Dunedin Income Growth Investment Trust PLC

Half Yearly Report
31 July 2013

Aberdeen

Contents

Objective

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

Highlights and Financial Calendar

Financial Highlights

	31 July 2013	31 January 2013	% change
Total assets (£'000)[A]	**455,166**	419,124	+8.6
Total shareholders' funds (£'000)[B]	**421,640**	385,605	+9.3
Net asset value per Ordinary share[B]	**279.36p**	255.82p	+9.2
Net asset value per Ordinary share[C]	**275.47p**	251.48p	+9.5
Share price per Ordinary share (mid)	**275.75p**	249.13p	+10.7
Premium to net asset value[CD]	**3.1%**	1.4%	

[A] Defined as total shareholders' funds before deduction of borrowings.
[B] Debt at par value.
[C] Debt at fair value.
[D] These premiums 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[E])

	Six months ended 31 July 2013	Year ended 31 January 2013
Net asset value per Ordinary share[F]	**+12.0%**	+18.8%
Share price per Ordinary share	**+13.1%**	+27.6%
FTSE All-Share Index	**+8.9%**	+16.3%

[E] Capital return plus net dividends reinvested.
[F] Debt at fair value.

Financial Calendar

23 September 2013	Announcement of unaudited interim results for the six months ended 31 July 2013
30 August 2013 **29 November 2013** **28 February 2014** **30 May 2014**	Payment date of quarterly dividends
31 January 2014	Financial year end
March 2014	Announcement of results for year ended 31 January 2014
22 May 2014	AGM in London (12 noon)

Chairman's Statement

Review of the Period

It has been a half year of contrasts with significant swings in both investor sentiment and asset prices - patterns to which we have become accustomed in recent years. The two most striking developments which could have longer term implications are that developed economies now look likely to outperform expectations *vis-a-vis* emerging markets for the first time in many years and that the multi-decade bull market in bonds seems to be drawing to a close.

Signs of life across Western economies and increased investor appetite for equities led to the FTSE All-Share rising quite significantly over the period, up 8.9% on a total return basis. On this same basis, including dividends paid out, the Company's net asset value (NAV) per share rose 12.0%. The Company's shares ended the period at a slightly enhanced premium to NAV at 3.1% from the 1.4% they stood at the full year end resulting in a total return to shareholders over the period of 13.7%.

Encouragingly, the Company's shares have traded at a premium for most of the period since the end of April. Your Company issued 200,000 shares from treasury during the half year, which will help to dilute the operating costs and improve NAV per share.

Dividends from our investee companies have continued to be resilient and we have experienced strong growth in income. Revenue has increased by 15.2% year on year, aided by a 10% rise in dividend income and a significant increase in the value of option premiums received. Dividend income though has been flattered by a one off special dividend from Sage worth £453k; stripping this out underlying dividend income grew 5.9% year on year and overall revenue 11.4%. The income generated from overseas listed holdings continues to play an important role and it once again accounted for nearly 25% of dividends received in the first half. Overall revenue per share increased 16.2% to 7.95p (11.8% excluding specials) as expenses grew more slowly than revenue. We expect that revenue growth per share for the full year will be somewhat lower as the rate of option writing will most likely drop in the second half given the extent undertaken in the first six months.

Dividends

It is our intention to make three equal distributions of 2.575p per share in August, November and February and to pay a final balancing dividend in May next year. This represents a 3% increase over the equivalent interim distributions last year. The Board's ambition remains to deliver real dividend growth.

Economic and Market Background

The period can be broadly split into a tale of three parts. First we experienced a very strong rally in equity markets that lasted from the end of January through to mid-May. This was followed by a sharp sell-off in the latter part of May and early June as investors grew increasingly concerned about the prospect of what has come to be called "tapering" or in other words the Federal Reserve of the United States beginning to slow its quantitative easing programme. US 10 year Treasury yields spiked sharply higher by almost 100bps in short order. But stock markets in the developed world regained their poise surprisingly quickly through the second half of June and July to finish the period close to previous highs. Conversely, in emerging markets, concerns continued to mount over both the impact of higher US interest rates and the ongoing slow-down in Chinese economic growth.

In my comments in the annual report I registered a lack of optimism regarding a substantive and sustained recovery in the economies of the UK and Continental Europe. It would be churlish though to deny that since that point European economies are showing signs of life for perhaps the first time since 2007 and the United States looks to be somewhat closer to achieving more normalised rates of growth.

Indeed we would admit our surprise at the pace of the rebound witnessed in the UK as the economy began to accelerate with Q2 GDP increasing 0.7% year on year after a reading of 0.4% in Q1. Markets effortlessly shifted from concerns over a triple dip recession to fears that the housing market may be over heating in the space of just a few months.

In the Eurozone, while the threats of break-up and soaring bond yields have receded dramatically, economic life remains difficult. There have, however, been some more encouraging signs with Q2 witnessing the first quarter of GDP growth since 2011. This though remains principally driven by better outcomes from the likes of Germany and the data remains polarised with a continued divergence in performance between north and south, albeit with some tentative signs of very early improvement in some Mediterranean states.

In the United States economic data continues to indicate that a recovery is underway but lacking the strength of traditional post-recession rebounds. Unemployment is edging down, reaching 7.4% in July, while housing data has rebounded and consumption is staging a modest comeback. The pace of this recovery has led markets to anticipate the timing of the Federal Reserve's moves to begin to unwind its extraordinary monetary policy interventions and long term bond yields have risen significantly since mid-May. This has had two principal impacts - firstly to destabilise emerging markets as investment flows have begun to head back into

US Dollars and secondly to make investors question what the appropriate absolute return is from fixed income securities.

The most fascinating dynamics though can be found in emerging markets, the growth engines of the global economy for much of the past decade, where expansion has been slowing dramatically. Since at least the dawning of the financial crisis in 2007 it has been an article of investment faith that emerging markets are the future, that the demographics, economics and even politics of much of the western world are not conducive to the delivery of economic growth and that companies listed in these markets have fundamentally less attractive prospects. It is interesting to note though that over the five years to the end of July 2013 the FTSE All-Share had substantially outperformed emerging market indices.

Set against this somewhat mixed economic picture the earnings environment remains challenging. Barclays Capital now forecasts that consensus aggregate earnings for Pan European stock markets will contract this year by just over 1%; this is in contrast to expectations at the turn of the year that looked for earnings growth of over 10% in 2013. We suspect also that current market expectations for earnings growth of 15% in 2014 look somewhat optimistic.

Gearing

The Company's gearing position was little changed from the year end. Potential gearing has reduced as net assets increased reflecting the increase in value of the asset base over the period. Valuing debt at par, potential gearing stood at 8.0% at 31 July 2013, down from 8.7% at 31 January 2013. On an equity gearing basis, taking debt at par and offsetting our cash holdings, net indebtedness was 5.7% down from 7.9% at the year end. This was the result of both higher net assets and increased cash balances. Given the Company's need for income and investment valuations that remain reasonable we still consider it appropriate to maintain our modest level of gearing, though it is kept under review.

During the period we concluded the refinancing of the Company's banking facilities, increasing the size of the facility by £10 million to £30 million and achieving a reduction in both non-utilisation fees and margin. The decision to increase our facilities reflects both the increased size of the Company's net assets and that most of our existing facility is used to provide liquidity support to our option writing programme. While it is not our intention at this moment to raise gearing this increased facility leaves your Company with enhanced financial flexibility at a very modest additional cost.

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 set of financial statements within the half yearly financial report has 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 rule 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).

Risk and Uncertainties

The Board has adopted a matrix of the key risks that affect its business. Like most other companies, the present economic conditions continue to represent the greatest challenge, and risk, to the Company. The principal risks associated with the Company are:

- Performance risk: A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. The NAV performance relative to the Index and the underlying stock weightings in the portfolio against the Index weightings are monitored closely by the Board.
- Discount volatility: The Company's share price can trade at a discount to its underlying net asset value. The Company operates a share buyback programme which is reviewed on a continuing basis.
- Regulatory risk: The Company operates in a complex regulatory environment and faces a number of regulatory risks. Breaches of regulations, such as Sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2 Chapter 1 Statutory Instrument 2011/2999, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

Going Concern

The Company's assets consist mainly of equity shares in companies listed on the London Stock Exchange and in most circumstances are realisable within a short timescale. The Board has set limits for borrowing and derivative contract positions and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. The Company's Directors believe that the Company has adequate resources to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Outlook

Despite some signs of life of late in European economies, we continue to consider the outlook within our universe for both economies and corporate earnings to remain challenging as the unwinding of over a decade of very loose monetary policy in the West may be finally having its denouement in emerging markets.

The economic situation in Asia is clearly a concern and countries with large current account deficits do look vulnerable to additional volatility. But we consider a cyclical slow-down accompanied by structurally slower growth in China to be a more likely outcome than a repeat of the crisis in 1997/98 given fundamentally sounder economies in aggregate.

We are comfortable that our existing holdings, are in good shape operationally, possess sound balance sheets and strong management teams and are well placed to weather difficult conditions. Recent crises have certainly taught us that uncertainty is the friend of the long term investor and we will continue to look closely for any potential opportunities that may be thrown up by events. In the meantime your Company is well placed to continue to grow its distributions to shareholders.

Rory Macnamara
Chairman
20 September 2013

Manager's Portfolio Review

It was a relatively quiet period for portfolio activity. In general we looked to add to holdings on weakness and where valuations and yields looked consequently more attractive. Early in the year we topped up our position in Pearson after it produced a disappointing set of full year results, but where we believed the long term prospects remained unaffected. After several meetings with management we also added to French utility GDF Suez after it was hit very hard by fears over conditions in European energy markets. We felt that the valuation (with a dividend yield of close to 10%) was already discounting a tough near term operating environment. We also increased our position in Standard Chartered as investors fretted about slowing conditions in Asia; while the business environment there is likely to remain reasonably tough, certainly compared to the very strong conditions of recent years, the bank is currently trading on a multiple of book value that has only been seen during major financial crises.

During the market sell-off in early June we modestly increased positions in Close Brothers, National Grid and Sage. Finally the shareholding in Italian oil company ENI was also increased on substantial weakness on concerns over the performance of their services subsidiary Saipem. While events there are unhelpful for sentiment, in terms of value it is less important and with the company yielding close to 7% we considered it to be more than accounted for.

Inmarsat was the one new company that was added to the portfolio during the half. An owner and operator of satellites they have a very strong position in serving maritime markets and are looking to grow their exposure to land and air based customers. While not trading on an inherently cheap multiple the holding adds something quite different to the portfolio mix, pays a respectable dividend and offers attractive long term growth prospects as they enter new markets and leverage the transition to more demand for data based services.

We continued to focus the portfolio further through the sale of holdings in Whitbread, Aviva and Morrisons. Whitbread was exited after sustained very strong absolute and relative performance which stretched the valuation and dividend yield beyond a level we felt likely to offer us an acceptable return over the longer term. Morrisons was sold as we looked to concentrate our exposure to food retailing to just Tesco and Casino. While the company faces a number of strategic challenges ultimately we did not feel that it added anything meaningfully different to the portfolio, nor did we consider the end markets or the valuation to be sufficiently compelling. We also exited Aviva, where once again we did not consider it to add something significantly different to our existing holdings in Zurich and Prudential, while containing added complexity, arguably an inferior franchise and a dividend that we did not consider sustainable.

Positions were also trimmed on relative strength in Associated British Foods where the dividend yield was pushed down to very low levels on the back of the success of their Primark retail operations. We reduced Berendsen after the valuation and yield moved to more normalised levels as the business continued to perform well. Meanwhile we also took profits in European real estate company Unibail-Rodamco, again after a very strong run in the share price had shifted the valuation to a substantial premium to net asset value.

In general it has been a prosperous period for income generation. By and large our investee companies continue to generate cash flow in excess of their corporate requirements and balance sheets remain strong. As a result dividend declarations have been ahead of our expectations. Perhaps even more importantly, at a number of our holdings where the security of future pay outs was under question, we have seen developments that have made those dividends much more secure over the medium term. One potential note of caution surrounds the recent strength in Sterling which if maintained could cause something of a headwind as we move into next year.

It has also been a fruitful period for option income, driven by a number of large premiums received for the implementation of strategic shifts within the portfolio. While this will not repeat to the same extent in the second half, it is a result of our inclination to shift to having fewer but larger option positions which can both generate meaningful premium income and implement strategic moves within the portfolio.

Jeremy Whitley & Ben Ritchie
Aberdeen Asset Managers Limited
20 September 2013

Investment Portfolio

As at 31 July 2013

Company	Sector	Market value £'000	Total assets %
GlaxoSmithKline	Pharmaceuticals & Biotechnology	23,576	5.2
Vodafone	Mobile Telecommunications	23,157	5.1
Centrica	Gas, Water & Multiutilities	22,658	5.0
Royal Dutch Shell	Oil & Gas Producers	21,617	4.7
HSBC Holdings	Banks	20,490	4.5
British American Tobacco	Tobacco	18,477	4.1
Prudential	Life Insurance	15,930	3.5
Unilever	Food Producers	15,507	3.4
Tesco	Food & Drug Retailers	15,162	3.3
Pearson	Media	14,945	3.3
Ten largest investments		**191,519**	**42.1**
National Grid	Gas, Water & Multiutilities	13,606	3.0
BHP Billiton	Mining	13,078	2.9
ENI	Oil & Gas Producers	13,071	2.9
AstraZeneca	Pharmaceuticals & Biotechnology	12,673	2.8
Cobham	Aerospace & Defense	12,660	2.8
BP	Oil & Gas Producers	12,073	2.7
Roche	Pharmaceuticals & Biotechnology	11,972	2.6
Zurich Financial Services	Non-life Insurance	11,671	2.6
Total	Oil & Gas Producers	10,817	2.4
Unibail-Rodamco	Real Estate Investment Trusts	10,815	2.4
Twenty largest investments		**313,955**	**69.2**
Close Brothers	Financial Services	10,460	2.3
Sage	Software & Computer Services	10,021	2.2
Compass	Travel & Leisure	9,824	2.2
Standard Chartered	Banks	9,726	2.1
Berendsen	Support Services	8,734	1.9
Rolls-Royce	Aerospace & Defense	7,414	1.6
GDF Suez	Gas, Water & Multiutilities	6,669	1.5
Nestlé	Food Producers	6,645	1.5
AMEC	Oil Equipment, Services & Distribution	6,591	1.4
John Wood	Oil Equipment, Services & Distribution	6,572	1.4
Thirty largest investments		**396,611**	**87.3**
Provident Financial	Financial Services	6,212	1.4
GKN	Automobiles & Parts	6,120	1.3
Experian	Support Services	5,980	1.3
Linde	Chemicals	5,876	1.3
Inmarsat	Mobile Telecommunications	5,530	1.2
Weir	Industrial Engineering	5,098	1.1
Casino Guichard Perrachon	Food & Drug Retailers	4,806	1.1
Associated British Foods	Food Producers	4,607	1.0
Croda	Chemicals	2,459	0.5
BG	Oil & Gas Producers	2,076	0.4
Total investments		**445,375**	**97.9**
Net current assets[A]		9,791	2.1
Total assets less current liabilities		**455,166**	**100.0**

[A] Before deduction of borrowings of £5,000,000.

Income Statement

	Six months ended 31 July 2013 (unaudited)			Six months ended 31 July 2012 (unaudited)			Year ended 31 January 2013 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value	–	33,339	33,339	–	10,304	10,304	–	48,196	48,196
Currency gains	–	38	38	–	79	79	–	115	115
Income (note 2)	13,520	–	13,520	11,729	–	11,729	18,866	–	18,866
Investment management fee	(318)	(477)	(795)	(278)	(416)	(694)	(565)	(848)	(1,413)
Administrative expenses	(420)	–	(420)	(407)	–	(407)	(757)	–	(757)
Net return before finance costs and taxation	12,782	32,900	45,682	11,044	9,967	21,011	17,544	47,463	65,007
Finance costs	(490)	(736)	(1,226)	(486)	(726)	(1,212)	(969)	(1,450)	(2,419)
Return on ordinary activities before taxation	12,292	32,164	44,456	10,558	9,241	19,799	16,575	46,013	62,588
Taxation (note 3)	(298)	–	(298)	(253)	–	(253)	(341)	–	(341)
Return on ordinary activities after taxation	**11,994**	**32,164**	**44,158**	**10,305**	**9,241**	**19,546**	**16,234**	**46,013**	**62,247**
Return per Ordinary share (pence)(note 5)	**7.95**	**21.33**	**29.28**	**6.84**	**6.13**	**12.97**	**10.77**	**30.53**	**41.30**

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 2013 (unaudited) £'000	As at 31 July 2012 (unaudited) £'000	As at 31 January 2013 (audited) £'000
Non-current assets				
Investments at fair value through profit or loss		445,375	377,310	416,868
Current assets				
Loans and receivables		1,568	1,561	866
Cash and short term deposits		9,437	6,386	3,102
		11,005	7,947	3,968
Creditors: amounts falling due within one year				
Bank loan		(5,000)	(5,000)	(5,000)
Other creditors		(1,214)	(1,317)	(1,712)
		(6,214)	(6,317)	(6,712)
Net current assets/(liabilities)		4,791	1,630	(2,744)
Total assets less current liabilities		450,166	378,940	414,124
Creditors: amounts falling due after more than one year				
Debenture stock		(28,526)	(28,513)	(28,519)
Net assets		**421,640**	**350,427**	**385,605**
Capital and reserves				
Called-up share capital		38,419	38,419	38,419
Share premium account		4,595	4,543	4,543
Capital redemption reserve		1,606	1,606	1,606
Capital reserve	7	353,797	284,370	321,142
Revenue reserve		23,223	21,489	19,895
Equity shareholders' funds		**421,640**	**350,427**	**385,605**
Adjusted net asset value per Ordinary share (pence)	8	**279.36**	**232.46**	**255.82**

Reconciliation of Movements in Shareholders' Funds

Six months ended 31 July 2013 (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 2013		38,419	4,543	1,606	321,142	19,895	385,605
Return on ordinary activities after taxation		–	–	–	32,164	11,994	44,158
Issue of ordinary shares		–	52	–	491	–	543
Dividends paid	4	–	–	–	–	(8,666)	(8,666)
Balance at 31 July 2013		**38,419**	**4,595**	**1,606**	**353,797**	**23,223**	**421,640**

Six months ended 31 July 2012 (unaudited)

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2012		38,419	4,543	1,606	275,129	21,583	341,280
Return on ordinary activities after taxation		–	–	–	9,241	10,305	19,546
Dividends paid	4	–	–	–	–	(10,399)	(10,399)
Balance at 31 July 2012		**38,419**	**4,543**	**1,606**	**284,370**	**21,489**	**350,427**

Year ended 31 January 2013 (audited)

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2012		38,419	4,543	1,606	275,129	21,583	341,280
Return on ordinary activities after taxation		–	–	–	46,013	16,234	62,247
Dividends paid	4	–	–	–	–	(17,922)	(17,922)
Balance at 31 January 2013		**38,419**	**4,543**	**1,606**	**321,142**	**19,895**	**385,605**

Cash Flow Statement

	Notes	Six months ended 31 July 2013 (unaudited) £'000	Six months ended 31 July 2012 (unaudited) £'000	Year ended 31 January 2013 (audited) £'000
Net return on ordinary activities before finance costs and taxation		45,682	21,011	65,007
Adjustment for:				
Gains on investments		(33,339)	(10,304)	(48,196)
Currency gains		(38)	(79)	(115)
(Increase)/decrease in accrued income		(772)	(95)	528
Decrease/(increase) in other debtors		71	(163)	(92)
(Decrease)/increase in other creditors		(475)	162	522
Net cash inflow from operating activities		11,129	10,532	17,654
Servicing of finance				
Interest paid		(1,242)	(1,206)	(2,373)
Taxation				
Overseas withholding tax paid		(298)	(253)	(341)
Financial investment				
Purchases of investments		(20,359)	(30,720)	(44,388)
Sales of investments		25,190	34,463	46,467
Net cash inflow from financial investment		4,831	3,743	2,079
Equity dividends paid	4	(8,666)	(10,399)	(17,922)
Net cash inflow/(outflow) before financing		5,754	2,417	(903)
Financing				
Issue of shares		543	–	–
Net cash inflow from financing		543	–	–
Increase/(decrease) in cash		**6,297**	**2,417**	**(903)**
Reconciliation of net cash flow to movements in net debt				
Increase/(decrease) in cash as above		6,297	2,417	(903)
Exchange movements		38	79	115
Non-cash movements		(7)	(7)	(13)
Movement in net debt in the period		6,328	2,489	(801)
Opening net debt		(30,417)	(29,616)	(29,616)
Closing net debt		**(24,089)**	**(27,127)**	**(30,417)**

Notes to the Accounts

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'. 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 a 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.

(f) Traded Options

The Company may enter into certain derivatives (e.g. options). Option contracts are accounted for as separate derivative contracts and are therefore shown in other assets or other liabilities at their fair value i.e. market value adjusted for the amortisation of transaction expenses. The premium received and fair value changes in the open position are recognised in the revenue column, losses realised on the exercise of the contracts are recorded in the capital column of the Income Statement.

In addition, the Company may enter into derivative contracts to manage market risk and gains or losses arising on such contracts are recorded in the capital column of the Income Statement.

Notes to the Accounts continued

2.	Income	Six months ended 31 July 2013 £'000	Six months ended 31 July 2012 £'000	Year ended 31 January 2013 £'000
	Income from investments			
	UK listed – franked	8,321	7,908	12,708
	Overseas listed	2,984	2,693	3,641
	Scrip dividends	826	427	966
		12,131	11,028	17,315
	Other income			
	Deposit interest	–	1	1
	Income on derivatives	1,371	670	1,508
	Income from stock lending	18	30	42
		1,389	701	1,551
	Total income	**13,520**	**11,729**	**18,866**

3.	Taxation	Six months ended 31 July 2013 £'000	Six months ended 31 July 2012 £'000	Year ended 31 January 2013 £'000
	Withholding tax on income from foreign investments	436	373	452
	Overseas tax reclaimable	(138)	(120)	(111)
		298	**253**	**341**

4.	Dividends	Six months ended 31 July 2013 £'000	Six months ended 31 July 2012 £'000	Year ended 31 January 2013 £'000
	First interim dividend for the year ended 31 January 2013 – 2.50p paid on 31 August 2012	–	–	3,768
	Second interim dividend for the year ended 31 January 2013 – 2.50p paid 30 November 2012	–	–	3,768
	Third interim dividend for the year ended 31 January 2013 – 2.50p paid on 28 February 2013	3,768	–	–
	Final dividend for the year ended 31 January 2013 – 3.25p (2012 – 6.9p) paid on 31 May 2013	4,898	10,399	10,399
	Refund of unclaimed dividends from previous periods	–	–	(13)
		8,666	**10,399**	**17,922**

A first interim dividend for the year to 31 January 2014 of 2.575p per share was paid on 31 August 2013 to shareholders on the register on 9 August 2013. The ex-dividend date was 7 August 2013.

5. Return per Ordinary share	Six months ended 31 July 2013 p	Six months ended 31 July 2012 p	Year ended 31 January 2013 p
Revenue return	7.95	6.84	10.77
Capital return	21.33	6.13	30.53
Total return	**29.28**	**12.97**	**41.30**

The returns per share figures are based on the following:

	Six months ended 31 July 2013 £'000	Six months ended 31 July 2012 £'000	Year ended 31 January 2013 £'000
Revenue return	11,994	10,305	16,234
Capital return	32,164	9,241	46,013
Total return	**44,158**	**19,546**	**62,247**
Weighted average number of Ordinary shares in issue	**150,803,425**	**150,706,187**	**150,706,187**

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 on investments in the Income Statement. The total costs were as follows :

	Six months ended 31 July 2013 £'000	Six months ended 31 July 2012 £'000	Year ended 31 January 2013 £'000
Purchases	90	85	152
Sales	25	32	49
	115	**117**	**201**

7. Capital reserve

The capital reserve reflected in the Balance Sheet at 31 July 2013 includes gains of £126,043,000 (31 July 2012 – gains of £61,789,000; 31 January 2013 – gains of £96,347,000) 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 2013	As at 31 July 2012	As at 31 January 2013
Equity shareholders' funds	£421,640,000	£350,427,000	£385,605,000
Adjusted net assets	£421,566,000	£350,340,000	£385,524,000
Number of Ordinary shares in issue at the period end	150,906,187	150,706,187	150,706,187
Equity shareholders' funds per share	279.41p	232.52p	255.87p
Less: Unamortised Debenture Stock premium and issue expenses	(0.05p)	(0.06p)	(0.05p)
Adjusted net asset value per share	**279.36p**	**232.46p**	**255.82p**

9. Stock lending

	Six months ended 31 July 2013 £'000	Six months ended 31 July 2012 £'000	Year ended 31 January 2013 £'000
Aggregate value of securities on loan at the period end	4,544	8,142	9,298
Maximum aggregate value of securities on loan during the period	16,032	24,786	24,786
Fee income from stock lending during the period	18	30	42

All stocks lent under these arrangements are fully secured against collateral. The value of the collateral held at 31 July 2013 was £4,779,000 (31 July 2012 – £8,734,000; 31 January 2013 – £9,771,000). At 31 July 2013 the collateral comprised government stocks and equities.

Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed date. Revenue is received for making the investments available to the borrower. In all cases the securities lent continue to be recognised on the Balance Sheet.

10. Called-up share capital

During the six months ended 31 July 2013 the Company issued 200,000 Ordinary shares from Treasury with proceeds of £543,000 (31 July 2012 – nil; year ended 31 January 2013 – nil).

11. Half Yearly Report

The financial information contained in this Half Yearly 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 2013 and 31 July 2012 has not been audited.

The information for the year ended 31 January 2013 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

The auditor has reviewed the financial information for the six months ended 31 July 2013 pursuant to the International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The report of the auditor is on page 15.

12. This Half Yearly Report was approved by the Board on 20 September 2013.

Independent Review Report to Dunedin Income Growth Investment Trust PLC

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 2013 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 2013 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 FCA.

Philip Merchant
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh
20 September 2013

How to Invest in Dunedin Income Growth Investment Trust PLC

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 and Investment Trust ISA.

Suitable for Retail

The Company's shares are intended for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who seek income and the potential for capital growth from investment in equity markets and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

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 £11,520 can be made in the tax year 2013/2014.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to Aberdeen 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.

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.

Company Information

If investors would like details of Dunedin Income Growth Investment Trust PLC or information on the Children's Plan, Share Plan, or ISA please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex, CM99 2DB or e-mail at inv.trusts@aberdeen-asset.com. Details are also available on 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

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 Company's website (www.dunedinincomegrowth.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0500 00 00 40 for trust information.

Contact Details

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
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0500 00 00 40
Email: inv.trusts@aberdeen-asset.com

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

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 2233
Textel/hard of hearing: 0871 384 2255

(Calls to the above Equiniti number will be charged at 8 pence per minute plus network extras. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday).
Tel International: (+44 121 415 7047)

Investor Warning

Aberdeen is aware that some investors have received telephone calls from people purporting to work for Aberdeen, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided on 0500 00 00 40.

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Corporate Information

Directors
Rory Macnamara, Chairman
John Carson
Catherine Claydon
Elisabeth Scott
Peter Wolton

Manager
Aberdeen Asset Managers Limited
7th Floor, 40 Princes Street,
Edinburgh EH2 2BY
Telephone: 0131-528 4000
Website: www.aberdeen-asset.com

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

Company 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 8 pence per minute plus network extras. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday).
Tel International: (+44 121 415 7047)

Stockbroker
J.P. Morgan Securities Limited
25 Bank Street
Canary Wharf
London
E14 5JP

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

Custodian
The Bank of New York Mellon Corporation

Website
www.dunedinincomegrowth.co.uk

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C005739