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## Dunedin Income Growth Investment Trust PLC

Interim Report  
for the 6 months ended 31 July 2009



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## **Objective**

The objective of Dunedin Income Growth Investment Trust PLC is to achieve growth of income and capital from a portfolio invested predominantly in companies listed or quoted in the United Kingdom.

## Highlights and Financial Calendar

### Financial Highlights

	31 July 2009	31 January 2009	% Change
Total assets (£'000)	<b>292,471</b>	282,411	3.6
Total shareholders' funds (£'000)	<b>262,497</b>	241,944	8.5
Net asset value per Ordinary share <sup>A</sup>	<b>174.1p</b>	160.5p	8.5
Net asset value per Ordinary share <sup>B</sup>	<b>170.5p</b>	156.9p	8.7
Share price per Ordinary share (mid)	<b>159.5p</b>	141.3p	12.9
Discount to net asset value <sup>BC</sup>	<b>3.9%</b>	5.2%	

<sup>A</sup> Debt at par value.

<sup>B</sup> Debt at fair value.

<sup>C</sup> These discounts are lower than the numbers that appear in the statutory accounts because they are calculated in accordance with AIC guidelines (capital only).

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

	Six months ended 31 July 2009	Year ended 31 January 2009
Net asset value per Ordinary share <sup>E</sup>	<b>+13.2%</b>	-35.0%
Net asset value per Ordinary share <sup>F</sup>	<b>+13.5%</b>	-34.7%
Share price per Ordinary share	<b>+18.0%</b>	-35.5%
FTSE All-Share Index	<b>+16.1%</b>	-27.8%

<sup>D</sup> Capital return plus net dividends reinvested.

<sup>E</sup> Debt at par value.

<sup>F</sup> Debt at fair value.

### Financial Calendar

<b>24 September 2009</b>	Announcement of unaudited interim results for the six months ended 31 July 2009
<b>9 October 2009</b>	Payment of interim dividend
<b>31 January 2010</b>	Financial year end
<b>March 2010</b>	Announcement of results for year ended 31 January 2010
<b>May 2010</b>	AGM & payment of final dividend

# Chairman's Statement

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## Review of the Period

Following what can only be described as a severely challenging environment for equity markets, the six months ended 31 July 2009 witnessed a significant improvement in fortunes. The period started with stock markets under considerable pressure as a result of the harsh economic environment and the fragile state of the banking system in the developed economies. Extreme risk aversion on the part of investors eventually gave way to greater optimism on the back of a coordinated response from central governments. The beneficial impact of monetary easing coupled with significant fiscal stimulus provided a more favourable economic outlook from April onwards. Dunedin Income Growth Investment Trust's ("DIGIT's") net asset value ("NAV") rose by 13.2% in total return terms and this compares to the rise in the FTSE All-Share of 16.1%. The shortfall is largely a result of the lacklustre showing from many of the higher yielding components of the market. DIGIT's NAV, measured with debt priced at market value, rose by 13.5% in total return terms.

The share price rose in capital terms by 12.9% from 141.3p to 159.5p as the discount to NAV at which the shares trade narrowed to 3.9% at the period end.

The severity of the economic slowdown has affected corporate profitability and this, in conjunction with the repricing of credit facilities, has seen a number of companies reduce their dividends. Lower dividends received, a lower level of gearing, and lower returns on cash balances, have resulted in a fall in the Company's revenue return per share from 6.95p to 5.16p for the six months under review and the Board is declaring an unchanged interim dividend of 3.75p per share. The revenue for the full year likewise is expected to be lower than last year and the Board is proposing drawing on the Company's revenue reserves in order to maintain the dividend at last year's level.

## Economic and Market Background

The start of the period witnessed the same levels of extreme risk aversion which dominated the previous financial year brought about by the severity of the economic climate and threat of deflation. Equity markets, however, subsequently took encouragement from the stimuli provided by many central banks and governments, and the belief that the inventory correction cycle had run its course. As the period progressed economic data, while poor, were no worse than expected, and the March company reporting season passed with few new surprises. We have now entered the interim reporting season and early indications show that, again, results are no worse than (albeit downgraded) expectations and, in several instances, better.

More favourable investor sentiment opened capital markets sufficiently to allow a swathe of equity raising, as companies sought to repair balance sheets and, in some cases, improve their competitive positions. This is the first stage of the deleveraging process for corporates and these capital raising exercises have generally been well received.

Expectations of improved economic data had a profound impact upon the shape of market leadership. The more economically sensitive and cyclical stocks saw an improvement in their fortunes in share price terms, while the more defensive, stable companies lagged the recovery. It has proven to be a challenging time for income funds, as many of these stable companies were offering the most secure dividend yields within the market. Conversely, many of the economically sensitive stocks had passed their dividends in order to protect their balance sheets. In addition, while the Company's investments in corporate bonds rose, they lagged the strength of the recovery witnessed in the equity market.

## Share Buybacks

The discount to NAV at which our shares trade narrowed during the period, from 5.2% to 3.9%. We have not bought back any shares during the period, as the discount has been sufficiently narrow as not to offer tangible benefit for continuing shareholders. Shares bought back in previous years are initially held in treasury and, in the interests of good housekeeping, the level of this treasury shareholding is reviewed annually. The Board has taken the decision this year not to cancel any of these shares. As the discount has narrowed, there have also been periods during which DIGIT's shares have traded at a premium, which for the first time in several years has raised the possibility of re-issuance of some treasury shares.

## Gearing

In order to protect the Company from the high levels of volatility witnessed in the market, the level of debt drawn down under the revolving credit facility was reduced, from £12m at the start of the period to £1.5m. The loan facility taken out in July 2008 expired in July 2009. Shareholders may remember this facility was taken out on attractive terms. With the deterioration of conditions in credit markets, the terms offered for renewing a similar facility were substantially less attractive and, as a result, the facility has been replaced by a one year £5m term loan. The benefit of the smaller facility is that it does not incur the same degree of non utilisation costs and the relatively short term nature of the facility provides flexibility to respond to any improvements in credit markets in due course.

The current draw down, coupled with the 7 7/8% debenture, took total gearing at 31 July 2009 to 13.8% with debt valued at market and 11.4% with debt valued at par. During the period, the Board, in conjunction with the Manager, has investigated ways of hedging the impact of the debenture. One solution is to purchase corporate debt with a similar risk and maturity profile to act as an offset to the debenture; to this end, £6m of corporate bonds were purchased in two tranches in March and June and the Manager will consider further purchases. This figure is over and above the existing holding in the Barclays 14% bond. The net level of equity gearing is lower than the total gearing figure and at the period end stood at 5.7%.

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Following on from the strong rally witnessed in equity markets, the Manager has taken out some protection against future falls in the market. The amount of this protection is equivalent to the current debt. This allows the Company to enjoy the benefits of gearing, particularly in relation to the positive impact it has on the revenue account, but also insulates the portfolio from the geared impact to market falls below the strike price.

### VAT on Management Fees

As shareholders will be aware from my previous statements, the Manager continues to pursue the repayment by HMRC of the VAT incurred on management fees during the periods 1990 – 1996 and 2001 - 2003 and we should be able to recognise further sums in due course. We would expect the total amount, covering both those earlier periods, to be in excess of £1 million, plus interest, which will again be split between revenue and capital in accordance with the then prevailing accounting policy.

We are also investigating the recovery of VAT paid during the so-called “dead period” between 1996 and 2001, but it is too early to give an indication of either the chances of success or the quantum that might be recovered.

### Risks and Uncertainties

The major risks associated with the Company are considered to be market price risk (being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movements), gearing risk and, to a lesser extent, liquidity and interest rate risk. The Company has established a framework for managing these risks which is evolving continually as the Company’s investment activities change in response to market developments. The Board has provided the Manager with guidelines and limits for the management of market risk, gearing, and financial assets and liabilities. Other key risks identified by the Board that could affect the Company’s business include performance risk, discount volatility and regulatory risk. Further details are included on pages 7, 20 and 41 to 45 of the last set of annual accounts.

### Directors’ Responsibility Statement

The Directors are responsible for preparing the half yearly financial report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed financial statements within the half yearly financial report have been prepared in accordance with the statement ‘Half Yearly Financial Reports’ issued by the UK Accounting Standards Board;
- the Chairman’s Statement (constituting the interim management report) includes a fair review of the information required by rules 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements

and a description of the principal risks and uncertainties for the remaining six months of the financial year) and 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last annual report that could so do.)

The half yearly financial report for the six months ended 31 July 2009 comprises the interim management report in the form of the Chairman’s Statement, the Directors’ Responsibility Statement and a condensed set of financial statements. The Independent Review Report of the Auditors is contained on page 14.

### Outlook

Despite the improvement in investor risk appetite, the economic outlook in developed economies remains uncertain at best. Unemployment in the UK continues to rise and house prices remain weak, pointing towards an anaemic outlook for consumer expenditure. The need for a reduction in public and private debt balances will continue to act as a drag on growth in developed regions. The rally in equity markets has been encouraging and has been helped by the expectation that the worst of the impact from the destocking phase appears to be over. Companies have been aggressive in cutting costs and this has helped protect income statements from the full impact of economic contraction. Demand patterns remain fragile, however, and despite an improvement in economic data releases the British economy is still contracting. Against this background, there is little likelihood of any immediate recovery in company earnings and dividends. In recognition of the rapid recovery in the market and the possibility of a near term correction, the portfolio protection which we have purchased is intended at least partially to offset any short term weakness. Nonetheless, the Manager is confident that it can identify soundly financed, well managed businesses to add to the portfolio at prices sufficiently attractive to justify the current level of gearing.

**John Scott**  
Chairman  
23 September 2009

# Investment Portfolio - Equities

As at 31 July 2009

Company	FTSE All-Share Index Sector	Market value £'000	Total assets %
HSBC	Banks	14,211	4.9
BP	Oil & Gas Producers	13,375	4.6
British American Tobacco	Tobacco	13,006	4.4
Royal Dutch Shell	Oil & Gas Producers	12,665	4.3
AstraZeneca	Pharmaceuticals & Biotechnology	12,333	4.2
Vodafone	Mobile Telecommunications	11,822	4.0
GlaxoSmithKline	Pharmaceuticals & Biotechnology	9,824	3.4
National Grid	Gas, Water & Multi-utilities	9,550	3.3
Centrica	Gas, Water & Multi-utilities	8,964	3.1
Standard Chartered	Banks	8,904	3.0
Ten largest investments		114,654	39.2
Rolls Royce	Aerospace & Defence	6,628	2.3
Unilever	Food Producers	6,604	2.3
Prudential	Life Insurance	6,567	2.3
ENI	Oil & Gas Producers	6,412	2.2
AMEC	Oil Equipment Services	5,922	2.0
Aviva	Life Insurance	5,647	1.9
Arriva	Travel & Leisure	5,357	1.8
Total	Oil & Gas Producers	5,289	1.8
GKN	Automobiles & Parts	5,107	1.7
Morrison (Wm)	Food & Drug Retailers	5,094	1.7
Twenty largest investments		173,281	59.2
Associated British Foods	Food Producers	5,015	1.7
Cobham	Aerospace & Defence	4,875	1.7
Weir	Industrial Engineering	4,787	1.6
Millennium & Copthorne	Travel & Leisure	4,620	1.6
Provident Financial	General Financial	4,600	1.6
Rio Tinto	Mining	4,555	1.6
Daily Mail & General Trust	Media	4,132	1.4
Close Brothers	General Financial	4,011	1.4
Mothercare	General Retailers	3,922	1.3
Tomkins	General Industrials	3,828	1.3
Thirty largest investments		217,626	74.4
BHP Billiton	Mining	3,759	1.3
Whitbread	Travel & Leisure	3,687	1.3
Roche	Pharmaceuticals & Biotechnology	3,679	1.3
British Land	Real Estate	3,661	1.3
BT Group	Fixed Line Telecommunications	3,610	1.2
Friends Provident	Life Insurance	3,409	1.2
Imperial Tobacco	Tobacco	3,336	1.1
Persimmon	Household Goods	3,309	1.1
Pearson	Media	3,190	1.1
Davis Service	Support Services	3,115	1.1
Forty largest investments		252,381	86.4

Company	FTSE All-Share Index Sector	Market value £'000	Total assets %
McBride	Household Goods	3,001	1.0
Tesco	Food & Drug Retailers	2,995	1.0
United Utilities	Gas, Water & Multi-utilities	2,992	1.0
Land Securities	Real Estate	2,673	0.9
Linde	Chemicals	2,370	0.8
Care UK	Health Care Equipment & Services	1,538	0.5
Bloomsbury Publishing	Media	1,417	0.5
Tui Travel	Travel & Leisure	1,283	0.4
British Polythene	General Industrials	1,260	0.4
Chaucer	Non life Insurance	1,121	0.4
Fifty largest investments		273,031	93.3
Low & Bonar	Construction & Materials	1,100	0.4
XP Power	Electronic & Electrical Equipment	942	0.3
Holidaybreak	Travel & Leisure	871	0.3
Chloride	Electronic & Electrical Equipment	782	0.3
FTSE 100 Index Put 4100 (exp 18/12/09)	Derivatives	710	0.2
<b>Total equities</b>		<b>277,436</b>	<b>94.8</b>

## Investment Portfolio - Fixed Interest

As at 31 July 2009

Company	Market value £'000	Total assets %
Barclays Bank 14% 15/06/49	1,749	0.6
BSkyB Finance UK Ltd 5.75% 20/10/17	554	0.2
Scottish Power 8.75% 20/02/17	535	0.2
Telecom Italia 7.375% 15/12/17	531	0.2
Safeway 6.00% 10/01/17	526	0.2
Motability Operations Group 6.625% 10/12/19	511	0.2
Firstgroup 8.125% 19/09/18	501	0.2
ENI Coordination Center 5% 27/01/19	492	0.2
Imperial Tobacco Finance 6.25% 04/12/18	482	0.2
Vodafone 8.125% 26/11/18	480	0.2
Telefonica Emisiones SAU 5.375% 02/02/18	461	0.1
Land Securities 4.875% 07/11/19	450	0.1
Linde Finance 6.5% 29/01/16	421	0.1
RWE Finance 5.5% 06/07/22	301	0.1
Total fixed interest	7,994	2.8
Total equities	277,436	94.8
Total investments	285,430	97.6
Net current assets less current liabilities <sup>A</sup>	7,041	2.4
<b>Total assets</b>	<b>292,471</b>	<b>100.0</b>

<sup>A</sup> Before deduction of borrowings of £1,500,000.

# Income Statement

	Six months ended 31 July 2009 (unaudited)			Six months ended 31 July 2008 (unaudited)			Year ended 31 January 2009 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value	–	23,543	23,543	–	(53,456)	(53,456)	–	(142,934)	(142,934)
Currency gains/(losses)	–	31	31	–	(2)	(2)	–	26	26
Income (note 2)	8,937	–	8,937	11,877	–	11,877	19,998	–	19,998
Investment management fee	(203)	(305)	(508)	(300)	(451)	(751)	(542)	(812)	(1,354)
VAT recoverable on investment management fees	–	–	–	–	–	–	306	714	1,020
Administrative expenses	(439)	–	(439)	(395)	–	(395)	(804)	–	(804)
<b>Net return before finance costs and taxation</b>	<b>8,295</b>	<b>23,269</b>	<b>31,564</b>	<b>11,182</b>	<b>(53,909)</b>	<b>(42,727)</b>	<b>18,958</b>	<b>(143,006)</b>	<b>(124,048)</b>
Finance costs	(468)	(703)	(1,171)	(608)	(912)	(1,520)	(1,181)	(1,771)	(2,952)
<b>Return on ordinary activities before taxation</b>	<b>7,827</b>	<b>22,566</b>	<b>30,393</b>	<b>10,574</b>	<b>(54,821)</b>	<b>(44,247)</b>	<b>17,777</b>	<b>(144,777)</b>	<b>(127,000)</b>
Taxation (note 3)	(55)	–	(55)	(54)	–	(54)	(77)	–	(77)
<b>Return on ordinary activities after taxation</b>	<b>7,772</b>	<b>22,566</b>	<b>30,338</b>	<b>10,520</b>	<b>(54,821)</b>	<b>(44,301)</b>	<b>17,700</b>	<b>(144,777)</b>	<b>(127,077)</b>
<b>Return per Ordinary share (pence)(note 5)</b>	<b>5.16</b>	<b>14.97</b>	<b>20.13</b>	<b>6.95</b>	<b>(36.22)</b>	<b>(29.27)</b>	<b>11.72</b>	<b>(95.84)</b>	<b>(84.12)</b>

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

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses have been reflected in the Income Statement.

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

# Balance Sheet

	Notes	As at 31 July 2009 (unaudited) £'000	As at 31 July 2008 (unaudited) £'000	As at 31 January 2009 (audited) £'000
<b>Non-current assets</b>				
Investments at fair value through profit or loss		285,430	370,660	272,729
<b>Current assets</b>				
Loans and receivables		4,501	1,544	5,227
AAA Money Market funds		–	3	–
Cash and short term deposits		3,250	2,690	5,199
		7,751	4,237	10,426
<b>Creditors: amounts falling due within one year</b>				
Bank loan		(1,500)	(15,000)	(12,000)
Other creditors		(710)	(646)	(744)
		(2,210)	(15,646)	(12,744)
<b>Net current assets/(liabilities)</b>		5,541	(11,409)	(2,318)
<b>Total assets less current liabilities</b>		290,971	359,251	270,411
<b>Creditors: amounts falling due after more than one year</b>				
Debenture stock		(28,474)	(28,461)	(28,467)
<b>Net assets</b>		<b>262,497</b>	<b>330,790</b>	<b>241,944</b>
<b>Capital and reserves</b>				
Called-up share capital		38,419	38,419	38,419
Share premium account		4,543	4,543	4,543
Capital redemption reserve		1,606	1,606	1,606
Capital reserve	7	195,964	263,771	173,398
Revenue reserve		21,965	22,451	23,978
<b>Equity shareholders' funds</b>		<b>262,497</b>	<b>330,790</b>	<b>241,944</b>
<b>Adjusted net asset value per Ordinary share (pence)</b>	8	<b>174.10</b>	<b>219.07</b>	<b>160.45</b>

## Reconciliation of Movements in Shareholders' Funds

### Six months ended 31 July 2009 (unaudited)

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2009		38,419	4,543	1,606	173,398	23,978	241,944
Return on ordinary activities after taxation		–	–	–	22,566	7,772	30,338
Dividends paid	4	–	–	–	–	(9,785)	(9,785)
<b>Balance at 31 July 2009</b>		<b>38,419</b>	<b>4,543</b>	<b>1,606</b>	<b>195,964</b>	<b>21,965</b>	<b>262,497</b>

### Six months ended 31 July 2008 (unaudited)

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2008		38,919	4,543	1,106	320,332	21,780	386,680
Return on ordinary activities after taxation		–	–	–	(54,821)	10,520	(44,301)
Dividends paid	4	–	–	–	–	(9,849)	(9,849)
Purchase of own shares	10	–	–	–	(1,740)	–	(1,740)
Cancellation of treasury shares		(500)	–	500	–	–	–
<b>Balance at 31 July 2008</b>		<b>38,419</b>	<b>4,543</b>	<b>1,606</b>	<b>263,771</b>	<b>22,451</b>	<b>330,790</b>

### Year ended 31 January 2009 (audited)

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2008		38,919	4,543	1,106	320,332	21,780	386,680
Return on ordinary activities after taxation		–	–	–	(144,777)	17,700	(127,077)
Dividends paid	4	–	–	–	–	(15,502)	(15,502)
Purchase of own shares	10	–	–	–	(2,157)	–	(2,157)
Cancellation of treasury shares		(500)	–	500	–	–	–
<b>Balance at 31 January 2009</b>		<b>38,419</b>	<b>4,543</b>	<b>1,606</b>	<b>173,398</b>	<b>23,978</b>	<b>241,944</b>

# Cash Flow Statement

	Notes	Six months ended 31 July 2009 (unaudited) £'000	Six months ended 31 July 2008 (unaudited) £'000	Year ended 31 January 2009 (audited) £'000
<b>Net cash inflow from operating activities</b>		7,317	10,224	17,821
<b>Servicing of finance</b>				
Interest paid		(1,157)	(1,582)	(3,022)
<b>Taxation</b>				
Overseas withholding tax paid		(55)	(54)	(77)
<b>Financial investment</b>				
Purchases of investments		(31,027)	(27,490)	(47,253)
Sales of investments		43,227	33,182	58,359
<b>Net cash inflow from financial investment</b>		12,200	5,692	11,106
<b>Equity dividends paid</b>	4	(9,785)	(9,849)	(15,502)
<b>Net cash inflow before use of liquid resources and financing</b>		8,520	4,431	10,326
<b>Net cash outflow from management of liquid resources</b>		–	(3)	–
<b>Net cash inflow before financing</b>		8,520	4,428	10,326
<b>Financing</b>				
Repayment of loans		(10,500)	(3,000)	(6,000)
Purchase of own shares		–	(1,740)	(2,157)
<b>Net cash outflow from financing</b>		(10,500)	(4,740)	(8,157)
<b>(Decrease)/increase in cash</b>		<b>(1,980)</b>	<b>(312)</b>	<b>2,169</b>
<b>Reconciliation of net cash flow to movements in net funds</b>				
(Decrease)/increase in cash as above		(1,980)	(312)	2,169
Exchange movements		31	(2)	26
<b>Movement in net funds in the period</b>		(1,949)	(314)	2,195
Net funds at 1 February 2009		5,199	3,004	3,004
<b>Net funds at 31 July 2009</b>		<b>3,250</b>	<b>2,690</b>	<b>5,199</b>

# Notes to the Accounts

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## 1. Accounting policies

### (a) Basis of accounting

The accounts have been prepared in accordance with applicable UK Accounting Standards, with pronouncements on half yearly reporting issued by the Accounting Standards Board and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009. The adoption of the January 2009 SORP has no effect on the financial statements of the Company, other than the requirement separately to disclose capital reserves that relate to the revaluation of investments held at the reporting date. These are disclosed in note 7. This new requirement replaces the previous requirement to disclose the value of the capital reserve that was unrealised. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis.

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

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

### (b) Dividends payable

Dividends are recognised in the period in which they are paid.

### (c) Investments

Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are recognised at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE All-Share and most liquid AIM constituents. Gains or losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Income Statement.

### (d) Capital reserves

Gains or losses on the realisation of investments and changes in fair values of investments are transferred to the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve.

### (e) Allocation of expenses

Expenses are charged to capital when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect the investment management fee and relevant finance costs are allocated between revenue and capital in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively.

	Six months ended 31 July 2009 £'000	Six months ended 31 July 2008 £'000	Year ended 31 January 2009 £'000
<b>2. Income</b>			
<b>Income from investments</b>			
UK listed – franked	7,288	11,071	17,818
UK listed – unfranked	188	113	614
Overseas listed – unfranked	657	407	795
Bond interest listed	222	–	–
Scrip dividends	123	–	76
	<b>8,478</b>	<b>11,591</b>	<b>19,303</b>
<b>Other income</b>			
Interest from AAA rated money market funds	–	10	24
Deposit interest	3	97	158
Income on derivatives	320	–	336
Income from stocklending	–	46	59
Underwriting commission	136	44	118
Other income	–	89	–
	<b>459</b>	<b>286</b>	<b>695</b>
<b>Total income</b>	<b>8,937</b>	<b>11,877</b>	<b>19,998</b>

	Six months ended 31 July 2009 £'000	Six months ended 31 July 2008 £'000	Year ended 31 January 2009 £'000
<b>3. Taxation</b>			
Withholding tax on income from foreign investments	<b>55</b>	<b>54</b>	<b>77</b>

	Six months ended 31 July 2009 £'000	Six months ended 31 July 2008 £'000	Year ended 31 January 2009 £'000
<b>4. Dividends</b>			
Interim dividend of 3.75p per share	–	–	5,653
Final dividend of 6.50p (2008 – 6.50p) per share paid on 22 May 2009	9,796	9,849	9,849
Refund of unclaimed dividends from previous periods	(11)	–	–
	<b>9,785</b>	<b>9,849</b>	<b>15,502</b>

An interim dividend of 3.75p (2008 – 3.75p) will be paid on 9 October 2009 to shareholders on the register on 2 October 2009. The ex dividend date is 30 September 2009.

	Six months ended 31 July 2009 p	Six months ended 31 July 2008 p	Year ended 31 January 2009 p
<b>5. Return per Ordinary share</b>			
Revenue return	5.16	6.95	11.72
Capital return	14.97	(36.22)	(95.84)
<b>Total return</b>	<b>20.13</b>	<b>(29.27)</b>	<b>(84.12)</b>

## Notes to the Accounts continued

The returns per share figures are based on the following:

	Six months ended 31 July 2009 £'000	Six months ended 31 July 2008 £'000	Year ended 31 January 2009 £'000
Revenue return	7,772	10,520	17,700
Capital return	22,566	(54,821)	(144,777)
Total return	<b>30,338</b>	<b>(44,301)</b>	<b>(127,077)</b>
Weighted average number of Ordinary shares in issue	<b>150,706,187</b>	<b>151,360,690</b>	<b>151,058,809</b>

### 6. Transaction costs

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

	Six months ended 31 July 2009 £'000	Six months ended 31 July 2008 £'000	Year ended 31 January 2009 £'000
Purchases	89	141	215
Sales	43	36	76
	<b>132</b>	<b>177</b>	<b>291</b>

### 7. Capital reserve

The capital reserve reflected in the Balance Sheet at 31 July 2009 includes losses of £15,054,000 (31 July 2008 – losses of £30,345,000; 31 January 2009 – losses of £64,237,000) which relate to the revaluation of investments held at the reporting date.

### 8. Net asset value

Equity shareholders' funds have been calculated in accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments'. The analysis of equity shareholders' funds on the face of the Balance Sheet does not reflect the rights under the Articles of Association of the Ordinary shareholders on a return of assets. These rights are reflected in the net asset value and the net asset value per share attributable to Ordinary shareholders at the period end, adjusted to reflect the deduction of the Debenture Stock at par. A reconciliation between the two sets of figures is given below:

	As at 31 July 2009	As at 31 July 2008	As at 31 January 2009
Equity shareholders' funds	£262,497,000	£330,790,000	£241,944,000
Adjusted net assets	£262,371,000	£330,651,000	£241,811,000
Number of Ordinary shares in issue at the period end	150,706,187	150,931,187	150,706,187
Equity shareholders' funds per share	174.18p	219.17p	160.54p
Less: Unamortised Debenture Stock premium and issue expenses	(0.08p)	(0.10p)	(0.09p)
Adjusted net asset value per share	<b>174.10p</b>	<b>219.07p</b>	<b>160.45p</b>

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## **9. Commitments, contingencies and post Balance Sheet events**

On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC has announced its intention not to appeal against this case to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company will be processed in due course. The Company has not been charged VAT on its investment management fees from 1 November 2007.

The Manager has agreed to refund £1,020,000 to the Company for VAT charged on investment management fees for the period 1 January 2004 to 30 September 2007 and this was included in the financial statements for the year to 31 January 2009. The repayment was allocated to revenue and capital in line with the accounting policy of the Company for the periods in which the VAT was charged. The reclaim for previous periods and the timescale for receipt are at present uncertain and the Company has taken no account in these financial statements of any such repayment.

It is expected that repayments will be made by HMRC to the Manager in respect of VAT which has been charged on the Company's investment management fees in periods prior to 1 January 2004. The Manager has undertaken to pass these amounts on to the Company, including any interest received, without undue delay. The Manager is at present awaiting HMRC's confirmation of the amounts to be received and these are expected to come in two further tranches, one for VAT paid from 2001 to 2003 and the second covering the period from 1990 to 1996. The timing of these payments is not certain, although we would expect the total amount, covering both those earlier periods, to be in excess of £1,000,000 plus interest, which will, once again, be split in accordance with the then prevailing accounting policy.

## **10. Called-up share capital**

During the six months ended 31 July 2009 the Company did not repurchase any Ordinary shares (31 July 2008 – 801,007 shares at a cost of £1,740,000 including expenses; year ended 31 January 2009 – 1,026,007 shares at a cost of £2,157,000 including expenses).

## **11. Half-Yearly Financial Report**

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 31 July 2009 and 31 July 2008 has not been audited.

The information for the year ended 31 January 2009 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 237 (2) or (3) of the Companies Act 1985.

The auditors have reviewed the financial information for the six months ended 31 July 2009 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The report of the auditors is on page 14.

## **12. This Half-Yearly Report was approved by the Board on 23 September 2009.**

# Independent Review Report to Dunedin Income Growth Investment Trust PLC

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## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2009 which comprises the Income Statement, Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

## Directors' Responsibilities

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

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

## Our Responsibility

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

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted

in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2009 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

**Gareth Horner**  
**For and on behalf of KPMG Audit Plc**  
Chartered Accountants  
Edinburgh  
23 September 2009

# How to Invest in Dunedin Income Growth Investment Trust PLC

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## Direct

Investors can buy and sell shares in Dunedin Income Growth Investment Trust PLC directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan, Investment Trust ISA or ISA transfer.

## Aberdeen's Investment Plan for Children

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

## Aberdeen's Investment Trust Share Plan

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

## Stocks and Shares ISA

An investment of up to £7,200 can be made in the tax year 2009/2010.

Between 6 October 2009 and 5 April 2010, an additional £3,000 may be invested in an ISA, for the tax year 2009/2010, provided that the ISA holder will be aged 50 years or over not later than 5 April 2010.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated six monthly and deducted from income. Under current legislation, investments in ISAs can grow free of capital gains tax.

## ISA Transfer

Investors can choose to transfer previous tax year investments to Aberdeen which can be invested in Dunedin Income Growth Investment Trust PLC while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

## Investment Trust Pension

The Investment Trust Pension enables existing investors to save for retirement by investing in Dunedin Income Growth Investment Trust PLC. The Investment Trust Pension offers a Personal Pension Plan.

## Note

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

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

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

## Trust Information

If investors would like details of Dunedin Income Growth Investment Trust PLC or information on the Children's Plan, Share Plan, ISA or Pension please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP or e-mail at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com). Details are also available on [www.invtrusts.co.uk](http://www.invtrusts.co.uk).

## Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:  
Telephone: 0500 00 40 00  
Email: [aam@lit-request.com](mailto:aam@lit-request.com)

# How to Invest in Dunedin Income Growth Investment Trust PLC continued

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## Keeping You Informed

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

For internet users, detailed data on Dunedin Income Growth Investment Trust PLC, including price, performance information and a monthly fact sheet is available from the Trust's website ([www.dunedinincomegrowth.co.uk](http://www.dunedinincomegrowth.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). Alternatively you can call 0500 00 00 40 for trust information.

## Contact Us

For information on Dunedin Income Growth Investment Trust PLC and for any administrative queries relating to the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration  
Block C, Western House  
Lynchwood Business Park  
Peterborough, PE2 6BP  
Telephone: 0500 00 00 40

For administrative queries relating to an existing shareholding in the Pension Plan, please contact:

Edinburgh Pension Centre  
Capita SIP Services  
141 Castle Street  
Salisbury  
Wiltshire SP1 3TB  
Telephone: 0800 13 70 79

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

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA  
Telephone: 0871 384 2441  
Fax: 0871 342 2100

Shareview Enquiry Line: 0871 384 2020

Textel/hard of hearing: 0871 384 2255

(Calls to the above Equiniti numbers will be charged at 8p per minute from a BT Landline. Other telephony providers' costs may vary)

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

# Corporate Information

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## **Directors**

John Scott, Chairman  
John Carson  
Rory Macnamara  
Jean Matterson  
Peter Wolton

## **Manager**

Aberdeen Asset Managers Limited  
7th Floor, 40 Princes Street,  
Edinburgh EH2 2BY  
Telephone: 0131-528 4000  
Website: [www.aberdeen-asset.com](http://www.aberdeen-asset.com)

## **Secretary & Registered Office**

Aberdeen Asset Management PLC  
7th Floor, 40 Princes Street  
Edinburgh EH2 2BY  
Telephone: 0131-528 4000

Registration Number: SC00881

## **Registrars**

Equiniti Limited  
Aspect House  
Spencer Road, Lancing  
West Sussex BN99 6DA  
Shareholder Helpline: 0871 384 2441  
(Calls to the above Equiniti number will be charged at 8p per minute from a BT landline. Other telephony providers' costs may vary).

## **Stockbroker**

J.P.Morgan Cazenove  
20 Moorgate  
London EC2R 6DA

## **Auditors**

KPMG Audit Plc  
Chartered Accountants  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

## **Website**

[www.dunedinincomegrowth.co.uk](http://www.dunedinincomegrowth.co.uk)



Aberdeen