be converted at the rate (whether official or otherwise) which the Directors deem appropriate in the circumstances, having regard to any relevant conversion costs;

3.1.4 an amount which reflects all other liabilities and obligations of the Company whatsoever (including a fair provision for any contingent liabilities (if any) but excluding liabilities under the Repurchase Agreement) or losses as at the Calculation Date shall be calculated, as determined by the Directors; and

3.1.5 notwithstanding the foregoing, the Directors may in their absolute discretion permit an alternative method of valuation to be used if they consider that such valuation better reflects the fair value of any asset or liability.

No party shall have any liability by reason of the fact that a price reasonably believed to be the appropriate price for any quoted or unquoted investment may be found subsequently not to be such.

3.2 The resulting amount, calculated in accordance with paragraph 3.1 above, will then be divided by the total number Shares in issue or deemed to be in issue on the Calculation Date.

3.3 The Realisation NAV will be determined as a 3 per cent. discount to the NAV resulting from the application of paragraphs 3.1 and 3.2 above.

3.4 Following Shareholder approval of the Tender Offer, the Company will establish a Repurchase Pool with a value at the Calculation Date equal to Realisation NAV per Share multiplied by the number of Shares accepted under the Tender Offer. Assets will be allocated to the Repurchase Pool on the following basis:

- (i) assets will be valued in the same manner as applies to the calculation of NAV as set out in paragraph 3.1 of this Part IV;
  - (ii) no liabilities of the Company will be allocated to the Repurchase Pool;
  - (iii) any cash or short term deposits held by the Company will be allocated to the Repurchase Pool to the extent that these exceed the liabilities of the Company, but no debtors shall be so allocated;
  - (iv) investments whose listing has been suspended and any other asset which the Directors in their absolute discretion consider it would be inappropriate to transfer to the Repurchase Pool (for example debtors and stocks subject to corporate action preventing their rapid realisation) will not be allocated to the Repurchase Pool;
  - (v) the quoted investments held by the Company will be allocated to the Repurchase Pool on a *pro rata* basis, to the extent that cash and short term deposits transferred to the Realisation Pool under sub-paragraph (iii) above are less than Realisation NAV. For such purposes calculation of the number of securities to be allocated to the Repurchase Pool will be made to the sixth decimal place of a Share;
  - (vi) the value of any fractions of Share allocated to the Repurchase Pool will be replaced by cash which shall be transferred to the Repurchase Pool; and
  - (vii) if assets (other than cash or short term deposits) in the Repurchase Pool representing 3 per cent. or less of the value of the Repurchase Pool at the Calculation Date cannot be sold in the market or otherwise prior to the calculation of the Repurchase Price, such assets will be replaced in the Repurchase Pool by cash at a value to be determined by the Directors in their absolute discretion, taking into account the fact that it has been established that such assets are not capable of ready realisation in the market.
- 3.5 The assets in the Repurchase Pool will be realised for cash and the direct costs of the Tender Offer shall be deducted from the proceeds of the Repurchase Pool save where the take up under the Tender Offer is insufficient to cover the full recovery of direct costs of the Tender Offer, in which case the direct deductions will be restricted to 5 per cent of NAV. The Manager will be entitled to transfer assets out of the Repurchase Pool in exchange for cash provided by the Company at fair market value.
- 3.6 The Repurchase Price will be the value of the cash and short term deposits in the Repurchase Pool (following the realisation of the assets in the Repurchase Pool, less the costs of realising such assets and less the direct costs of the Tender Offer on the basis set out in paragraph 3.5 above), divided by the number of Shares validly tendered in the Tender Offer (calculated in pence and rounded down to four decimal places).
- 3.7 The Directors will have discretion to apply cash available in the portfolio to pay out consideration under the Tender Offer if there is low take up under the Tender Offer and there is no requirement to create a separate Repurchase Pool to realise assets. In this circumstance the Repurchase Price will be NAV per Share on the Calculation Date less 5 per cent.

Except as otherwise stated above, all assets and liabilities will be taken into account in accordance with United Kingdom generally accepted accounting principles and, subject thereto, consistently with the accounting policies of the Company in its audited accounts for the year ended 31 August 2009.

The calculation of the Repurchase Price as at the Calculation Date will be subject to independent review.

#### **4. Procedure for tendering Shares**

##### *4.1 Completion of Tender Forms*

To tender Shares, Shareholders who hold their Shares in certificated form must complete, sign and return the accompanying Tender Form in accordance with this paragraph 4 and the instructions printed on the Tender Form, which shall be deemed to form part of the Tender Offer.

By signing and returning the Tender Form, Shareholders will be deemed to have appointed Equiniti Limited as their agent in respect of the purchase of Shares by Winterflood Securities. Winterflood Securities will therefore issue a contract note to Equiniti Limited on behalf of all Shareholders whose Shares are so purchased and will remit the cash consideration to Equiniti Limited with instructions that such consideration be remitted to Shareholders in accordance with the instructions set out in the Tender Form.

Shareholders should complete separate Tender Forms for Shares held in certificated form but under different designations.

Additional Tender Forms are available from Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, telephone number 0871 384 2050 (or, if you are calling from outside the United Kingdom, +44 121 415 0259). The helpline is available from 8.30 a.m. to 5.30 p.m. Monday to Friday (except bank holidays) and will remain open until 5.30 p.m. on 25 January 2010. Calls to the 0871 384 2050 number from inside the United Kingdom are charged at 8 pence per minute (including VAT) from a BT landline; other service providers' charges may vary. Calls to the +44 121 415 0259 number from outside the United Kingdom are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Please note that, for legal reasons, the Shareholder and Savings Plans Participants Helpline is only able to provide information contained in this document, information relating to the Company's register of members and information regarding completion of forms and is unable to give advice on the merits of the Tender Offer or to provide legal, financial, tax or investment advice.

If you hold Shares in uncertificated form (that is, in CREST), you may only tender such Shares by TTE Instruction in accordance with the procedures set out in paragraph 4.2.2 below and, if those Shares are held under different account IDs, you should send a separate TTE Instruction for each member account ID.

#### 4.2 *Return of Tender Forms and Savings Plan Tender Forms*

The completed and signed Tender Form should be sent by post to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, or (during normal business hours only) by hand, to Equiniti Limited, Corporate Actions, Holm Oak, Holm Oak Business Park, Goring by Sea, Worthing, West Sussex, BN12 4FE, **as soon as possible and, in any event, so as to be received not later than 11.00 a.m. on 12 January 2010. No Tender Forms received after that time will be accepted.** A reply-paid envelope for use in the UK only is enclosed with this document. No acknowledgement of receipt of documents will be given. Any Tender Form received in an envelope postmarked from outside the United Kingdom, the Channel Islands or the Isle of Man or otherwise appearing to Winterflood Securities or its agents to have been sent from any jurisdiction outside the United Kingdom, the Channel Islands or the Isle of Man may be rejected as an invalid tender. Further provisions relating to Overseas Persons are contained in paragraph 10 of this Part IV.

##### 4.2.1 *Shares held in certificated form (that is, not in CREST)*

The completed and signed Tender Form should be accompanied by the relevant Share certificate(s) and/or other document(s) of title. If Share certificate(s) and/or other document(s) of title are not readily available (for example, if they are with a stockbroker, bank or other agent) or are lost, the Tender Form should nevertheless be completed, signed and returned as described above so as to be received by Equiniti Limited at the address detailed below not later than 11.00 a.m. on 12 January 2010 together with any Share certificate(s) and/or other document(s) of title that may be available, accompanied by a letter stating that the (remaining) Share certificate(s) and/or other document(s) of title will be forwarded as soon as possible thereafter and, in any event, not later than 11.00 a.m. on 12 January 2010.

Shareholders who have lost their Share certificate(s) and/or other document(s) of title should write to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, for a letter of indemnity in respect of the lost Share certificate(s) which, when completed in accordance with the



instructions given, should be returned to Equiniti Limited at the addresses referred to at the beginning of this paragraph 4.2 so as to be received not later than 11.00 a.m. on 12 January 2010.

#### 4.2.2 *Shares held in uncertificated form (that is, in CREST)*

If the Shares which a Shareholder wishes to tender are held in uncertificated form, the Shareholder should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Shares which they wish to tender under the Tender Offer to an escrow balance, specifying Equiniti Limited (in its capacity as a CREST receiving agent under its participant ID referred to below) as the escrow agent, as soon as possible and, in any event, so that the transfer to escrow settles not later than 11.00 a.m. on 12 January 2010.

If a Shareholder is a CREST sponsored member, they should refer to their CREST Sponsor before taking any action. A Shareholder's CREST Sponsor will be able to confirm details of such Shareholder's participant ID and the member account ID under which such Shares are held. In addition, only a Shareholder's CREST Sponsor will be able to send the TTE Instruction to CREST in relation to the Shares which they wish to tender.

Shareholders should send (or, if they are a CREST sponsored member procure that their CREST Sponsor sends) a TTE Instruction to CREST which must be properly authenticated in accordance with CREST's specification and which must contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Shares to be transferred to an escrow balance;
- the Shareholder's member account ID;
- the Shareholder's participant ID;
- the participant ID of the escrow agent, Equiniti Limited, in its capacity as a CREST receiving agent. This is 6RA99;
- the member account ID of the escrow agent, Equiniti Limited. This is: RA002401;
- the Corporate Action Number for the Tender Offer. This is allocated by CREST and can be found by viewing the relevant corporate action details in CREST;
- a contact name and telephone number in the shared note field on the TTE Instruction;
- the intended settlement date for the transfer to escrow. This should be as soon as possible and, in any event, not later than 11.00 a.m. on 12 January 2010;
- the corporate action ISIN of the Shares. This is GB0002945029; and
- input with standard delivery instruction of priority 80.

After settlement of the TTE Instruction, a Shareholder will not be able to access the Shares concerned in CREST for any transaction or for charging purposes, notwithstanding they will be held by Equiniti Limited as the Shareholder's agent until completion or lapsing of the Tender Offer. If the Tender Offer becomes unconditional, Equiniti Limited will transfer the Shares which are accepted for purchase by Winterflood Securities to itself as the Shareholder's agent.

Shareholders are recommended to refer to the CREST Manual for further information on the CREST procedures outlined above.

**Shareholders should note that CREST does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. Shareholders should therefore ensure that all necessary action is taken by them (or by their CREST Sponsor) to enable a TTE Instruction relating to their Shares to settle prior to 11.00 a.m. on 12 January 2010. In this connection Shareholders are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

An appropriate announcement will be made if any of the details contained in this paragraph 4.2.2 are altered.

#### 4.2.3 *Shares held through the Savings Plans*

Savings Plans Participants who wish to participate in the Tender Offer should complete the relevant Savings Plan Tender Form in accordance with the instructions set out therein and return it to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA by post, or (during normal business hours only) by hand, to Equiniti Limited, Corporate Actions, Holm Oak, Holm Oak Business Park, Goring by Sea, Worthing, West Sussex, BN12 4FE, **as soon as possible and, in any event, so as to be received no later than 11.00 a.m. on 8 January 2010. No Savings Plan Tender Form received after that time will be accepted.** A reply-paid envelope for use in the UK only is enclosed with this document.

#### 4.3 *Deposits of Shares into, and withdrawals of Shares from, CREST*

Normal CREST procedures (including timings) apply in relation to any Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Tender Offer (whether such conversion arises as a result of a transfer of Shares or otherwise). Shareholders who are proposing to convert any such Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Shares as a result of the conversion to take all necessary steps in connection with such person's participation in the Tender Offer (in particular, as regards delivery of Share certificates and/or other documents of title or transfers to an escrow balance as described above) prior to 11.00 a.m. on 12 January 2010.

#### 4.4 *Validity of Tender Forms*

Notwithstanding the powers in paragraph 8.5 below, Winterflood Securities reserves the right to treat as valid only Tender Forms which are received entirely in order by 11.00 a.m. on 12 January 2010 and which are accompanied (in the case of Shares held in certificated form) by the relevant Share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof or (in the case of Shares held in uncertificated form) by the relevant TTE Instruction, in each case in respect of the entire number of Shares tendered. The Record Date for the Tender Offer is close of business on 10 November 2009.

Notwithstanding the completion of a valid Tender Form, the Tender Offer may be suspended, terminated or lapse in accordance with the Terms and Conditions set out in this Part IV.

The decision of Winterflood Securities as to which Shares have been validly tendered shall be conclusive and binding on all Shareholders.

If a Shareholder or Savings Plans Participant is in any doubt as to how to complete the Tender Form or Savings Plan Tender Form (as applicable) or as to the procedure for tendering Shares, they should contact Equiniti Limited by telephone on 0871 384 2050 (or, if you are calling from outside the United Kingdom, +44 121 415 0259). The helpline is available from 8.30 a.m. to 5.30 p.m. Monday to Friday (except bank holidays) and will remain open until 5.30 p.m. on 25 January 2010. Calls to the 0871 384 2050 number from inside the UK are charged at 8 pence per minute (including VAT) from a BT landline; other service providers' charges may vary. Calls to the +44 121 415 0259 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Please note that, for legal reasons, the Shareholder and Savings Plans Participants Helpline is only able to provide information contained in this document, information relating to the Company's register of members and information regarding completion of forms and is unable to give advice on the merits of the Tender Offer or to provide legal, financial, tax or investment advice.

**If Shareholders or Savings Plans Participants are in any doubt about what action to take they should consult an appropriately qualified independent financial adviser.** Shareholders are reminded that, if they are a CREST sponsored member, they should contact their CREST Sponsor before taking any action.

#### 4.5 *General*

No acknowledgement of receipt of documents will be given. Any Tender Form or Savings Plan Tender Form in an envelope postmarked in the United States, Australia, Canada or Japan or otherwise appearing to Winterflood Securities or its agents to have been sent from the United States, Australia, Canada or Japan may be rejected as an invalid Tender. Further information on Overseas Persons is contained in paragraph 10 of this Part IV.

### 5. **Tender Offer Settlement**

5.1 Settlement of the consideration to which any Shareholder is entitled pursuant to valid tenders accepted by Winterflood Securities is expected to be made by 27 January 2010 as follows:

#### 5.1.1 *Shares held in certificated form (that is, not in CREST)*

Where an accepted tender relates to Shares held in certificated form, cheques for the consideration due will be despatched by Equiniti Limited by first class post to the person or agent whose name and address (outside the United States, Australia, Canada or Japan) is set out in Box 1 (or, if relevant, Box 3) of the Tender Form or, if none is set out, to the registered address of the tendering Shareholder or, in the case of joint holders, the address of the first named. All cash payments will be made in pounds Sterling by cheque drawn on a branch of a UK clearing bank.

#### 5.1.2 *Shares held in uncertificated form (that is, in CREST)*

Where an accepted tender relates to Shares held in uncertificated form, the consideration due will be paid by means of a CREST payment obligation in favour of the tendering Shareholder's payment bank in accordance with the CREST payment arrangements.

#### 5.1.3 *Shares held in the Savings Plans*

Where an accepted tender relates to Shares held through the Savings Plans, cheques for the consideration due will be despatched by first class post to the registered address of the tendering Savings Plans Participant or, in the case of joint holders, the address of the first named. All cash payments will be made in pounds Sterling by cheque drawn on a branch of a UK clearing bank.

5.2 If only part of a holding of Shares is sold pursuant to the Tender Offer or if, because of scaling back, any tendered Shares in excess of a Shareholder's Basic Entitlement are not purchased pursuant to the terms of the Tender Offer:

5.2.1 where the Shares are held in certificated form, the relevant Shareholder will be entitled to receive a certificate in respect of the balance of the unsold Shares;

5.2.2 where the Shares are held in uncertificated form (that is, in CREST), the unsold Shares will be transferred by the escrow agent by means of a TFE Instruction to the original available balance from which those Shares came; or

5.2.3 where the Shares are beneficially held by a Savings Plans Participant, the unsold beneficial holding of Shares will be recorded in the relevant Savings Plans Participant's account.

### 6. **Tender Form Representations and Warranties**

6.1 Each Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with Winterflood Securities (for itself and on behalf of the Company) (so as to bind themselves, their personal representatives, heirs, successors and assigns) that:

6.1.1 the execution of the Tender Form shall constitute an offer to sell to Winterflood Securities as principal such Shareholder's Basic Entitlement or, if relevant, such higher or lower number of Shares as is inserted in Box 1A or 1B of the Tender Form or deemed (in accordance with paragraph 7.1) to be tendered, in each case on and subject to the Terms and Conditions set out or referred to in this document and the Tender Form, and that, once lodged, such offer shall be irrevocable;

- 6.1.2 such Shareholder has full power and authority to tender, sell, assign or transfer the Shares in respect of which such offer is accepted (together with all rights attaching thereto) and, when the same are purchased by Winterflood Securities, Winterflood Securities as principal will acquire such Shares with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after 15 January 2010, including the right to receive all dividends and other distributions declared, paid or made after that date;
- 6.1.3 the execution of the Tender Form will, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of any director or officer of Winterflood Securities as such Shareholder's attorney and/or agent ("**Attorney**"), and an irrevocable instruction to the Attorney to complete and execute all or any instruments of transfer and/or other documents at the Attorney's discretion in relation to the Shares referred to in sub-paragraph 6.1.1 above in favour of Winterflood Securities or such other person or persons as Winterflood Securities may direct and to deliver such instrument(s) of transfer and/or other documents at the discretion of the Attorney, together with the Share certificate(s) and/or other document(s) relating to such Shares, for registration within six months of the Tender Offer becoming unconditional and to do all such other acts and things as may in the opinion of such Attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offer and to vest such Shares in Winterflood Securities or its nominee(s) or such other person(s) as Winterflood Securities may direct;
- 6.1.4 such Shareholder agrees to ratify and confirm each and every act or thing which may lawfully be done or effected by Winterflood Securities or any of its directors or officers or any person nominated by Winterflood Securities in the proper exercise of their powers and/or authorities hereunder;
- 6.1.5 such Shareholder holding Shares in certificated form will deliver to Equiniti Limited his Share certificate(s) and/or other document(s) of title in respect of the Shares referred to in sub-paragraph 6.1.1 above, or an indemnity acceptable to Winterflood Securities in lieu thereof, or will procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, not later than 11.00 a.m. on 12 January 2010;
- 6.1.6 the provisions of the Tender Form shall be deemed to be incorporated into the Terms and Conditions of the Tender Offer;
- 6.1.7 such Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by Winterflood Securities to be desirable, in each case to complete the purchase of the Shares and/or to perfect any of the authorities expressed to be given hereunder;
- 6.1.8 such Shareholder, if an Overseas Person, has fully observed any applicable legal requirements and the invitation under the Tender Offer may be made to them and may be accepted by him under the laws of the relevant jurisdiction;
- 6.1.9 such Shareholder has not received or sent copies or originals of this document, the Tender Form or any related documents in or into the United States, Australia, Canada or Japan and has not otherwise utilised in connection with the Tender Offer, directly or indirectly, the mails or any means or instrumentality (including, without limitation, electronically or telephonically) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Australia, Canada or Japan, that the Tender Form has not been mailed or otherwise sent in, into or from the United States, Australia, Canada or Japan and that such Shareholder is not accepting the Tender Offer from the United States, Australia, Canada or Japan;
- 6.1.10 such Shareholder is not accepting the Tender Offer from the United States, Australia, Canada or Japan;
- 6.1.11 on execution the Tender Form takes effect as a deed;

- 6.1.12 the execution and delivery of the Tender Form constitutes such Shareholder's submission to the jurisdiction of the courts of England in relation to all matters arising out of or in connection with the Tender Offer or the Tender Form;
- 6.1.13 in the case of Shares held in uncertificated form (that is, in CREST) the creation of a CREST payment in favour of such Shareholder's payment bank in accordance with the CREST payment arrangements as referred to in paragraph 5 of this Part IV will, to the extent of the obligations so created, discharge fully any obligation of Winterflood Securities to pay to such Shareholder the cash consideration to which he is entitled under the Tender Offer; and
- 6.1.14 in the case of Shares in certificated form, the despatch of a cheque in respect of the Repurchase Price to a Shareholder at his registered address or such other address as is specified in the Tender Form will constitute a complete discharge by Winterflood Securities of its obligations to make such payment to such Shareholder.

A reference in this paragraph 6.1 to a Shareholder includes a reference to the person or persons executing the Tender Form and in the event of more than one person executing a Tender Form, the provisions of this paragraph will apply to them jointly and to each of them.

## **7. Additional provisions**

- 7.1 Each Shareholder may tender some of or all of their holding of Shares on 10 November 2009 subject to the scaling back of tenders in excess of such Shareholder's Basic Entitlement on the basis provided in paragraph 1.4 above. If (i) Box 2 of the Tender Form is not completed; or (ii) in Winterflood Securities' determination (in its absolute discretion) Box 2 has not been validly completed, provided that the Tender Form is otherwise in order and accompanied by all other relevant documents, the tender may be accepted as a valid tender in respect of the whole of the tendering Shareholder's Basic Entitlement.
- 7.2 If a Shareholder does not return his Share certificate(s) and/or other documents of title by 11.00 a.m. on 12 January 2010, Winterflood Securities may deem (in its absolute discretion) that such Shareholder has only tendered the number of Shares in respect of which Share certificates have been received.
- 7.3 Shares acquired by Winterflood Securities as principal under the Tender Offer will be market purchases in accordance with the rules of the London Stock Exchange and UK Listing Authority.
- 7.4 Shares sold by Shareholders pursuant to the Tender Offer will be acquired by Winterflood Securities with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after 15 January 2010, including the right to receive all dividends and other distributions declared, paid or made after that date.
- 7.5 Unless suspended or terminated in accordance with the provisions of this Part IV, the Tender Offer will close at 11.00 a.m. on 12 January 2010 and it is expected that by 22 January 2010 the Company will make a public announcement of the total number of Shares tendered and the Repurchase Price.
- 7.6 Each Shareholder who tenders or procures the tender of Shares will thereby be deemed to have agreed that, in consideration of Winterflood Securities agreeing to process their tender, such Shareholder will not revoke his tender or withdraw his Shares. Shareholders should note that, once tendered, Shares may not be sold, transferred, charged or otherwise disposed of.
- 7.7 Any omission to despatch this document or the Tender Form or any notice required to be despatched under the terms of the Tender Offer to, or any failure to receive the same by, any person entitled to participate in the Tender Offer shall not invalidate the Tender Offer in any way or create any implication that the Tender Offer has not been made to any such person.
- 7.8 No acknowledgement of receipt of any Tender Form, Savings Plan Tender Form, Share certificate(s) and/or other document(s) of title will be given. All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from Shareholders (or their designated agents) and Savings Plans Participants (or their

designated agents) will be delivered by or sent to or from such Shareholders (or their designated agents) and Savings Plans Participants (or their designated agents) at their own risk.

- 7.9 All powers of attorney and authorities on the terms conferred by or referred to in this Part IV or in the Tender Form or Savings Plan Tender Form are given by way of security for the performance of the obligations of the Shareholders and/or Savings Plans Participants concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.
- 7.10 All tenders must be made on the Tender Form or Savings Plan Tender Form (as applicable), duly completed in accordance with the instructions set out therein which constitute part of the terms of the Tender Offer. A tender will only be valid when the procedures contained in these Terms and Conditions and in the Tender Form are complied with. The Tender Offer and all tenders will be governed by and construed in accordance with English law. Execution and delivery of a Tender Form will constitute submission to the jurisdiction of the English Courts. All communications in respect of the Tender Offer will be in the English language.
- 7.11 If the Tender Offer does not become unconditional or is terminated, all documents lodged pursuant to the Tender Offer will be returned promptly by post, within 14 Business Days of the Tender Offer lapsing, to the person or agent whose name and address (outside the United States, Australia, Canada and Japan) is set out in Box 1 of the Tender Form or, if none is set out, to the tendering Shareholder or, in the case of joint holders, the first named at their registered address. In the case of Shares held in uncertificated form, Equiniti Limited in its capacity as the escrow agent will, within 14 Business Days of the Tender Offer lapsing, give instructions to CREST to transfer all Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Tender Offer by TFE Instruction to the original available balances from which those Shares came. In any of these circumstances, Tender Forms will cease to have any effect.
- 7.12 Subject to paragraphs 8, 9 and 10 below, the Tender Offer is open to Shareholders and Savings Plans Participants (through the registered holder of Shares for the Savings Plans on the Register on the Record Date), and will close at 11.00 a.m. on 12 January 2010 (provided that, in the case of Savings Plans Participants, any Savings Plan Tender Form shall be received by 11.00 a.m. on 8 January 2010). No Tender Form, Savings Plan Tender Form, Share certificate(s) and/or other document(s) of title or indemnity or TTE Instruction received after that time will be accepted.
- 7.13 The instructions, terms, provisions and authorities contained in or deemed to be incorporated in the Tender Form shall constitute part of the terms of the Tender Offer.
- 7.14 Further copies of this document, the Tender Form and Savings Plan Tender Form may be obtained on request:
- in the case of Shareholders, from Equiniti Limited at the address set out on page 1 of the Tender Form; and
  - in the case of Savings Plans Participants, from Equiniti Limited at the address set out on page 1 of the Savings Plan Tender Form.
- 7.15 If Shareholders and/or Savings Plans Participants have any complaints, they should contact Equiniti Limited.
- 7.16 The decision of Winterflood Securities as to which Shares have been successfully tendered shall be conclusive and binding on all Shareholders.

## **8. Miscellaneous**

- 8.1 Any changes to the terms, or any suspension, extension or termination of the Tender Offer will be followed as promptly as practicable by a public announcement thereof no later than 1.00 p.m. on the Business Day following the date of such changes. Such an announcement will be released to a Regulatory Information Service. References to the making of an announcement by the Company includes the release of an announcement on behalf of the Company by Winterflood Securities to the press and delivery of, or telephone or facsimile or other electronic transmission of, such announcement to a Regulatory Information Service.

- 8.2 Shares purchased pursuant to the Tender Offer will, following the completion of the Tender Offer, be acquired from Winterflood Securities by the Company on the London Stock Exchange pursuant to the Repurchase Agreement and such Shares will subsequently be cancelled.
- 8.3 Tendering Shareholders will not be obliged to pay brokerage fees, commissions or transfer taxes or stamp duty in the UK on the purchase by Winterflood Securities as principal of Shares pursuant to the Tender Offer. The stamp duty costs to be borne by the Company on the repurchase of Shares will be reflected in the Formula Asset Value as described in Parts II and IV of this document.
- 8.4 Except as contained in this document, no person has been authorised to give any information or make any representations with respect to the Company or the Tender Offer and, if given or made, such other information or representations should not be relied on as having been authorised by Winterflood Securities or the Company. Under no circumstances should the delivery of this document or the delivery of any consideration pursuant to the Tender Offer create any implication that there has been no change in the assets, properties, business or affairs of the Company since the date of this document.
- 8.5 Winterflood Securities reserves the absolute right to inspect (either itself or through its agents) all Tender Forms and Savings Plan Tender Forms and may consider void and reject any Tender Form and/or Savings Plan Tender Form that does not, in Winterflood Securities' sole judgement (acting reasonably), meet the requirements of the Tender Offer. Winterflood Securities also reserves the absolute right to waive any defect or irregularity in the tender of any Shares, including any Tender Form and/or Savings Plan Tender Form (in whole or in part) which is not entirely in order or which, in the case of a Tender Form, is not accompanied by (in the case of Shares held in certificated form) the relevant Share certificate(s) and/or other document(s) of title or an indemnity acceptable to Winterflood Securities in lieu thereof. In that event, for Shares held in certificated form, the consideration under the Tender Offer will only be despatched when the Tender Form is entirely in order and the Share certificate(s) and/or other document(s) of title or indemnities satisfactory to Winterflood Securities has/have been received. None of Winterflood Securities, the Company, the Registrars or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.
- 8.6 The provisions of the Contracts (Rights of Third Parties) Act 1999 do not apply to this document.

## **9. Savings Plans Participants**

Shares held through the Savings Plans tendered by Savings Plans Participants will be included within the Tender Offer through the completion of a Tender Form by the registered holder of Shares for the Savings Plans in respect of the aggregate number of Shares accepted as tendered by Savings Plans Participants. Winterflood Securities will grant Savings Plans Participants the same opportunity as Shareholders to tender in excess of their Basic Entitlement on the basis set out in paragraph 1 above and any such excess tenders for Savings Plans Participants will be deemed to be included in the Tender Form completed by the registered holder of Shares for the Savings Plans notwithstanding that the calculation of the number of such excess tenders so accepted by Winterflood Securities may only be completed after 12 January 2010. Where the context permits, references in this Part IV to Shareholders shall include Savings Plans Participants.

## **10. Overseas Persons**

10.1 The making of the Tender Offer in, or to persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom, the Channel Islands or the Isle of Man or custodians, nominees or trustees for citizens, nationals or residents of jurisdictions outside the United Kingdom, the Channel Islands or the Isle of Man may be prohibited or affected by the laws of the relevant overseas jurisdiction. Shareholders and Savings Plans Participants who are Overseas Persons should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Overseas Person wishing to tender Shares to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange

control or other consents which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes or other requisite payments due in such jurisdiction. Any such Overseas Person will be responsible for payment of any such transfer or other taxes or other requisite payments due by whomsoever payable and Winterflood Securities and the Company and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Person for any such transfer or other taxes or other requisite payments such person may be required to pay. No steps have been taken to qualify the Tender Offer or to authorise the extending of the Tender Offer or the distribution of the Tender Forms or Savings Plan Tender Forms in any territory outside the United Kingdom, the Channel Islands or the Isle of Man.

- 10.2 In particular, the Tender Offer is not being made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, electronically or telephonically) or interstate or foreign commerce, or of any facility of a national securities exchange of, the United States, Australia, Canada or Japan and the Tender Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Australia, Canada or Japan.
- 10.3 Accordingly, copies of this document, the Tender Form, the Savings Plan Tender Form and any related documents are not being and must not be mailed or otherwise distributed or sent in or into the United States, Australia, Canada or Japan including to Shareholders or Savings Plans Participants with registered addresses in the United States, Australia, Canada or Japan, or to persons whom Winterflood Securities knows to be custodians, nominees or trustees holding Shares for persons in the United States, Australia, Canada or Japan. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) or wishing to accept the Tender Offer should not distribute or send them in or into or from the United States, Australia, Canada or Japan or use such mails or any such means, instrumentality or facility in connection with the Tender Offer, and so doing will render invalid any related purported acceptance of the Tender Offer. Envelopes containing Tender Forms or Savings Plan Tender Forms should not be postmarked in the United States, Australia, Canada or Japan. All accepting Shareholders and Savings Plans Participants must provide addresses outside the United States, Australia, Canada or Japan for the remittance of cash or the return of documents lodged pursuant to the Tender Offer.
- 10.4 A Shareholder or Savings Plans Participant will be deemed not to have made a valid Tender if: (i) such person is unable to make the representations and warranties set out in paragraphs 6.1.8, 6.1.9 and 6.1.10 of this Part IV; or (ii) such person has an address in the United States, Australia, Canada or Japan and such person does not insert where indicated on the Tender Form (in the case of a Shareholder) or relevant Savings Plan Tender Form (in the case of a Savings Plans Participant) the name and address of a person or agent outside the United States, Australia, Canada or Japan to whom they wish the consideration to which they are entitled under the Tender Offer to be sent, subject to the provisions of this paragraph and the applicable laws; or (iii) such person inserts on the Savings Plan Tender Form or the Tender Form the name and address of a person or agent in the United States, Australia, Canada or Japan to whom they wish the consideration to which such person is entitled under the Tender Offer to be sent; or (iv) the Tender Form received from such Shareholder is in an envelope postmarked in, or which otherwise appears to Winterflood Securities or its agents to have been sent from, the United States, Australia, Canada or Japan. Winterflood Securities reserves the right, in its absolute discretion, to investigate, in relation to any acceptance, whether the representations and warranties referred to in paragraphs 6.1.8, 6.1.9 and 6.1.10 above given by any Shareholder are correct and, if such investigation is undertaken and as a result Winterflood Securities determines (for any reason) that such representation and warranty is not correct, such acceptance shall not be valid.
- 10.5 If, in connection with making the Tender Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, a Tender Form, a Savings Plan Tender Form or any related offering documents in, into or from the United States, Australia, Canada or Japan or uses the mails of, or any means or instrumentality (including, without limitation, electronically or telephonically)



of interstate or foreign commerce or any facility of a national securities exchange of, the United States, Australia, Canada or Japan in connection with such forwarding, such persons should: (i) inform the recipient of such fact; (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and (iii) draw the attention of the recipient to this paragraph 10.

10.6 The provisions of this paragraph 10 and any other terms of the Tender Offer relating to Overseas Persons may be waived, varied or modified as regards specific Overseas Persons or on a general basis by Winterflood Securities in its absolute discretion but only if Winterflood Securities is satisfied that such waiver, variance or modification will not constitute or give rise to a breach of applicable securities or other law.

10.7 The provisions of this paragraph 10 supersede any terms of the Tender Offer inconsistent herewith.

**Overseas Persons should inform themselves about and observe any applicable or legal regulatory requirements. If any Shareholder or Savings Plans Participant is in any doubt about their position, they should consult their professional adviser in the relevant territory.**

## PART V

### Taxation in the United Kingdom

The following comments are intended only as a general guide to certain aspects of current UK law and HM Revenue & Customs published practice and do not constitute tax advice. They are of a general nature and only apply to Shareholders who are resident or ordinarily resident in the UK (except where indicated) and who hold their Shares beneficially as an investment. They do not address the position of certain classes of Shareholders such as dealers in securities.

Subject to the following paragraph, a Shareholder who sells Shares in the Tender Offer should be treated, for the purposes of UK taxation, as though the Shareholder had sold them in the normal way to a third party. Accordingly, any such Shareholder who is UK resident may, depending on that Shareholder's personal circumstances, be subject to capital gains tax (or in the case of a corporate Shareholder, corporation tax on chargeable gains) in respect of any gain arising on such sale. Shareholders who are not resident or ordinarily resident in the UK for taxation purposes will not normally be liable to UK taxation on chargeable gains arising from the sale of their Shares unless those Shares are held through a UK branch, agency or permanent establishment, and the Shares have been used, held or acquired for the purposes of such branch, agency or permanent establishment, or trade carried through it, although they may be subject to foreign taxation depending on their personal circumstances. Shareholders who are subject to tax in a jurisdiction other than the UK or who are in any doubt as to the potential tax consequences of selling their Shares are strongly recommended to consult their own professional advisers before making any such sales.

Application has not been made to HM Revenue & Customs for clearance under section 707 of ICTA 1988 or section 701 of ITA 2007 that sections 703 ICTA 1988 or 698 ITA 2007, respectively, will not apply to the Tender Offer. Under section 698 ITA 2007, HM Revenue & Customs may seek to assess individual Shareholders and trustee Shareholders to income tax (as opposed to capital gains tax) on the portion of the Repurchase Price which exceeds the amount originally subscribed (including any premium) for the Shares.

Section 698 ITA 2007 does not apply if the relevant Shareholder can show that the sale was made for genuine commercial reasons or in the ordinary course of making or managing investments, and that the sale did not have as its main object or as one of its main objects the obtaining of an income tax advantage.

Stamp duty at the rate of 0.5 per cent. of the purchase price of any Shares rounded up to the nearest £5 (if necessary) will be payable by the Company as a result of the Tender Offer.

**The information relating to taxation set out above is a general guide and is not exhaustive. It is based on law and published practice currently in force in the United Kingdom and is subject to changes therein (potentially with retrospective effect). If you are in any doubt as to your taxation position you should consult an appropriate professional adviser without delay.**

## PART VI

### General Information

#### 1. Directors

1.1 The current Directors of the Company are:

Allan McKenzie (Chairman)  
Frank Frame  
David Gairns  
Tony Lowrie  
Peter Tyrie  
Iain Watt

1.2 There are no service contracts in existence between the Company and any of the Directors, nor are any such contracts proposed.

1.3 Save as disclosed in this document, no Director has an interest in any transaction which is of an unusual nature, contains unusual terms or is significant to the business of the Company and which was effected by the Company during the current or immediately preceding financial year or during any earlier financial year and which remains in any respect outstanding or unperformed.

#### 2. City Code on Takeovers and Mergers

Under Rule 9 of the City Code, any person or group of persons deemed to be acting in concert who acquires 30 per cent. or more of the voting shares of a company to which the City Code applies is normally required by the Panel to make a general offer to shareholders of that company to acquire their shares. Rule 9 of the City Code also provides that any person or group of persons deemed to be acting in concert who own between 30 per cent. and 50 per cent. of the voting shares of a company to which the City Code applies will be unable, without the Panel's consent, to acquire, either individually or together, any further voting rights in the company without being required to make a general offer to shareholders of that company to acquire their shares.

Under Rule 37.1 of the City Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by shareholdings of the Directors and persons acting in concert with them is treated as an acquisition for the purpose of Rule 9. A shareholder not acting in concert with the Directors will not normally incur an obligation to make a general offer under Rule 9, if, as a result of the purchase of its own shares by a company, he comes to exceed the percentage limits set out in Rule 9. However, this exception will not apply when a shareholder not acting in concert with the Directors has purchased shares at a time when he had reason to believe that such a purchase of its own shares by the company would take place.

A shareholder not acting in concert with the Directors may, therefore, incur an obligation under Rule 9 to make a general offer to Shareholders to acquire their Shares if, as a result of the purchase by the Company of its own Shares from other Shareholders, he comes to hold or acquire 30 per cent. or more of the Shares following the Tender Offer and he has purchased Shares after 5 November 2009, being the date when he had reason to believe that the Company would purchase its own Shares under the Tender Offer.

#### 3. Material Contracts

##### *Repurchase Agreement*

On 16 December 2009, the Company entered into a letter agreement (the "**Repurchase Agreement**") with Winterflood Securities. Under the Repurchase Agreement, upon the Tender Offer becoming unconditional in accordance with its terms, Winterflood Securities has agreed to sell to the Company at the Repurchase Price, and the Company has agreed to purchase, any tendered Shares.

Under the Repurchase Agreement, the Company represents to Winterflood Securities that the Tender Offer complies with the law and regulations in force in each jurisdiction in which the Tender Offer is to be made. So far as permitted by applicable law, the Company indemnifies Winterflood Securities against all liability of any nature in respect of claims made by

Shareholders against Winterflood Securities unless such liability is determined to have arisen out of the bad faith, fraud, wilful default or negligence on the part of Winterflood Securities or breach by Winterflood Securities of the FSA Rules.

**4. General**

- 4.1 Winterflood Securities has given and not withdrawn its written consent to the issue of this document with the inclusion of its letter and with the references to its name in the form and context in which they are included.
- 4.2 There has been no significant change in the Company's financial or trading position since 31 August 2009, the date to which the latest audited accounts were prepared.
- 4.3 Assuming the Tender Offer is subscribed in full, the costs in connection with the Tender offer (ignoring portfolio realisation costs necessary to meet the number of Shares tendered) are estimated to be approximately £750,300 (inclusive of stamp duty).

**5. Documents available for inspection**

Copies of the following documents will be available for inspection at the offices of Shepherd and Wedderburn LLP at 1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the close of business on 15 January 2010:

- 5.1 the Company's Memorandum and Articles of Association;
- 5.2 the consent letter from Winterflood Securities referred to in paragraph 4.1 above;
- 5.3 the material contract described in paragraph 3 above;
- 5.4 the accounts of the Company for financial years ended 31 August 2007, 2008 and 2009;  
and
- 5.5 this document.

16 December 2009

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>“2006 Act”</b>	the Companies Act 2006, as amended
<b>“Aberdeen Savings Plans”</b>	the Aberdeen Investment Trust Share Plan and the Aberdeen Investment Trust ISA or either of them (as the context so requires or permits)
<b>“Articles”</b>	the articles of association of the Company
<b>“Australia”</b>	the Commonwealth of Australia, its states, territories and possessions
<b>“Basic Entitlement”</b>	the entitlement of each Shareholder to tender for purchase by Winterfloor Securities up to 15 per cent. of the Shares registered in such Shareholder’s name on the Record Date, rounded down to the nearest whole number
<b>“Benchmark”</b>	the MSCI All Country (ex Japan) Index (in Sterling terms)
<b>“Board” or “Directors”</b>	the board of directors of the Company
<b>“Business Day”</b>	any day other than a Saturday, Sunday or public holiday in England and Wales on which clearing banks in London are open for general banking business
<b>“Calculation Date”</b>	the close of business on 15 January 2010
<b>“Canada”</b>	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
<b>“certificated” or in “certificated form”</b>	not in uncertificated form
<b>“City Code”</b>	The City Code on Takeovers and Mergers
<b>“Company”</b>	Edinburgh Dragon Trust plc, a closed-ended investment trust company incorporated under the laws of Scotland with registration number SC 106049
<b>“CREST Manual”</b>	the CREST Manual issued by CREST
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
<b>“CREST Sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor being a sponsoring system participant (as defined in the CREST Regulations)
<b>“CREST”</b>	the facilities and procedures for the time being of the relevant system of which Euroclear UK & Ireland Limited has been approved as operator pursuant to the CREST Regulations
<b>“Form of Proxy”</b>	the form of proxy accompanying this document, for use by Shareholders in connection with the General Meeting
<b>“Formula Asset Value”</b>	the formula asset value calculated in accordance with paragraph 3 of Part IV of this document
<b>“FSA”</b>	the United Kingdom Financial Services Authority
<b>“General Meeting”</b>	a general meeting of the Company convened for 12.00 noon on 15 January 2010 (or any adjournment thereof), notice of which is set out at the end of this document
<b>“ICTA 1988”</b>	the Income and Corporation Taxes Act 1988, as amended
<b>“ITA 2007”</b>	the Income Tax Act 2007, as amended
<b>“Japan”</b>	Japan, its cities, prefectures, territories and possessions
<b>“Listing Rules”</b>	the Listing Rules of the UK Listing Authority
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Manager”</b>	Aberdeen Asset Managers Limited

<b>“Net Asset Value” and “NAV”</b>	the net asset value of the Company as calculated by the Company in accordance with the Company’s normal accounting policies. For the avoidance of doubt, this will include all undistributed revenue reserves up to the date of calculation (but will take no account of the costs of the Tender Offer). Net Asset Value per Share on any relevant date shall be calculated by dividing the Net Asset Value by the number of Shares in issue on that date
<b>“Overseas Person”</b>	a Shareholder or a Savings Plans Participant who is a citizen or national of, or resident in, a jurisdiction outside the United Kingdom, the Channel Islands or the Isle of Man or a custodian, nominee or trustee for a citizen, national or resident of a jurisdiction outside the United Kingdom, the Channel Islands or the Isle of Man
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“Proposals”</b>	the proposals set out in this document
<b>“Realisation NAV”</b>	the amount determined pursuant to paragraph 3.3 of Part IV of this document
<b>“Record Date”</b>	the close of business on 10 November 2009
<b>“Register”</b>	the register of members of the Company
<b>“Registrars”</b>	Equiniti Limited
<b>“Regulatory Information Service”</b>	one of the service providers listed in Schedule 12 of the Listing Rules
<b>“Repurchase Agreement”</b>	the agreement dated 16 December 2009 between the Company and Winterflood Securities Limited relating to the repurchase by the Company through the facilities of the London Stock Exchange of the Shares purchased by Winterflood Securities pursuant to the Tender Offer, as summarised in paragraph 3 of Part VI of this document
<b>“Repurchase Pool”</b>	means the repurchase pool established in accordance with paragraph 3.4 of Part IV of this document
<b>“Repurchase Price”</b>	the price at which Shares will be purchased pursuant to the Tender Offer calculated as provided in Part IV of this document
<b>“Resolution”</b>	the resolution to be proposed for Shareholder approval at the General Meeting
<b>“Savings Plans Participants”</b>	beneficial owners of shares held through one or more of the Aberdeen Savings Plans
<b>“Savings Plan Tender Form”</b>	the tender form accompanying this document for use by Savings Plans Participants in connection with the Tender Offer
<b>“Shareholders”</b>	holders of Shares
<b>“Shares”</b>	ordinary shares of 20 pence each in the share capital of the Company
<b>“Tender Form”</b>	the tender form accompanying this document for use by Shareholders in connection with the Tender Offer
<b>“Tender Offer”</b>	the invitation by Winterflood Securities to Shareholders (other than certain Overseas Persons) to tender, in aggregate, up to 34,643,156 Shares, representing 15 per cent. of the Company’s issued share capital as at 10 November 2009, on the terms and subject to the conditions set out in this document
<b>“Terms and Conditions”</b>	has the meaning given to it under the heading “The Tender Offer” on page 8 of this document
<b>“TFE Instruction”</b>	a transfer from escrow instruction (as defined by the CREST Manual)

<b>“TTE Instruction”</b>	a transfer to escrow instruction (as defined by the CREST Manual)
<b>“UK Listing Authority”</b>	the FSA, in its capacity as the United Kingdom Listing Authority
<b>“uncertificated” or “in uncertificated form”</b>	recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“United States” or “US”</b>	the United States of America, its territories and possession, any state of the United States and the District of Columbia
<b>“Voting Direction Form”</b>	the voting direction form accompanying this document for use by Savings Plans Participants in connection with the General Meeting
<b>“Winterflood Securities”</b>	Winterflood Securities Limited, which is authorised and regulated in the United Kingdom by the FSA in the conduct of investment business

# EDINBURGH DRAGON TRUST PLC

*(a closed-ended investment trust company incorporated under the laws of Scotland  
with registered number SC 106049)*

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a **GENERAL MEETING** (“GM”) of the Company will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on 15 January 2010 at 12.00 noon to consider and, if thought fit, pass the following resolution as a special resolution:

## SPECIAL RESOLUTION

### THAT:

- (A) the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 (the “**2006 Act**”) to make market purchases (within the meaning of section 693 of the 2006 Act) of its ordinary shares of 20 pence each (the “**Shares**”) pursuant to the tender offer (the “**Tender Offer**”) on the terms set out in the circular to Shareholders of the Company dated 16 December 2009 (a copy of which is produced to the meeting and signed by the chairman of the meeting for the purpose of identification) (the “**Circular**”) provided that:
- (i) the maximum number of Shares hereby authorised to be purchased shall be 34,643,156;
  - (ii) the price which may be paid for a Share shall be the relevant Repurchase Price as defined in the Circular (which in each case shall be both the maximum and the minimum price for the purposes of section 701 of the 2006 Act); and
  - (iii) unless renewed, the authority hereby conferred shall expire on the earlier of (i) the completion of the Tender Offer or (ii) the anniversary of one year from the date of passing of this resolution;
- (B) the Company’s authority to make market purchases of its Shares (within the meaning of section 693 of the 2006 Act) approved by Shareholders at the annual general meeting of the Company held on 9 December 2009 shall continue in effect and shall not be affected by the passing of this resolution nor shall any part of that authority be utilised in connection with the Tender Offer; and
- (C) terms defined in the Circular shall have the same meaning in this Notice, save where the context otherwise requires.

*Registered Office*  
40 Princes Street  
Edinburgh  
EH2 2BY

*By Order of the Board*  
Aberdeen Asset Managers Limited  
Secretary

Dated: 16 December 2009



#### Explanatory notes to the Notice of General Meeting:

1. A special resolution requires 75 per cent. of the votes cast by those Shareholders voting in person or by proxy at the GM (excluding any votes which are withheld) to be voted in favour of the Resolution. The Resolution is proposed as a special resolution.
2. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, as amended, only those Shareholders registered in the Register at 6.00 p.m. on 13 January 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and/or vote at the GM in respect of the number of Shares registered in their name at that time. Changes to entries on the Register after that time on 13 January 2010 shall be disregarded in determining the rights of any person to attend or vote at the GM.
3. A Shareholder entitled to attend and vote at the GM is entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that if two or more proxies are appointed, each proxy must be appointed to exercise the rights attaching to different Shares. A proxy need not be a Shareholder of the Company. Completion and return of the Form of Proxy will not preclude Shareholders from attending or voting at the GM, if they so wish. The number of votes cast by proxy for and against the Resolution will be communicated to Shareholders at or following the GM and will be available on request. In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the Resolution, the proxy will exercise his discretion as to whether, and if so how, he votes.
4. To be valid, the Form of Proxy, together with the power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power of authority) must be deposited with the Company's agent, for this purpose being, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR by post, as soon as possible and, in any event, not later than 12.00 noon on 13 January 2010 or such later time as the Company's directors may allow. A Form of Proxy is enclosed with this Notice. If you have any queries relating to the completion of the Form of Proxy, please contact Equiniti Limited on 0871 384 2050 or, if telephoning from outside the UK, on +44 121 415 0259. The helpline is available from 8.30 a.m. to 5.30 p.m. Monday to Friday (except bank holidays) and will remain open until 5.30 p.m. on 25 January 2010. Calls to the 0871 384 2050 number from inside the United Kingdom are charged at 8 pence per minute (including VAT) from a BT landline; other service providers' charges may vary. Calls to the +44 121 415 0259 number from outside the United Kingdom are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Please note that, for legal reasons, Equiniti Limited is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Tender Offer or to provide legal, financial, tax or investment advice.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedure described in the CREST Manual and by logging on to the website [www.euroclear.com/CREST](http://www.euroclear.com/CREST). 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.
6. 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 Registrars, Equiniti Limited (ID RA19), not later than 12.00 noon on 13 January 2010. 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.
7. 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.
8. 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.
9. 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 statements of the rights of Shareholders in relation to the appointment of proxies in notes 3 and 4 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by Shareholders of the Company.
10. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity or the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its registered office before the commencement of the meeting or adjourned meeting at which the proxy is used.
11. Where there are joint holders of any Share, any one of such persons may vote at any meeting, and if more than one of such persons is present at any meeting personally or by proxy, the holder whose name stands first in the Register shall alone be entitled to vote.
12. On a poll votes may be given either personally or by proxy and a Shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. On a poll every Shareholder who is present in person or by proxy or by duly authorised corporate representative shall have one vote for every 20 pence nominal amount of share capital of which he is the holder.
13. To allow effective constitution of the GM, if it is apparent to the Chairman that no Shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any Shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.
14. 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.

15. As at close of business on 15 December 2009 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 230,954,375 Ordinary Shares of 20p each. The total number of voting rights in the Company as at 15 December 2009 was 230,954,375.
16. Information regarding the GM, 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).
17. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the GM put by a member attending the GM unless:
  - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company on the good order of the meeting that the question be answered.
18. By attending the GM, Shareholders and their proxies and representatives are understood by the Company to have confirmed their agreement to receive any communications (including communications relating to the Company's securities) made at the GM.
19. Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in the Notice of GM or in any related documents (including the Form of Proxy) is not to be used for the purposes of sending information or documents on, or otherwise communicating with the Company for any purposes other than those expressly stated.
20. The Registered Office of the Company is 40 Princes Street, Edinburgh, EH2 2BY.