Dunedin Income Growth Investment Trust PLC

Annual Report and Accounts
31 January 2012

2012

Aberdeen

Contents

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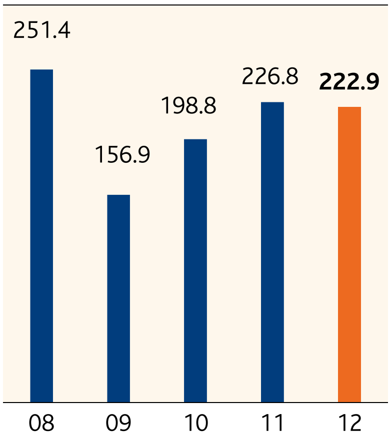
Financial Highlights

	2012	2011
Net asset value total return[A]	**+2.9%**	+19.6%
Share price total return	**0.0%**	+28.4%
Dividend per share[B]	**10.65p**	10.25p

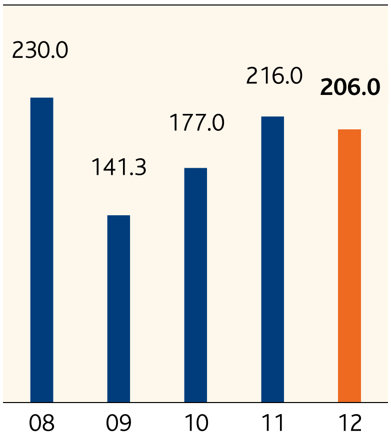
[A] With debt at market value (dividends reinvested).

[B] Relating to the financial year.

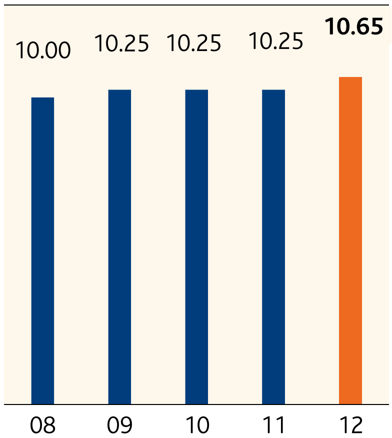
Net Asset Value per share with debt at market value
At 31 January – pence



Mid-market price per share
At 31 January – pence



Dividends per share
Year ending 31 January – pence



Financial Calendar

26 March 2012	Announcement of results for year ended 31 January 2012
23 May 2012	Annual General Meeting in Dundee (12 noon)
25 May 2012	Final Ordinary dividend payable for year ended 31 January 2012
31 August 2012 **30 November 2012** **28 February 2013**	Expected payment of interim dividends
24 September 2012	Expected announcement of Half-Yearly Financial Report for six months ending 31 July 2012

Results

Financial Highlights

	31 January 2012	31 January 2011	% change
Total assets (see page 54 for definition)	£374,786,000	£380,420,000	–1.5
Equity shareholders' funds[A]	£335,895,000	£341,815,000	–1.7
Equity shareholders' funds with debt valued at par	£341,280,000	£346,927,000	–1.6
Share price (mid)	206.00p	216.00p	–4.6
Net asset value per share[A]	222.88p	226.81p	–1.7
Net asset value per share with debt valued at par	226.39p	230.13p	–1.6
FTSE All-Share Index	2,933	3,044	–3.7
Discount[B] (difference between share price and net asset value)			
Discount where borrowings are deducted at market value	4.5%	2.0%	
Gearing (see page 54 for definitions)			
Actual gearing ratio[A]	10.4%	5.9%	
Actual gearing ratio with debt valued at par	8.6%	4.3%	
Potential gearing ratio[A]	11.6%	11.3%	
Potential gearing ratio with debt valued at par	9.8%	9.7%	
Dividends and earnings			
Total return per share	6.50p	39.00p	
Revenue return per share	11.00p	10.15p	
Total dividend per share for the year	10.65p	10.25p	
Dividend cover[C]	1.03	0.99	
Revenue reserves per share (excluding proposed final dividend)	14.32p	13.56p	
Operating costs			
Total expense ratio[D]	0.63%	0.63%	

[A] Calculated by valuing the Company's debt at its market value.
[B] These discounts are lower than the numbers that derive from figures in the statutory accounts because they are calculated in accordance with AIC guidelines (capital only).
[C] 2011 stated including recovery of VAT on investment management fees and interest thereon. Normalised cover was 0.87.
[D] Based on average net assets including income.

Performance

	1 year % return	3 year % return	5 year % return
Capital return			
Net asset value	–1.7%	+42.1%	–23.8%
FTSE All-Share Index	–3.7%	+41.1%	–8.7%
Share price	–4.6%	+45.8%	–22.9%
Total return (Capital return plus net dividends reinvested)			
Net asset value	+2.9%	+66.0%	–3.8%
FTSE All-Share Index	–0.3%	+56.9%	+9.3%
Share price	0.0%	+71.7%	–1.3%

Source: Aberdeen, Factset & Morningstar

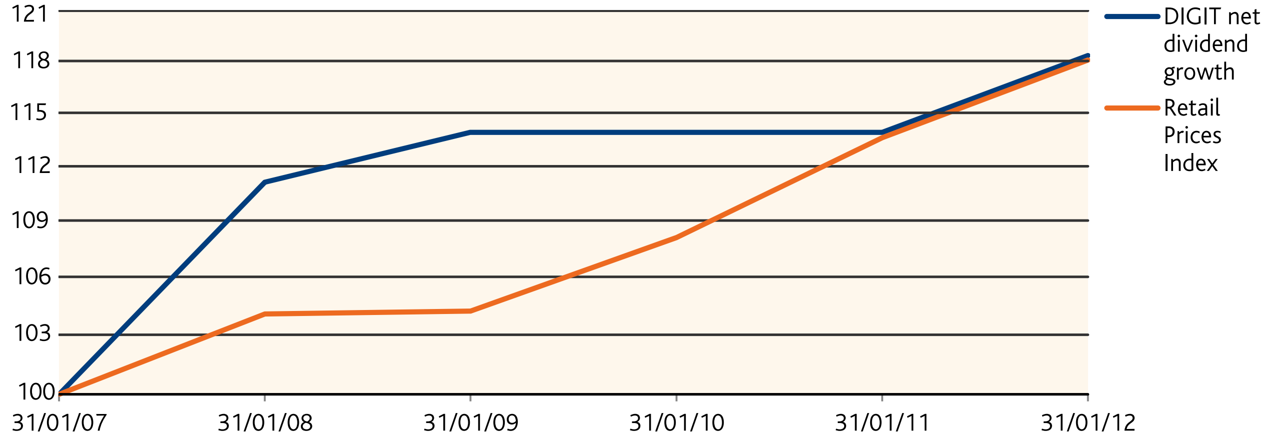
Dividends

Dividend	Rate	xd date	Record date	Payment date
Proposed final dividend 2012	6.90p	18 April 2012	20 April 2012	25 May 2012
Interim dividend 2012	3.75p	28 September 2011	30 September 2011	17 October 2011
Total dividend 2012	**10.65p**			

Dividend	Rate	xd date	Record date	Payment date
Final dividend 2011	6.50p	20 April 2011	26 April 2011	25 May 2011
Interim dividend 2011	3.75p	29 September 2010	1 October 2010	8 October 2010
Total dividend 2011	**10.25p**			

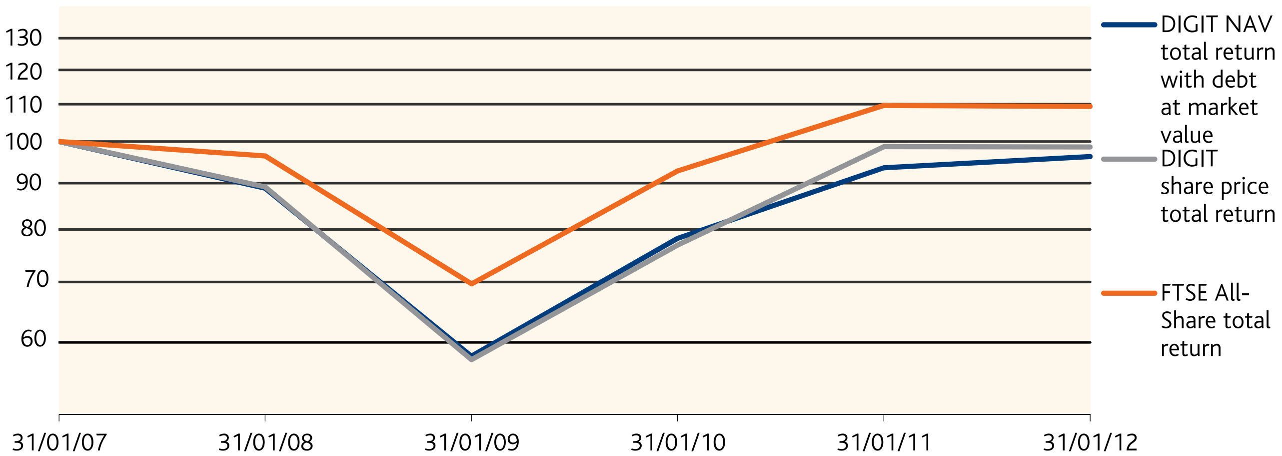
Performance

Comparison of Net Dividend Growth of Dunedin Income Growth Investment Trust (DIGIT) to RPI (figures rebased to 100) on a Semi-logarithmic Scale - Five years ended 31 January 2012



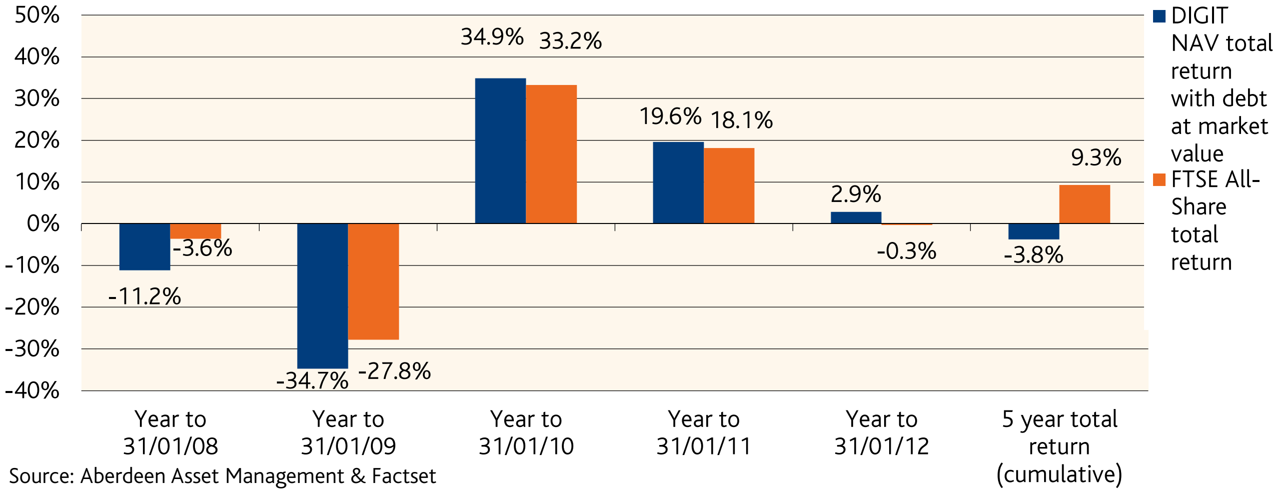
Source: Aberdeen Asset Management & Factset

Comparison of NAV and Share Price Total Return Performance of DIGIT to FTSE All-Share Index (figures rebased to 100) on a Semi-logarithmic Scale - Five years ended 31 January 2012



Source: Aberdeen Asset Management, Morningstar & Factset

Comparison of NAV Total Return Performance of DIGIT to FTSE All-Share Index Total Return for 5 years



Source: Aberdeen Asset Management & Factset

Performance continued

Ten Year Financial Record

Year ended 31 January	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total revenue (£'000)	14,485	14,751	15,526	17,314	17,988	18,717	19,998	14,251	16,904	19,173
Per share (p)										
Net revenue return[A]	7.08	7.27	7.77	9.20	10.04	10.58	11.72	7.99	10.15	11.00
Net dividends paid/proposed	7.00	7.25	7.55	8.20	9.00	10.00	10.25	10.25	10.25	10.65
Net asset value[B]	155.21	204.96	233.17	253.24	296.10	254.74	160.45	201.37	230.13	226.39
Total return	(69.32)	52.00	35.15	27.63	50.75	(32.16)	(84.12)	51.15	39.00	6.50
Shareholders' funds (£'000)	248,708	328,255	368,840	398,267	456,067	386,680	241,944	303,603	346,927	341,280

The figures for 2004 and 2005 for net asset value and shareholders' funds have been restated to reflect the changes in accounting policies (FRS 26 – Financial Instruments: Recognition and Measurement; FRS 21- Events after the Balance Sheet Date). The figures for dividends have not been restated and still reflect the dividends for the years in which they were earned.

[A] The net revenue return for 2011 includes 0.47p attributable to a refund of VAT in respect of the periods 1 January 1990 – 4 December 1996 and 1 January 2001 to 31 December 2003 and 0.74p attributable to interest due on all VAT recovered.

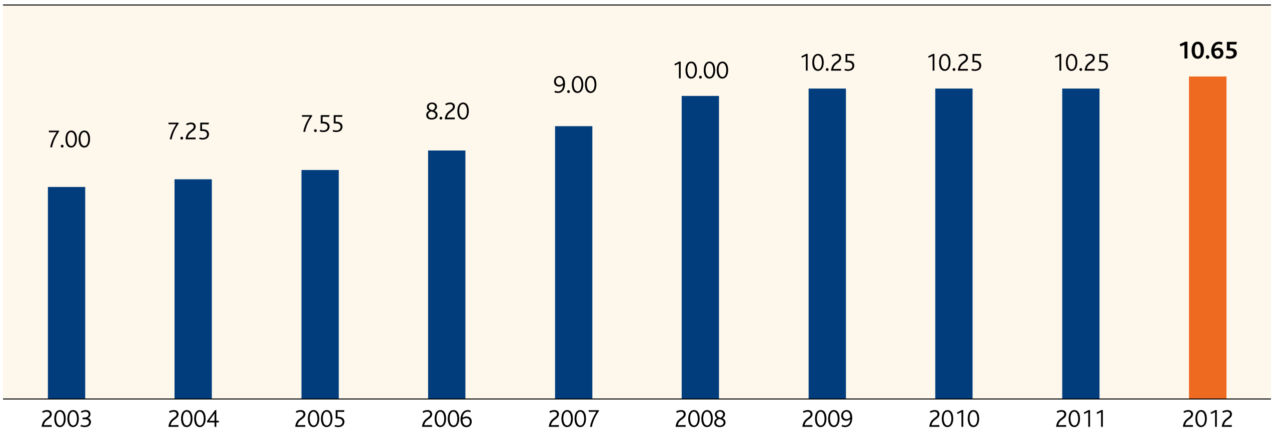
[A] The net revenue return for 2010 includes 0.11p attributable to a refund of VAT in respect of the period 1 January 2001 – 31 December 2003.

[A] The net revenue return for 2009 includes 0.20p attributable to a refund of VAT in respect of the period 1 January 2004 – 31 October 2007.

[B] With debt at par.

Dividends Per Share - Pence

Year to 31 January



Chairman's Statement

John Scott
Chairman

The past year has seen further progress for your Company, amid challenging economic and market conditions. A positive total return has been delivered, reasonable outperformance of the FTSE All-Share Index was recorded and substantial improvements to the revenue account have been achieved. This has been done while enhancing the quantum, quality and diversity of the portfolio's income generating capacity. As a result the Company now finds itself in a position both to grow its dividend and to address its total return mandate.

2011/12 was a volatile period for equities and saw a wide range of specific challenges posed. These ranged from the impacts of the Japanese tsunami, the "Arab Spring" uprisings and the downgrading of the credit rating of the United States to the continued sovereign debt turmoil in the Eurozone. The second half of the year also saw a marked weakening in the global economy, driven in no small part by the problems in the periphery of Europe affecting confidence, combined with the impact of tightening measures to combat inflationary pressures in a number of fast growing emerging economies, particularly China. At the same time, within the UK, we witnessed the unprecedented phenomenon of interest rates near zero, while inflation exceeded 5%.

A great deal has been written about the challenges facing the developed world and the events of the past year but this is not the place to add to the lexicon. For much of the time policy makers and politicians seemed in a state of denial and unable even to address properly, let alone solve, the economic problems posed to them. We witnessed a series of European summits, each in turn billed as the "last chance to save the Euro", endless squabbling between Democrats and Republicans in the United States and continued politicisation of the economic problems here in the UK.

Government intervention was critical in successfully stabilising the financial sector in the wake of the Lehman's 2008 bankruptcy. Unfortunately the lack of appetite for further bold and decisive action since has contributed to the significant bouts of panic that have afflicted markets at regular intervals, especially with regard to events in the Eurozone. Many now recognise the long term tensions arising from the use of a single currency in countries which are widely divergent as to both their economic condition and their interpretations of the fiscal disciplines necessary for the Eurozone to survive. A combination of radical changes to those in charge of the governments of Spain, Italy and Greece and innovative and significant intervention from the new President of the ECB, in the form of the huge Long Term Refinancing Operations offered to the region's banks, has gone a significant way to calming financial markets that in the autumn of 2011 looked on the verge of collapse. But it remains to be seen whether the latest bail-out from Greece proves to be any more than a stop-gap solution aimed at buying time.

In the UK, the coalition government continues to pursue its strategy of favouring budget deficit reduction and public sector reform ahead of nearer term GDP growth. Despite the debate between the austerity and growth camps, if government spending equates to roughly half of UK GDP then keeping it flat in real terms is likely to prove a significant drag on real aggregate demand. The key remains both the quality of the spending and its longer term multiplier effects and the stability that can be delivered to the economy through maintaining the confidence of international credit markets and consequently low interest rates. While we welcome affordable reductions in taxation and supply side innovations, long term stability and sensible government spending must continue to come ahead of transient boosts to demand driven by short term policy making.

More pleasingly, the operating performance of most of our investee companies has continued to be robust during such a turbulent period. Many of these are excellent businesses with leading franchises in the markets in which they choose to compete; they all have good management teams and appropriately financed balance sheets. This gives them an inherent advantage when it comes to adapting their businesses for tough times. On the whole they have responded admirably to the challenges faced, cut costs, managed working capital and strategically allocated resources to the areas in which they believe they can make the best returns and deliver the most growth.

Your Manager conducts extensive due diligence on our existing and potential holdings and invest for the long term. When faced with difficult situations, they have demonstrated, based on an objective appraisal of the circumstances, a willingness to exit investments where the future challenges are believed to be too great, as well as maintaining or even increasing positions where the problems are believed to be more temporary and the potential rewards appropriately attractive.

Gearing

The Company believes that modest financial gearing, whilst amplifying market movements in the short term, will enhance returns of both capital and income to shareholders over the long term. To this end, we employ two sources of financial leverage, a core long term fixed rate debenture (issued in 1997 and repayable in 2019) with a nominal value of £28.6 million and a coupon of 7.875%; and a variable rate bank loan facility of £20 million of which £5 million was drawn. This quantum has remained unchanged over the course of the year, though we were able to negotiate more favourable terms on our variable bank finance, which now carries a margin of 1.10% over LIBOR.

With debt valued at par, potential gearing has slightly increased from 9.7% at the end of the last financial year to 9.8% as a result of a slight fall in the value of the Company's asset base. On a pure equity basis, netting off our cash and bonds, it has risen quite substantially from 2.7% to 8.7%, reflecting the sale of the bond portfolio and the use of the undrawn bank facility instead of cash to support our option writing programme.

Discount

Over the past year there was a slight widening in the discount to Net Asset Value at which the shares of your Company trade (from 2% to 4.5%), but this disguises the fact that for much of the year we were trading near – and at times at – a premium. Your Board interprets this as a sign, first, of the demand from investors for yield; and, secondly, of recognition in the market of the progress made by DIGIT. We did not undertake any share re-purchases during the year, but we are once again seeking shareholders' permission to do so and are prepared to use this measure in the light of both the Company's absolute level of discount and that relative to those of our peer group. At the date of this report, DIGIT's shares were trading close to par.

Dividend

I commented in last year's annual report that the outlook for income generation in 2011/12 was better than it had been for some considerable time and I am pleased to report that this has indeed turned out to be the case. As a result we are able to announce an increased final dividend of 6.90p making a total of 10.65p for the year, a 3.9% annual rise. This is the first increase we have been able to recommend since 2009 and, if approved by shareholders, will also allow us to add around 0.35p to our revenue reserves, a resource which we have needed to tap in recent years and which I am glad to be able to start re-building.

As announced with the interim results, we intend henceforth to pay dividends on a quarterly basis, with the first such payment being made in August 2012 and thereafter in November, February and May.

Outlook

Despite the strong market rally that has accompanied the start of 2012, we remain cautious. Last year we thought policy makers would face challenges in unwinding their interventions in what were fragile economies demonstrating some signs of recovery. In fact they ended the year having substantially deepened their involvement. As a result the global economy remains very much on economic life support, being kept alive with ever larger injections of liquidity and cheap money. Whilst this has most likely mitigated the worst case scenarios of an implosion in the European financial sector and a disorderly break-up of the Euro, it still leaves behind a global economy short on growth and long on structural challenges.

Following the sharp increase in markets in early 2012, equity valuations are now more demanding than they have been for some time. Investors have become more adventurous and risk appetite appears to have risen. While we have seen some signs of improving fundamentals in the United States economy, continued volatility should be expected.

The one pleasant surprise, as we have already begun to witness in this financial year, may come in the form of increased cash distributions from our investments. In the current market environment our investment strategy of concentrating our capital into a sensibly diversified portfolio of good quality companies with strong business models, sturdy balance sheets and talented management teams remains appropriate and will leave us well placed to grow our dividend.

The Board

The Directors have discussed succession planning for the Board and, following a process which used an external search consultant, we welcome Elisabeth Scott who joined the Board on 24 January 2012. Elisabeth brings to us many years of investment experience at a senior level and her contribution to our deliberations is already considerable. She will stand for election at the Annual General Meeting in May.

At the same time I am retiring from the Board and am therefore not offering myself for re-election at the Annual General Meeting. My successor as Chairman will be Rory Macnamara, who has served on the DIGIT Board since 2005 and who has ably chaired our Audit Committee in recent years.

I joined this Board in 2001 and became Chairman in 2006; from a shareholder's perspective there is much to remember about the past 11 years, notable moments of stress being the

9/11 atrocity and its aftermath, the Iraq War, the near-destruction of the UK banking sector, Lehman Brothers and the current Eurozone turmoil, not to mention ash clouds, oil well disasters, hurricanes and tsunamis. At the same time the London Stock Exchange has changed, on the one hand playing host to overseas mining companies with little connection to the domestic economy, yet forming a significant component of the FTSE All-Share Index against which DIGIT is benchmarked, but in which - given their yield and governance characteristics - we are reluctant to invest. Another feature of the London market is that, as compared with a decade ago, it now presents an increased concentration of value and dividends; neither of these helps the fund manager who is seeking to assemble a diversified portfolio of stocks capable of growing their distributable income and largely for that reason the investment mandate was broadened to allow up to 20% of assets to be in non-UK listed stocks; whilst our overall investment objective is broadly unchanged, our portfolio today looks very different from that of 2001.

During my time on this Board we have achieved little by way of capital growth, mirroring the pedestrian performance of UK equities in the past decade, but I am pleased that we have managed to increase our annual dividend by over 60%, a compound rate of 4.5% per annum, which compares to 3.0% for the Retail Price Index over the period. Despite widespread dividend cuts in the market, we were able to maintain our distribution levels through the depths of the financial crisis and (at the time of writing) we offer investors a yield of over 4%, derived from a high quality portfolio of diversified investments managed by a well-resourced and talented team, to whom I extend my thanks and my best wishes for the future of DIGIT.

Annual General Meeting

The Company's Annual General Meeting takes place in Dundee, on 23 May 2012, and I look forward to seeing as many of you there as possible.

John Scott
Chairman
23 March 2012

Corporate Summary

The Directors are responsible for determining the investment policy and the investment objective of the Company, subject to appropriate shareholder approval.

Investment Objective

To achieve growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom.

Investment Policy

In pursuit of the Company's objective, the Company's investment policy is to invest in high quality companies with strong income potential, while at the same time providing an above-average portfolio yield.

The Company maintains a diversified portfolio consisting, substantially, of equity or equity-related securities, and it can invest in other financial instruments. Whilst the Company is invested mainly in companies listed or quoted in the United Kingdom it has the freedom to invest up to 20% of its gross assets overseas.

It is the policy of the Company to invest no more than 15% of its gross assets in other listed investment companies.

The Company complies with chapter 4 of Part 24 of the Corporation Tax Act 2010 and does not invest more than 15% of its gross assets in any one company.

Investment Process

Day-to-day management of the Company's assets has been delegated to Aberdeen Asset Managers Limited. The Manager believes that, over the long-term, share prices reflect the underlying business fundamentals of companies and hence investments are made based on research undertaken on individual companies. This is known as a "bottom up" investment process. This process involves a disciplined evaluation of potential investments through meeting investee companies. New investments are not made without the Manager having first met the management of the investee company, undertaken further analysis and written detailed notes to outline the underlying investment merits. A company's value is estimated in two stages, quality then price. Quality is defined by reference to management, business focus, balance sheet and corporate governance. Price is assessed relative to key financial ratios and business prospects.

The Manager's portfolios are generally run conservatively, with an emphasis on traditional buy-and-hold, top-slicing/topping up and this approach results in low turnover within portfolios.

Portfolios are managed by the Manager on a team basis, with individual investment managers carrying out their own research and analysis. All ideas are shared via formal committees and common databases, with desk heads and the Chief Investment Officer ensuring consistency. Further information on the investment process can be found on page 18.

Investment Risk

Investment risk within the portfolio is managed in three ways:

- Adherence to the Investment Process (described above) in order to minimise investments in poor quality companies and/or overpaying.
- Diversification of investment - seeking to invest in a wide variety of companies with strong balance sheets and the earnings power to pay increasing dividends. In addition investments are made in a diversified portfolio of sectors in order to reduce the risk of a single large exposure. The Manager believes that diversification should be looked at in absolute terms rather than relative to a benchmark. At the year end the Company's portfolio consisted of 43 holdings. A description of the Company's holdings and sector analysis is shown on pages 12 to 16.
- The Board has laid down guidelines on maximum holdings and exposures in the portfolio at the time of acquisition. These can only be over-ridden with Board approval. They include the following:

a) Not more than 10% of gross assets to be invested in any single stock;
b) Top five holdings should not account for more than 40% of gross assets;
c) Holdings other than equities and cash (or cash equivalents) should not exceed 10% of gross assets.

Reference to other risks associated with the Company are included within the Business Review in the Directors' Report and detailed in note 19 to the Financial Statements.

Gearing

The Board is responsible for determining the gearing strategy for the Company, with day-to-day gearing decisions being made by the Manager within the remit set by the Board. Gearing is used selectively to leverage the Company's portfolio in order to enhance long term returns.

Borrowings, other than the debenture stock (details of which are included in the Capital Structure opposite), are short term and particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy. The Board monitors gearing with debt measured both at par and market value and has agreed various gearing restrictions which have been incorporated in guidelines for the Manager or in the Articles of Association of the Company.

These gearing restrictions are set out below:

a) Gearing should not exceed 30% of the net asset value at the time of draw down (with debt at market value).
b) Per the Articles of Association, total amounts borrowed shall not at any time exceed the aggregate amount of the issued and paid up share capital and reserves (as per the last published balance sheet of the Company).

Benchmark

The Company's performance is compared with the FTSE All-Share Index. This is measured on a net asset value total return basis over the long-term.

Manager

Aberdeen Asset Managers Limited ("Aberdeen") or the ("Manager") – Lead Manager, Jeremy Whitley.

Equity Shareholders' Funds

£335.9 million at 31 January 2012 with debt at market value.
£341.3 million at 31 January 2012 with debt valued at par.

Market Capitalisation

£310.5 million at 31 January 2012.

Capital Structure

150,706,187 Ordinary shares of 25p each at 31 January 2012 (153,677,935 including treasury shares). Each ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. The Company has long-term borrowings of £28.6 million 7 ⅞% Debenture Stock 2019 and a £20 million 2 year bank facility (£5 million drawn down as at 31 January 2012), which expires on 25 July 2013.

Management Arrangements

The investment management fee for the year ended 31 January 2012 was calculated, on a monthly basis, at 0.45% on the first £225 million, 0.35% on the next £200 million and 0.25% on amounts over £425 million per annum of the net assets of the Company calculated with debt at par and excluding commonly managed funds ("net assets"). The fee for the year ended 31 January 2012 amounted to 0.41% of average monthly net assets. The Investment Management Agreement is currently terminable on not less than six months' notice. Details of the fee can be found in note 3 to the financial statements. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Board on an annual basis. The Board's conclusions regarding the continued appointment of the Manager are dealt with in detail on page 27, under Corporate Governance.

The Company also pays the Manager for the provision of marketing services. In the year under review the Company paid £271,000 (2011 - £240,000) to the Manager to support its efforts in this regard.

Share Dealing/ISA Status

Shares in Dunedin Income Growth Investment Trust PLC can be bought in the open market through a stockbroker. Shares can also be bought through the Investment Trust Share Plan and the Investment Trust ISA and are fully qualifying for inclusion within tax-efficient ISA wrappers (see page 52).

AIC Membership

The Company is a member of the Association of Investment Companies ("AIC").

Website – www.dunedinincomegrowth.co.uk

The website offers investors comprehensive information on the Company, including easy ways to invest.

Features of the Company's website are:
- Latest NAV, share price and discount information each day
- Daily performance figures and charts from Morningstar
- Monthly fact sheet from the Manager reporting on the portfolio and the Company's performance
- Online copies of the annual and half-yearly reports
- How to invest in the Manager's ISA or Share Plan products online
- A free email subscription facility for market and Manager updates.

Manager's Review

As we enter 2012, we commence what will be the sixth year of the financial crisis and leave behind another twelve months of remarkable volatility. The key lesson as long term investors that we draw from this extraordinary period is that we are very much at the mercy of largely unpredictable external events. As equity market investors, the factors within our control are limited. We can choose the companies we invest in and we can choose the construction of the portfolio but, beyond that our power to influence events is strictly limited.

As a result we started 2011 with three ambitions that were largely divorced from the day-to-day gyrations of financial markets. First, we wanted to continue to improve the quality of the holdings within the portfolio. Second, we aimed to diversify sensibly those holdings and limit our capital and income exposure to individual companies and thematics. Third, we aspired to generate enough income to cover our expected dividend commitment.

Reviewing 2011/12 we are pleased that we have broadly managed to achieve those objectives. We have continued to improve the aggregate quality of the companies within the portfolio. Our forecast capital and income exposure to any one company within the portfolio is now not much more than 5% and we have managed to increase the revenue capacity of the portfolio to more than cover the full year dividend. As 2011/12 progressed, the environment for income generation improved ahead of our expectations and as a result we had some headroom to invest in some very good businesses with lower dividend yields but superior prospects for growth. We believe these changes leave the portfolio increasingly well positioned to handle the challenges that it may face in the years ahead.

Performance

Income account revenues increased by 13.4% over the period, rising to £19.2 million from £16.9 million a year earlier. Income received from dividends grew by 23% and within this, the contribution from overseas listed companies more than doubled to over £3 million. The option writing programme generated £1.7 million, an increase of over 30% on 2010/11. All of this led earnings per share on the income account to advance by 8.3% year on year to 11.0p. Stripping out the exceptional VAT related rebates from HMRC in 2010/11 underlying earnings per share rose by around 23%.

Total return performance on a net asset basis over the year saw the portfolio outperform the market delivering 2.9% against the FTSE All-Share's -0.3% return. Reflecting the volatile nature of the year under review it was very much a period in which classic defensive companies performed well and in which higher risk more cyclical businesses underperformed. It was also a year in which the robustness of companies' business models and balance sheets were put under scrutiny with higher quality operators managing to outperform their lower quality peers.

In terms of relative performance our limited exposure to the poorly performing mining and banks sectors boosted the return by over 3%. We continue to remain very cautious on the domestic UK banks and believe that investors should not underestimate the challenges that lie ahead for them. The mining sector also remains a challenging area for us to invest in with concern over the risk of investing in single country/single commodity companies often with weak standards of corporate governance.

We also benefitted from some robust individual company performances over the year. It was pleasing to see National Grid make a strong positive contribution to the portfolio after the furore surrounding its rights issue in 2010. The business made good progress on resolving some of the challenges it faces in its North American operations as well as moving towards what seems likely to be an acceptable regulatory settlement in the UK.

Pearson saw its share price continue to do well as the company was rewarded for expanding its educational services globally and deepening its digital content while delivering solid improvements in both the FT group and Penguin. It made a full priced disposal of its share in the FTSE group and has undertaken a series of bolt on acquisitions that have helped both to strengthen the company's strategic position as well as enhance profits.

John Wood Group also prospered as it benefitted from recovering investment trends in its core hydrocarbon and power markets. The group also gained from the disposal of its well support division to GE for what seemed to us a very full price and implementing a resulting return of capital to investors.

It was, though, a challenging year and the portfolio was not without its difficult situations. Mothercare produced a series of disappointing trading updates as, despite the rapid growth in its international units, its core UK business came under significant pressure. This was caused by tighter household budgets as well as more worrying structural concerns in the form of much more intense competition, especially in the online arena, where the company had failed to keep pace with the changes in consumer behaviour. After a series of meetings over the year with management and a good degree of soul searching we decided to exit our position given the risk posed to the whole business by the problems faced in the UK operations with its high operating leverage and large pension and lease base.

Tesco was another name that proved troubling in the latter part of the year as it announced lacklustre Christmas trading and the intention to expand investment in its UK store base which in turn would mean a flat outlook for group profits in the financial year ahead. UK retail is a competitive space but we believe that Tesco should be well placed to deal with the challenges it faces. Arguably it has been prioritising profits over market share and sales for too long to finance its international expansion. They start the recovery in a strong position with close to 30% market share which is nearly double their nearest competitor, a formidable store network and a strong balance sheet. It also has growth opportunities overseas and in UK financial services. It will not be a quick turnaround but we remain supportive shareholders and it seems the potential for success is not currently priced into the shares.

Portfolio Activity

After what one may term the "heavy lifting" of the last few years, 2011/12 saw a continuation of the efforts to focus on income generation, on improving the quality of our holdings and also an extra focus on diversifying the earnings streams of the Company. In the second half of the year we were able to focus new investment into companies that can offer significant future dividend and capital growth, as opposed to just high initial yields.

To this end we introduced four new companies Sage, Compass, Croda International and Experian. All are globally leading companies in their chosen markets, with high quality characteristics; all offer the portfolio something different in terms of economic exposure and we expect them to grow their dividends at double digit rates over the medium term. We also added to our holdings in Amec and John Wood Group. While neither is a high yielding company they are both excellent businesses and we expect to see strong dividend growth from them for the foreseeable future.

Further expanding our overseas exposure we introduced Unibail-Rodamco, the leading pan-European owner of top quality shopping malls, and exited our Land Securities position in the process. This both improved the quality of the portfolio's holdings and enhanced our income given Unibail's superior yield. In a similar vein we consolidated our mining exposure into a single holding by selling our holding in Rio Tinto and rolling the funds raised into BHP Billiton. This remains in our view the best quality global mining company with a diversified portfolio of world class resource assets and a significantly higher dividend yield.

A number of small legacy positions were exited as they continued to recover including Persimmon and Holidaybreak. As detailed above we also exited our holding in Mothercare. After strong absolute performance that had reduced yields to only modest levels we also sold the small bond portfolio that had been acquired to sterilise the impact of the debenture on the Company's gearing.

Reducing our income reliance on a number of companies was also an important part of our actions during the year. This included trimming on strength our holdings in National Grid and Provident Financial and making sure we capped our absolute exposure to single large holdings including British American Tobacco and Royal Dutch Shell. In contrast we added to holdings in a number of companies that underperformed over the year and where the quality, valuation and yield were increasingly attractive. This included adding to HSBC, Cobham, Tesco and Centrica.

Outlook

2012 has started with a sharp rise in global equity markets. Investors have taken heart from improved recent economic data in the United States and the more interventionist and proactive stances of central banks and policymakers around the world. However, the fiscal, growth and increasingly demographic challenges facing the developed world remain, not to mention any attempt at some point to unwind the vast monetary stimulus. Our planning assumption is that the financial year 2012/13 is likely to be yet another tough one for investors and the maintenance of capital value and modest growth in income will represent a meaningful achievement.

Fortunately the underlying picture at the companies in which we invest is brighter than that at the macro-economic level. We believe we now have a good quality portfolio of companies that are in rude financial health and where collectively the prospect for dividend distributions is reasonable. While times ahead may be difficult we feel the portfolio is well positioned to ride them out.

Jeremy Whitley
Aberdeen Asset Managers Limited
23 March 2012

Investment Portfolio – Ten Largest Investments

As at 31 January 2012

Company	FTSE All-Share Index Sector	Valuation 2012 £'000	Total assets %	Valuation 2011 £'000
GlaxoSmithKline GlaxoSmithKline is a pharmaceutical group that develops, manufactures and markets vaccines, prescription and over the counter medicines as well as health-related consumer products.	Pharmaceuticals & Biotechnology	18,640	5.0	14,558
Royal Dutch Shell[A] Royal Dutch Shell explores for, produces and refines petroleum and produces fuels, chemicals and lubricants. Shell owns and operates gasoline filling stations world-wide.	Oil & Gas Producers	18,553	5.0	19,756
Vodafone Vodafone is a global mobile telecommunications company providing a range of services, including voice and data communications.	Mobile Telecommunications	18,276	4.9	18,762
British American Tobacco British American Tobacco is the holding company for a group of companies that manufacture, market and sell cigarettes and other tobacco products. The group sells over 300 brands in approximately 180 markets around the world.	Tobacco	18,144	4.8	17,403
Centrica Centrica provides gas, electricity and energy related products and services to business and residential customers. It also provides heating and gas appliance installation and maintenance services.	Gas, Water & Multi-utilities	17,003	4.5	16,776
HSBC Holdings HSBC provides a variety of international banking and financial services, including retail and corporate banking, custody, capital markets, insurance and private banking.	Banks	13,899	3.7	12,965
BHP Billiton BHP Billiton is the world's largest mining company with a global portfolio of commodity interests centred on oil & gas, iron ore, copper and coal.	Mining	13,821	3.7	10,365
BP BP is an oil and petrochemicals company. It explores for and produces oil and natural gas, refines, markets and supplies petroleum products and manufactures chemicals.	Oil & Gas Producers	13,367	3.6	13,765
Tesco Tesco is the UK's leading retailer and also has operations in Eastern Europe, Asia and the United States.	Food & Drug Retailers	13,193	3.5	7,526
AstraZeneca AstraZeneca researches, develops, produces and markets pharmaceutical products. The company's operations are focused on six therapeutic areas: cardiovascular, oncology, respiratory, neuroscience, inflammation and infection.	Pharmaceuticals & Biotechnology	12,615	3.4	12,516
Top ten investments		**157,511**	**42.1**	

[A]Holding comprises both 'A' and 'B' class shares valued at £4,816,000 (2011 – nil) and £13,737,000 (2011 – £19,756,000) respectively.

Investment Portfolio – Other Investments

As at 31 January 2012

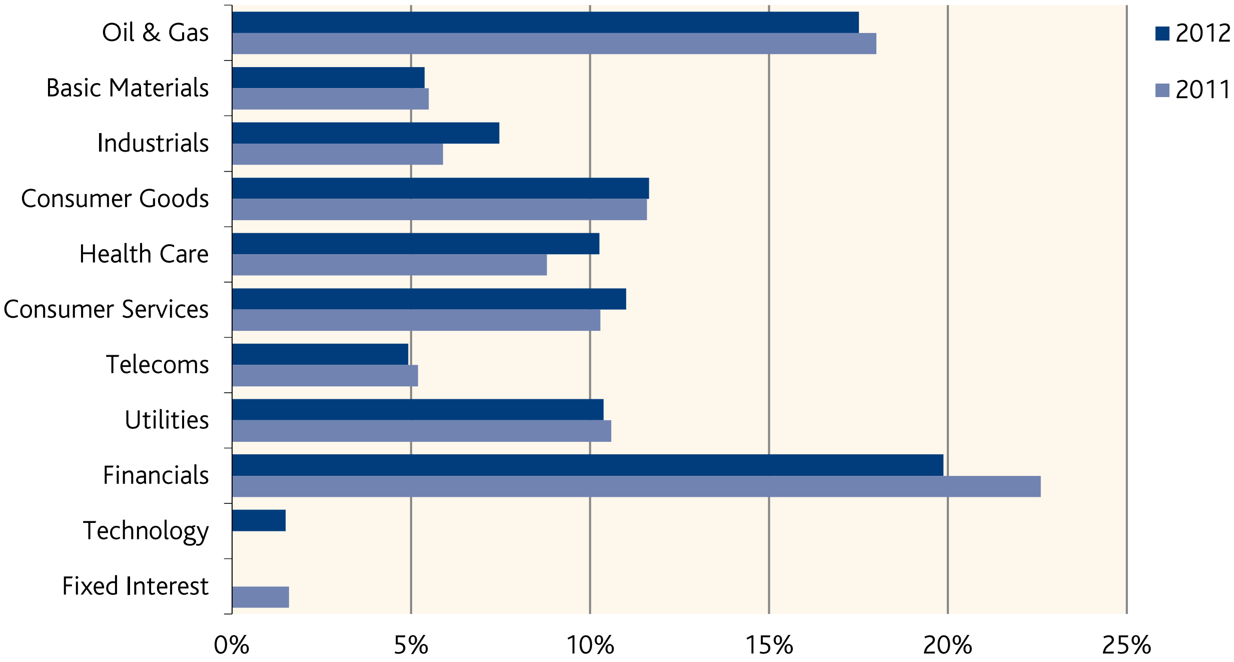
Company	FTSE All-Share Index Sector	Valuation 2012 £'000	Total assets %	Valuation 2011 £'000
Unilever	Food Producers	12,112	3.2	9,225
National Grid	Gas, Water & Multi-utilities	11,023	2.9	11,648
ENI	Oil & Gas Producers	10,833	2.9	9,569
Prudential	Life Insurance	10,493	2.8	10,512
Total	Oil & Gas Producers	10,321	2.8	10,164
Standard Chartered	Banks	9,837	2.6	10,446
Aviva	Life Insurance	9,364	2.5	12,345
Pearson	Media	9,032	2.4	7,885
Rolls-Royce	Aerospace & Defence	8,679	2.3	7,528
Close Brothers	Financial Services	8,329	2.2	11,299
Top twenty investments		**257,534**	**68.7**	
Unibail-Rodamco	Real Estate Investment Trusts	8,037	2.1	–
Zurich Financial Services	Non-life Insurance	7,433	2.0	4,113
GDF Suez	Gas, Water & Multi-utilities	6,810	1.8	5,010
Roche	Pharmaceuticals & Biotechnology	6,807	1.8	4,942
Provident Financial	Financial Services	6,291	1.7	10,845
AMEC	Oil Equipment, Services & Distribution	6,144	1.6	6,372
John Wood	Oil Equipment, Services & Distribution	5,718	1.5	5,514
Cobham	Aerospace & Defence	5,693	1.5	4,704
Compass	Travel & Leisure	5,572	1.5	–
Sage	Software & Computer Services	5,557	1.5	–
Top thirty investments		**321,596**	**85.7**	
Nestlé	Food Producers	5,427	1.5	2,849
Morrison (Wm)	Food & Drug Retailers	5,405	1.4	5,037
Berendsen	Support Services	4,796	1.3	4,969
Daily Mail & General Trust	Media	4,491	1.2	4,788
Weir	Industrial Engineering	4,379	1.2	4,182
Linde	Chemicals	4,221	1.1	3,828
GKN	Automobiles & Parts	4,205	1.1	5,352
Experian	Support Services	4,169	1.1	–
United Utilities	Gas, Water & Multi-utilities	3,642	1.0	4,864
Associated British Foods	Food Producers	3,344	1.0	4,163
Top forty investments		**365,675**	**97.6**	
Other investments		5,036	1.3	
Total investments		**370,711**	**98.9**	
Net current assets[B]		**4,075**	**1.1**	
Total assets less current liabilities[B]		**374,786**	**100.0**	

[B] Excluding bank loan of £5,000,000.

Investment Portfolio - Sector and Performance Breakdown

As at 31 January 2012

Sector Breakdown

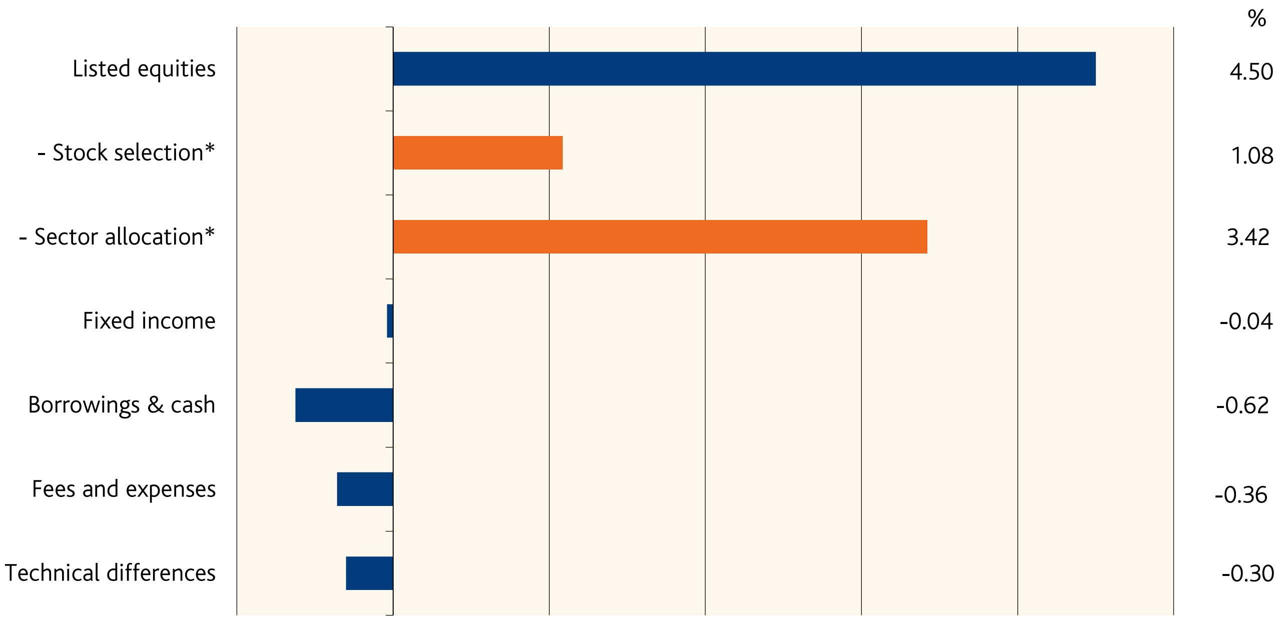


Analysis of Total Return Performance

	%
Gross assets total return	**3.9**
Total NAV return per share[A]	2.9
Total return on FTSE All-Share Index	–0.3
Relative performance	**3.2**

[A]With debt at market value.

Analysis of Performance Relative to the FTSE All-Share Index



* Further analysis of performance attributable to listed equities

Sector Analysis

As at 31 January 2012

		FTSE All-Share Index weighting 2012 (%)	Portfolio weighting 2012 (%)	Portfolio weighting 2011 (%)
Oil & Gas	Oil & Gas Producers	17.55	14.16	14.00
	Oil Equipment, Services & Distribution	0.70	3.17	3.12
	Alternative Energy	0.00	–	–
		18.25	**17.33**	**17.12**
Basic Materials	Chemicals	0.61	1.63	1.01
	Forestry & Paper	0.11	–	–
	Industrial Metals & Mining	0.18	–	–
	Mining	11.51	3.69	4.15
		12.41	**5.32**	**5.16**
Industrials	Construction & Materials	0.74	–	–
	Aerospace & Defence	1.85	3.83	3.22
	General Industrials	0.59	–	–
	Electronic & Electrical Equipment	0.39	–	–
	Industrial Engineering	0.79	1.17	1.10
	Industrial Transportation	0.11	–	–
	Support Services	3.54	2.39	1.31
		8.01	**7.39**	**5.63**
Consumer Goods	Automobiles & Parts	0.19	1.12	1.41
	Beverages	3.76	–	–
	Food Producers	2.11	5.57	4.26
	Household Goods & Home Construction	1.87	–	0.79
	Leisure Goods	0.01	–	–
	Personal Goods	0.39	–	–
	Tobacco	4.64	4.84	4.57
		12.97	**11.53**	**11.03**
Health Care	Health Care Equipment & Services	0.36	–	–
	Pharmaceuticals & Biotechnology	7.30	10.16	8.42
		7.66	**10.16**	**8.42**
Consumer Services	Food & Drug Retailers	2.32	4.96	3.30
	General Retailers	1.40	–	1.05
	Media	2.76	3.61	3.33
	Travel & Leisure	2.52	2.32	2.07
		9.00	**10.89**	**9.75**
Telecommunications	Fixed Line Telecommunications	1.11	–	–
	Mobile Telecommunications	5.08	4.88	4.93
		6.19	**4.88**	**4.93**
Utilities	Electricity	0.77	–	–
	Gas, Water & Multi-utilities	3.05	10.27	10.07
		3.82	**10.27**	**10.07**

Sector Analysis continued

		FTSE All-Share Index weighting 2012 (%)	Portfolio weighting 2012 (%)	Portfolio weighting 2011 (%)
Financials	Banks	10.02	6.33	6.16
	Non-life Insurance	0.78	1.98	1.55
	Life Insurance	3.08	5.30	6.01
	Real Estate Investment & Services	0.33	–	–
	Real Estate Investment Trusts	1.29	2.15	1.97
	Financial Services	1.72	3.90	5.82
	Equity Investment Instruments	2.99	–	–
		20.21	**19.66**	**21.51**
Technology	Software & Computer Services	0.79	1.48	–
	Technology Hardware & Equipment	0.69	–	–
		1.48	**1.48**	**–**
Total equities		**100.00**	**98.91**	**93.62**
Fixed interest			–	1.51
Net current assets before borrowings			1.09	4.87
Total assets less current liabilities			**100.00**	**100.00**

Information about the Manager

Aberdeen Asset Managers Ltd

The Manager is a subsidiary of Aberdeen Asset Management PLC, whose group companies as at 31 January 2012 have approximately £180.4 billion of assets under management. It manages assets on behalf of a wide range of clients including 39 investment trusts and other closed-ended funds, which have combined total assets of over £8.4 billion.

The Manager has its headquarters in Aberdeen and invests globally, operating from 30 offices in 23 countries. Its investment teams are generally based in the markets or regions in which they invest; in the UK its main investment centres are in London and Edinburgh.

Aberdeen Asset Managers Limited currently manages £91.9 billion of equities globally, including £3.7 billion of UK equities and £1.1 billion of European (ex UK) equities.

Dunedin Income Growth Investment Trust's Portfolio Managers

Jeremy Whitley
Head of UK and European Equities

Jeremy was appointed head of UK and European equities in July 2009. Previous roles at Aberdeen include senior investment manager on the global equities desk as well as on the Asian equities desk based in Singapore. He graduated with an MA in English and Art History from the University of St Andrews and an MBA from the University of Edinburgh.

Ben Ritchie
Senior Investment Manager

Ben is an investment manager on Aberdeen's Pan European equities team and joined Aberdeen in 2002 as a graduate trainee. Ben has a BA (Hons) in Modern History and Politics from Pembroke College, University of Oxford, and is a CFA charterholder.

The Investment Process

Aberdeen's Philosophy and Style

We believe that markets are not always efficient. We believe that superior investment returns are therefore attainable by identifying good companies, defined in terms of the fundamentals that, in our opinion, drive share prices over the long-term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are careful not to pay too high a price when making the investment. Subsequent to that investment we keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stockmarkets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

Risk Controls

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

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

Aberdeen Asset Managers Limited

Regional Teams

Your Board of Directors

The Directors, all of whom are non-executive, and independent of the Manager, supervise the management of Dunedin Income Growth Investment Trust PLC and represent the interests of shareholders.

John Scott

Status: Independent Non-Executive Chairman
Age: 59
Length of service: eleven years, appointed a Director on 13 March 2001
Experience: a former executive director of Lazard Brothers & Co. Limited and currently a director of a range of quoted and private companies
Last re-elected to the Board: 23 May 2011
Committee membership: Audit Committee and Nomination Committee
Remuneration: £29,000
All other public company directorships: Chairman of Scottish Mortgage Investment Trust PLC, Deputy Chairman of Endace Ltd and a director of Alternative Asset Opportunities PCC Limited, Martin Currie Pacific Trust plc, J P Morgan Claverhouse Investment Trust plc and Schroder Japan Growth Fund PLC
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 23,597 Ordinary shares
Meetings attended during the year:
Board Meetings: 5
Audit Committee Meetings: 3
Nomination Committee Meetings: 1

John Carson

Status: Senior Independent Non-Executive Director
Age: 59
Length of service: four years, appointed a Director on 25 June 2007
Experience: former Head of Institutional Clients at Baillie Gifford & Co
Last re-elected to the Board: 23 May 2011
Committee membership: Chairman of Nomination Committee and member of Audit Committee
Remuneration: £20,000
All other public company directorships: None
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 40,000 Ordinary shares
Meetings attended during the year:
Board Meetings: 5
Audit Committee Meetings: 3
Nomination Committee Meetings: 1

Catherine Claydon

Status: Independent Non-Executive Director
Age: 47
Length of service: one year, appointed a Director on 1 February 2011
Experience: formerly managing director in Goldman Sachs International Pension & Insurance Strategies Group and a managing director at Lehman Brothers in its Pension Advisory Group
Elected to the Board: 23 May 2011
Committee membership: Audit Committee and Nomination Committee
Remuneration: £20,000
All other public company directorships: Witan Investment Trust PLC
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 4,000 Ordinary shares
Meetings attended during the year:
Board Meetings: 5
Audit Committee Meetings: 3
Nomination Committee Meetings: 1

Rory Macnamara

Status: Independent Non-Executive Director
Age: 57
Length of service: six years, appointed a Director on 7 September 2005
Experience: formerly vice-chairman of Morgan Grenfell & Co Limited and a managing director of Lehman Brothers. Currently a consultant to or director of a number of listed and private companies
Last re-elected to the Board: 23 May 2011
Committee membership: Chairman of Audit Committee and member of Nomination Committee
Remuneration: £23,000
All other public company directorships: Chairman of Essenden plc and Carpathian PLC and a director of Augean PLC, Mears Group PLC and Sportingbet PLC
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 4,000 Ordinary shares
Meetings attended during the year:
Board Meetings: 5
Audit Committee Meetings: 3
Nomination Committee Meetings: 1

Elisabeth Scott

Status: Independent Non-Executive Director
Age: 49
Length of service: appointed a Director on 24 January 2012
Experience: formerly country head of Schroders in Hong Kong. Previously responsible for Schroders' institutional client business in Hong Kong and managed multi-asset portfolios.
Last elected to the Board: n/a
Committee membership: Audit Committee and Nomination Committee
Remuneration: £20,000
All other public company directorships: Director of Pacific Horizon Investment Trust PLC and Fidelity China Special Situations Investment Trust PLC
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: Nil Ordinary shares
Meetings attended since becoming a Director:
Board Meetings: 1
Audit Committee Meetings: n/a
Nomination Committee Meetings: n/a

Peter Wolton

Status: Independent Non-Executive Director
Age: 55
Length of service: five years, appointed a Director on 4 May 2006
Experience: a former chief executive of Baring Asset Management Limited and member of the Group Management Committee of Schroder Investment Management Limited. Currently CEO of the New Model School Company Limited.
Last re-elected to the Board: 20 May 2009
Committee membership: Audit Committee and Nomination Committee
Remuneration: £20,000
All other public company directorships: None
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 21,000 Ordinary shares
Meetings attended during the year:
Board Meetings: 5
Audit Committee Meetings: 3
Nomination Committee Meetings: 1

Directors' Report

Business Review

The Board has prepared this Business Review in accordance with the requirements of Section 417 of the Companies Act 2006. A review of the Company's activities is given in the Corporate Summary on page 8, the Chairman's Statement on page 5 and the Manager's Review on page 10. This includes a review of the business of the Company and its principal activities, likely future developments of the business and recommended dividend. 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. Beyond this, the major risks associated with the Company are detailed in note 19 to the Financial Statements. Other risks include:

- 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 FTSE All-Share Index ("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 Section 1158 of the Corporation Tax Act 2010, 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.

Monitoring Performance – Key Performance Indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main key performance indicators ("KPIs") which have been identified by the Board for determining the progress of the Company:

- Net Asset Value
- Revenue Return per Ordinary share
- Share Price
- Discount
- FTSE All-Share Index
- Total Expense Ratio

In addition the Directors also consider net asset value total return, share price total return and dividend levels when reviewing KPIs. These are all shown on page 2.

Each Director confirms that, so far as he or she (hereinafter referred to as "he") is aware, there is no relevant audit information of which the Company's auditor is unaware, and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. Additionally there are no important events affecting the Company since the year end.

The Directors, as shown in the table overleaf, held office throughout the whole year under review except Elisabeth Scott who joined the Board on 24 January 2012.

The Company makes no political donations or expenditures or donations for charitable purposes and, in common with most investment trusts, has no employees.

Dividends

The Directors recommend that a final dividend of 6.90p (2011 – 6.50p) per share be paid on 25 May 2012 to shareholders on the register at the close of business on 20 April 2012, making a total of 10.65p (2011 – 10.25p) per share for the year ended 31 January 2012. The ex-dividend date is 18 April 2012. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting.

Status

The Company is registered as a public limited company. The Company's registration number is SC000881.

The Company carries on business as an investment trust for the purpose of Section 1158 of the Corporation Tax Act 2010 and has been approved as such by HM Revenue & Customs for the period ended 31 January 2011 although approval for that year would be subject to review were there to be any enquiry under the Corporation Tax Self Assessment regime. The Company has subsequently conducted its affairs so as to enable it to continue to seek such approval. The Company is an investment company, within the terms of Section 833 of the Companies Act 2006.

Share Capital and Voting Rights

There have been no changes to the Company's issued share capital during the year. The issued Ordinary share capital at 31 January 2012 consisted of 150,706,187 Ordinary shares of 25p and 2,971,748 Ordinary shares of 25p held in treasury. At the date of this report, these numbers were unchanged.

Each Ordinary share of the Company carries one vote at general meetings of the Company.

Directors

Details of the current Directors of the Company are shown on pages 19 to 20.

In accordance with the Articles of Association, Peter Wolton retires from the Board by rotation and will be proposed for re-election at the Annual General Meeting. The Board has reviewed the skills and experience of Mr Wolton and has no hesitation in recommending to shareholders his re-election at the Annual General Meeting. Elisabeth Scott was appointed to the Board on 24 January 2012 and, in accordance with the Articles of Association, offers herself for election to the Board at the Annual General Meeting.

After 11 years of service, John Scott will retire from the Board with effect from the conclusion of the Annual General Meeting.

The Directors' holdings in the Company's shares are shown in the table below.

	Ordinary shares held at 31 January	
	2012	2011
John Carson	40,000	40,000
Catherine Claydon	4,000	n/a
Rory Macnamara	4,000	4,000
Elisabeth Scott	-	n/a
John Scott	23,597	23,431
Peter Wolton	21,000	11,500

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

No contract or arrangement existed during the year in which any of the Directors was materially interested. Directors do not have service contracts with the Company.

Directors' Liability Insurance

The Company maintains insurance in respect of directors' and officers' liabilities in relation to their acts on behalf of the Company. Each Director of the Company shall be entitled to be indemnified out of the assets of the Company to the extent permitted by law against any loss or liability incurred by him in the execution of his duties in relation to the affairs of the Company. These rights are included in the Articles of Association of the Company.

Payments Policy

The Company's payments policy is to ensure settlement of suppliers' invoices in accordance with the stated terms. In certain circumstances, settlement terms are agreed prior to business taking place and it is the Company's policy to abide by those terms.

Corporate Governance

The Statement of Corporate Governance which forms part of the Directors' Report is shown on pages 25 to 28.

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 current bank loan expires in July 2013. 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.

Auditor

Resolutions are to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditor of the Company and to authorise the Directors to fix their remuneration. The Directors have reviewed the level of non audit services provided by the auditor during the year together with the auditor's procedures in connection with the provision of such services and remain satisfied that KPMG Audit Plc's objectivity and independence is being safeguarded.

Annual General Meeting

At the Annual General Meeting to be held on 23 May 2012, resolutions will be proposed concerning the following business:

(i) ### Allotment of Shares

Resolution 8 will be proposed as an ordinary resolution to confer an authority on the Directors, in substitution for any existing authority, to allot up to 50,230,372 Ordinary shares (up to a maximum nominal amount of £12,557,593 being 33.33% of the current issued Ordinary share capital, excluding treasury shares, and within institutional guidelines) in accordance with Section 551 of the Companies Act 2006. The authority conferred by this resolution will expire at the Annual General Meeting to be held in 2013 or, if earlier, 31 July 2013 (unless previously revoked, varied or extended by the Company in general meeting).

As at 23 March 2012, the Company held 2,971,748 treasury shares which represented 2.0% of the issued share capital (excluding treasury shares).

The Directors consider that the authority proposed to be granted by resolution 8 is necessary to retain flexibility, although they do not at the present time have any intention of exercising such authority.

(ii) Limited Disapplication of Pre-emption Provisions
Resolution 9 will be proposed as a special resolution and seeks to give the Directors power to allot Ordinary shares and to sell Ordinary shares held in treasury (see below) (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions), and (iii) to persons other than existing shareholders for cash up to a maximum aggregate nominal amount of £1,883,827, representing approximately 5% of the issued Ordinary share capital of the Company at the date of this Directors' Report, without first being required to offer such shares to existing shareholders *pro rata* to their existing shareholding.

This power will last until the conclusion of the Annual General Meeting of the Company to be held in 2013 or, if earlier, 31 July 2013 (unless previously revoked, varied or extended by the Company in general meeting).

The Company may buy back and hold shares in treasury and then sell them at a later date for cash rather than cancelling them. Such sales are required to be on a pre-emptive, pro rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued Ordinary share capital on a non pre-emptive basis, resolution 9 will also give the Directors power to sell Ordinary shares held in treasury on a non pre-emptive basis, subject always in both cases to the limitations noted above. Pursuant to this power, Ordinary shares would only be issued for cash and treasury shares would only be sold for cash at a price not less than the net asset value per share (calculated after the deduction of prior charges at market value). Treasury shares are explained in more detail under the heading "Market Purchase of the Company's own Ordinary Shares" below.

(iii) Market Purchase of the Company's own Ordinary Shares
Resolution 10 will be proposed as a special resolution to authorise the Company to make market purchases of its own Ordinary shares. The Company may do either of the following things in respect of its own Ordinary shares which it buys back and does not immediately cancel but, instead, holds in treasury:–

a) sell such shares (or any of them) for cash (or its equivalent); or
b) ultimately, cancel the shares (or any of them).

The Directors intend to continue to take advantage of this flexibility as they deem appropriate. For example, treasury shares may be resold quickly and cost effectively. Treasury shares also enhance the Directors' ability to manage the Company's capital base.

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

The maximum aggregate number of Ordinary shares which may be purchased pursuant to the authority shall be 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution (approximately 22.6 million Ordinary shares). The minimum price which may be paid for an Ordinary share shall be 25p (exclusive of expenses). The maximum price (exclusive of expenses) which may be paid for the shares shall be the higher of a) 5% above the average of the middle market quotations of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and b) the higher of the price of the last independent trade and the highest current independent bid on the main market for the Ordinary shares.

This authority, if conferred, will be exercised only if exercise would result in an increase in net asset value per Ordinary share for the remaining shareholders and if it were in the best interests of shareholders as a whole.

This authority will last until the conclusion of the Annual General Meeting of the Company to be held in 2013 or, if earlier, 31 July 2013 (unless previously revoked, varied or renewed by the Company in general meeting).

The Board considers the above resolutions to be in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, the Board unanimously recommends that shareholders should vote in favour of the resolutions to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings, amounting to 92,597 Ordinary shares.

Additional Information

Where not provided elsewhere in the Directors' Report, the following provides the additional information required to be disclosed by Part 15 of the Companies Act 2006:

There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law).

The Company is not aware of any agreements between shareholders that may result in a restriction on the transfer of securities and/or voting rights.

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 25 to 28. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover.

Other than the Investment Management Agreement with the Manager, further details of which are set out on page 9, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

By order of the Board
Aberdeen Asset Management PLC
Secretary
Edinburgh
23 March 2012

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 21 to 24.

Compliance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code published in May 2010 (the "UK Code") which is available on the Financial Reporting Council's website: www.frc.org.uk. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the UK Code.

The Association of Investment Companies ("AIC") has also published a Code of Corporate Governance ("AIC Code") and a Corporate Governance Guide for Investment Companies ("AIC Guide") which are both available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

Directors

The Board, which meets at least five times during the year and more frequently when business needs require, has overall responsibility for the Company's affairs.

The Board has formally adopted a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. Such matters include strategy, Company structure, risk, reviewing the Manager, borrowings, treasury, dividend, and corporate governance policy. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board delegates, through an Investment Management Agreement and through specific instructions, the day-to-day management of the Company to Aberdeen Asset Managers Limited (the "Manager"). The Company has no employees.

For the year under review, the Board consisted of seven non-executive Directors, including the Chairman. Jean Matterson retired from the Board on 23 May 2011 and Catherine Claydon and Elisabeth Scott joined the Board on 1 February 2011 and 24 January 2012 respectively. John Scott will retire from the Board with effect from the conclusion of the Annual General Meeting and Rory Macnamara will take over as Chairman of the Board. As is common for an investment trust, there are no executive Directors. All the Directors are considered to be independent.

Information on the Directors appears on pages 19 to 20. Each Director has the requisite business and financial experience to enable the Board to provide effective strategic leadership and proper governance of the Company. The Senior Independent Director is John Carson.

There is a formal process for the consideration and authorisation by the Board of Directors' reported actual and potential conflicts of interest, a full analysis of the Directors' appointments and interests having been considered at each Board meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of his own position. The Board will continue to monitor and review potential conflicts of interests on a regular basis.

The Bribery Act 2010 became effective on 1 July 2011. The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Manager also adopts a zero tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption.

External Agencies

The Board has contractually delegated to external agencies, including the Manager and other service providers, certain services: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day-to-day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered in so far as they relate to the affairs of the Company. The Board receives and considers reports from the Manager on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

Accountability and Audit

The Board confirms that as at 31 January 2012 there is a process for identifying, evaluating and managing the Company's significant business and operational risks, that it has been in place for the year ended 31 January 2012 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board and accords with the internal control guidance for directors on the UK Code.

The Board has overall responsibility for ensuring that there is a system of internal controls in place and a process for reviewing its effectiveness. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Manager is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Board receives regular reports covering key performance and risk indicators and considers control and compliance issues brought to its attention. In carrying out its review, the Board has had regard to the activities of the Manager, the Manager's internal audit and compliance function and the auditor.

The Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Manager, has decided to place reliance on the Manager's systems and internal audit procedures.

The key components designed to provide effective internal control are outlined below:
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- as a matter of course the Manager's compliance department continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers; and
- at its March 2012 meeting, the Board carried out an annual assessment of internal controls for the year ended 31 January 2012 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 January 2012.

Board Committees

The Directors have appointed a number of Committees, as set out below. Copies of their terms of reference, which clearly define the responsibilities and duties of each Committee, are available on the Company's website, or upon request from the Company.

Audit Committee

An Audit Committee is established consisting of the whole Board with Rory Macnamara acting as Audit Committee Chairman. The Board has considered Mr Scott's membership of this Committee and believes that given the Board's size and overlap between the Board and the Audit Committee that the Chairman of the Board should remain a member of this Committee. The Committee meets three times a year and reviews audit matters within clearly defined written terms of reference.

The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience.

When Mr Macnamara becomes the Chairman of the Board following Mr Scott's retirement, John Carson will take over as Audit Committee Chairman.

In summary, the Audit Committee's main audit review functions are:
- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging, where necessary, the actions and judgements of the Manager;
- to meet, if required, with the auditor to review its proposed audit programme of work and the findings of the auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the auditor to supply non audit services (services provided during the year related to the interim review, for which there was a non audit fee of £6,000);
- to review an annual statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ("whistleblowing");
- to make recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- to monitor and review annually the auditor's independence, objectivity, effectiveness, resources and qualification.

Shareholders have the opportunity at each Annual General Meeting to vote on the appointment of the auditor for the forthcoming year.

Nomination Committee

The Nomination Committee consists of the whole Board and is chaired by John Carson. Terms of reference are in place, which include reviewing the Board, appointments, appraisal, succession planning and training.

Using questionnaires and discussion, the Nomination Committee has undertaken the annual appraisal of the Chairman of the Board as well as performance evaluation and review of the Board as a whole. A list of skills and expertise required by the Board has been agreed by the Board and is kept under review. The Nomination Committee has also reviewed the Chairman's and Directors' other commitments, and the Committee is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company. It is intended that evaluation of the Board will be externally facilitated during the Company's current year end reporting period (31 January 2013).

Appointments of new Directors are considered by the Nomination Committee taking into account the need to maintain a balanced Board. Appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee will consider the use of an external search consultant depending on circumstances at the appropriate time and in the case of the recent recruitment of Elisabeth Scott, the Committee employed the services of such a consultant. Following the forthcoming Annual General Meeting and assuming the election of Ms Scott, two members out of five on the Board will be women.

New Directors appointed to the Board are given a formal induction meeting with the Manager and will be provided with all relevant information regarding their duties as Directors. Consistent with the recommendation of the AIC Code, appropriate training is arranged for new and current Directors where necessary and an appropriate record of this is kept by all Directors.

A Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. All Directors are required to submit themselves for re-election at least once every three years. Directors with more than nine years' service will be required to submit themselves for annual re-election. The Board supports the election of Ms Scott who has over 26 years of experience in the fund management industry. The Board also supports the re-election of Mr Wolton who has had a long and dinstinguished career in international asset management. Section B.7.1 of the UK Code requires all directors of FTSE 350 companies be subject to annual election by shareholders. Although the Company is not currently a FTSE 350 company, it would like to comply with the relevant provisions where the Board believes it is in the best interests of shareholders to do so. However in this instance, the Board does not believe the Directors should be subject to annual re-election, not least because it presents the possibility of all Directors being voted off simultaneously which would not be in the best interests of shareholders. The Board believes that three years between re-election is an appropriate period for an investment company and that given compliance is voluntary the Board will retain its current policy.

There is a procedure for Directors to take independent professional advice, if necessary, at the Company's expense.

Management Engagement Committee

The Board as a whole fulfils the function of the Management Engagement Committee and keeps the resources of the Manager under review. In addition, it conducts an annual review of the terms and conditions of the Investment Management Agreement and of all aspects of the Manager's performance under this agreement.

In the opinion of the Board, Aberdeen Asset Management Group has the secretarial, marketing and administrative skills required for the effective operation and administration of the Company. Furthermore, the Board remains satisfied that the Manager's investment screening processes are thorough and robust and it employs a well resourced team of skilled and experienced fund managers.

The current investment management team, with Jeremy Whitley as fund manager and Ben Ritchie as his deputy, was appointed in the 2009/10 financial year and in the subsequent period the Company's performance has been very satisfactory, relative to both its peer group and its benchmark. At the same time, the discount has closed and the revenue account has been re-built to allow the Board to recommend an increased dividend. The Board therefore recommends the continuing appointment of the Manager, on the terms agreed, and believes this to be in the best interests of shareholders.

Remuneration Committee

There is no requirement for the above as the Company has no executive employees. Remuneration details are provided in the Directors' Remuneration Report on page 30.

Communication with Shareholders

The Directors place a great deal of importance on communication with shareholders. The annual report and accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Company's website and the Manager's information service, and the Company responds to letters from shareholders on a wide range of issues. The Manager has regular meetings with shareholders and reports to the Board. The Board is available to meet with shareholders as appropriate.

The notice of Annual General Meeting included within the annual report and accounts is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board and a presentation from the Manager covers the investment performance and strategy during the financial year and the outlook for the year ahead. The Board hopes that as many shareholders as possible will be able to attend the meeting.

Substantial Share Interests

At 23 March 2012 the following were registered or had notified the Company as being interested in 3% or more of the Company's Ordinary share capital:

Holder	No. of Ordinary shares	%
Aberdeen Investment Trust Savings Plans*	34,264,291	22.7
Brewin Dolphin	7,610,785	5.1
AXA S.A.	7,082,054	4.7
Legal & General Investment Management Ltd	5,988,503	4.0
D C Thomson & Co Ltd	5,900,000	3.9

*Non-beneficial interest

Proxy Voting as an Institutional Shareholder

Responsibility for actively monitoring the activities of investee companies has been delegated by the Board to the Manager. The Manager's Corporate Governance Principles can be found on the Manager's website, at http://www.aberdeen-asset.com/aam.nsf/AboutUs /governancestewardship. This document sets out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Manager's Statement of Compliance with the UK Stewardship Code also appears on the Manager's website, at the web address given above.

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights. The Manager's policy is to vote on all shares held by the Company and the Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

Corporate Governance and Socially Responsible Investment Policy

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective is to deliver superior long-term returns for our shareholders which we believe will be produced on a sustainable basis by investments in companies which adhere to best practice in the area of Corporate Governance. Accordingly, the Manager will seek to favour companies which pursue best practice in the above area.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report & accounts and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

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

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For Dunedin Income Growth Investment Trust PLC

Rory Macnamara
Audit Committee Chairman
23 March 2012

Directors' Remuneration Report

The Directors have prepared this report, in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in its report on page 31.

Remuneration Committee

The Company currently has six non-executive Directors. The Nomination Committee fulfils the function of a Remuneration Committee.

Policy on Directors' Fees

The Nomination Committee's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair in the light of the workload of the Board.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. Directors' fees are £27,000, £21,000 and £18,000, for the Chairman, Audit Committee Chairman and Directors respectively. All members of the Audit Committee are paid an additional £2,000 per annum, bringing the total annual fees to £29,000 for the Chairman, £23,000 for the Audit Committee Chairman and £20,000 for other Directors. Following the most recent annual review, it was agreed that the level of fees should remain unchanged.

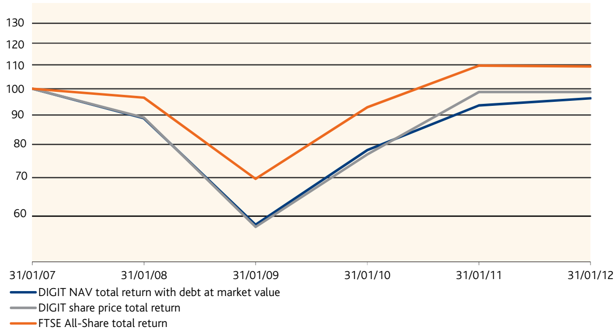
Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that each Director shall retire and be subject to re-election at the first Annual General Meeting after his appointment, and at least every three years after that. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Directors' and officers' liability insurance is held by the Company in respect of the Directors. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

Company Performance

The Directors look at a number of Key Performance Indicators in assessing the performance of your Company. The graph below (which also appears on page 3 and is repeated here for statutory reporting purposes) compares the total return (assuming all dividends are reinvested) to ordinary shareholders with the total shareholder return on a notional investment in the FTSE All-Share Index on a logarithmic scale. This Index was chosen for comparison purposes, as it is the benchmark we currently use and is a widely used indicator for the UK equity market.



Directors' Emoluments for the Year (audited)

The Directors who served in the year received emoluments in the form of fees, as detailed below:

	Year ended 31 January 2012 £	Year ended 31 January 2011 £
John Carson	20,000	18,000
Catherine Claydon (appointed 1 February 2011)	20,000	n/a
Rory Macnamara	23,000	20,000
Jean Matterson (retired 23 May 2011)	6,237	18,000
Elisabeth Scott (appointed 24 January 2012)	430	n/a
John Scott	29,000	26,000
Peter Wolton	20,000	18,000
	118,667	**100,000**

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 23 March 2012 and signed on its behalf by:

John Carson
Director
23 March 2012

Independent Auditor's Report to the Members of Dunedin Income Growth Investment Trust PLC

We have audited the financial statements of Dunedin Income Growth Investment Trust PLC for the period ended 31 January 2012 set out on pages 32 to 50. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 22, in relation to going concern;
- the part of the Corporate Governance Statement on pages 25 to 28 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Gareth Horner (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh
23 March 2012

Income Statement

	Notes	Year ended 31 January 2012 Revenue £'000	Capital £'000	Total £'000	Year ended 31 January 2011 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	9	–	(4,394)	(4,394)	–	45,224	45,224
Currency losses		–	(84)	(84)	–	(125)	(125)
Income	2	19,173	–	19,173	16,904	–	16,904
Investment management fee	3	(560)	(840)	(1,400)	(522)	(783)	(1,305)
VAT recovered on investment management fees	3	–	–	–	715	582	1,297
Administrative expenses	4	(788)	–	(788)	(740)	(2)	(742)
Net return before finance costs and taxation		17,825	(5,318)	12,507	16,357	44,896	61,253
Finance costs	5	(980)	(1,470)	(2,450)	(948)	(1,423)	(2,371)
Return on ordinary activities before taxation		16,845	(6,788)	10,057	15,409	43,473	58,882
Taxation	6	(264)	–	(264)	(118)	–	(118)
Return on ordinary activities after taxation		**16,581**	**(6,788)**	**9,793**	**15,291**	**43,473**	**58,764**
Return per Ordinary share (pence)	8	**11.00**	**(4.50)**	**6.50**	**10.15**	**28.85**	**39.00**

The column of this statement headed "Total" 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 are recognised in the Income Statement.

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

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

Balance Sheet

	Notes	As at 31 January 2012 £'000	As at 31 January 2011 £'000
Non-current assets			
Investments at fair value through profit or loss	9	370,711	361,864
Current assets			
Loans and receivables	10	2,887	2,098
Cash and short term deposits	17	3,890	3,566
AAA Money Market funds	17	–	13,866
		6,777	19,530
Creditors: amounts falling due within one year			
Bank loan	11	(5,000)	(5,000)
Other creditors	11	(2,702)	(974)
		(7,702)	(5,974)
Net current (liabilities)/assets		(925)	13,556
Total assets less current liabilities		369,786	375,420
Creditors: amounts falling due after more than one year	12	(28,506)	(28,493)
Net assets		**341,280**	**346,927**
Capital and reserves			
Called-up share capital	13	38,419	38,419
Share premium account		4,543	4,543
Capital redemption reserve		1,606	1,606
Capital reserve	14	275,129	281,917
Revenue reserve		21,583	20,442
Equity shareholders' funds		**341,280**	**346,927**
Adjusted net asset value per Ordinary share (pence)	18	**226.39**	**230.13**

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2012 and were signed on its behalf by:

John Scott
Director

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

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 January 2012

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2011		38,419	4,543	1,606	281,917	20,442	346,927
Return on ordinary activities after taxation		–	–	–	(6,788)	16,581	9,793
Dividends paid	7	–	–	–	–	(15,440)	(15,440)
Balance at 31 January 2012		**38,419**	**4,543**	**1,606**	**275,129**	**21,583**	**341,280**

For the year ended 31 January 2011

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2010		38,419	4,543	1,606	238,444	20,591	303,603
Return on ordinary activities after taxation		–	–	–	43,473	15,291	58,764
Dividends paid	7	–	–	–	–	(15,440)	(15,440)
Balance at 31 January 2011		**38,419**	**4,543**	**1,606**	**281,917**	**20,442**	**346,927**

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

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

Cash Flow Statement

	Notes	Year ended 31 January 2012 £'000	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000	Year ended 31 January 2011 £'000
Net cash inflow from operating activities	15		17,969		16,737
Servicing of finance					
Interest paid			(2,442)		(2,362)
Taxation					
Overseas withholding tax paid			(264)		(118)
Financial investment					
Purchases of investments		(67,638)		(57,300)	
Sales of investments		54,357		69,588	
Net cash (outflow)/inflow from financial investment			(13,281)		12,288
Equity dividends paid	7		(15,440)		(15,440)
Net cash (outflow)/inflow before use of liquid resources and financing			(13,458)		11,105
Net cash inflow/(outflow) from management of liquid resources			13,866		(11,480)
Net cash inflow/(outflow) before financing			408		(375)
Financing					
Repayment of loans		–		(1,500)	
Drawdown of loan		–		5,000	
Net cash inflow from financing			–		3,500
Increase in cash			**408**		**3,125**
Reconciliation of net cash flow to movements in net debt					
Increase in cash as above			408		3,125
Net change in liquid resources			(13,866)		11,480
Net change in financing			–		(3,500)
Exchange movements			(84)		(125)
Non-cash movements			(13)		(13)
Movement in net debt in the period			(13,555)		10,967
Opening net debt			(16,061)		(27,028)
Closing net debt			**(29,616)**		**(16,061)**

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

Notes to the Financial Statements For the year ended 31 January 2012

1. Accounting policies

(a) Basis of preparation and going concern

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of investments and in accordance with the applicable UK Accounting Standards 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 Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 22.

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

(b) Revenue, expenses and interest payable

Income from equity investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are credited to revenue or capital according to the circumstances. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on AAA rated money market funds and short term deposits and expenses are accounted for on an accruals basis. Income from underwriting commission is recognised as earned. Interest payable is calculated on an effective yield basis.

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 (see note 3).

(c) Investments

Investments have been designated upon initial recognition as 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 the 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) Dividends payable

Interim and final dividends are recognised in the period in which they are paid.

(e) Capital reserves

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

The Ordinary share capital on the Balance Sheet relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, should a transfer be made to the capital redemption reserve.

(f) Taxation

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Balance Sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets being recognised only if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Temporary differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

Owing to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(g) Foreign currency

The Company receives a proportion of its investment income in foreign currency. These amounts are translated at the rate ruling on the date of receipt. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Balance Sheet date.

(h) 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.

2. Income	**2012 £'000**	**2011 £'000**
Income from investments		
UK listed – franked	13,693	11,964
UK listed – unfranked	144	302
Overseas listed	3,048	1,414
Bond interest listed	273	502
Stock dividends	195	182
	17,353	14,364
Other income		
Interest from AAA rated money market funds	14	40
Deposit interest	2	–
Interest on VAT recovered	17	1,121
Income on derivatives	1,723	1,277
Income from stock lending	64	–
Underwriting commission	–	102
	1,820	2,540
Total income	**19,173**	**16,904**

During the year, the Company was entitled to premiums totalling £1,723,000 (2011 – £1,277,000) in exchange for entering into derivative transactions. This figure includes a mark to market on derivative contracts open at each year end. Derivatives utilised were based on individual FTSE 100 stocks and FT 500 World's largest companies. At the year end there were 17 open positions, valued at a liability of £442,000 (2011 – £283,000) as disclosed in note 11.

Notes to the Financial Statements continued

3. Investment management fee	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Investment management fee	**560**	**840**	**1,400**	**522**	**783**	**1,305**

The management fee paid to Aberdeen Asset Managers Limited (the "Manager") for the year ended 31 January 2012 is calculated, on a monthly basis, at 0.45% on the first £225 million, 0.35% on the next £200 million and 0.25% on amounts over £425 million per annum of the net assets of the Company, with debt at par and excluding commonly managed funds. The management fee is chargeable 40% to revenue and 60% to capital. There were no commonly managed funds held in the portfolio during the year to 31 January 2012 (2011 – none).

On 5 November 2007, the European Court of Justice ruled that management fees on investment trusts should be exempt from VAT. HMRC announced its intention not to appeal against this ruling to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company have now been processed by HMRC.

The VAT charged on the investment management fees has been refunded in stages. An amount of £1,020,000 relating to the period 1 January 2004 to 31 October 2007 was recognised in the financial statements for the year ended 31 January 2009 and an amount of £573,000 relating to the period 1 January 2001 to 31 December 2003 was recognised in the financial statements for the year ended 31 January 2010. Further amounts of £1,095,000 representing all VAT charged on investment management fees for the period 1 January 1990 to 4 December 1996 and £202,000 for the period 1 January 2001 to 31 December 2003 were received and recognised in the prior year's financial statements. The refunds have been allocated to revenue and capital in line with the accounting policy of the Company for the periods in which the VAT was charged.

In addition, an interest debtor of £1,121,000 relating to the above settled claims was recognised in the revenue column of the income statement in the financial statements for the year ended 31 January 2011 and £1,138,000 was received in the current year.

4. Administrative expenses	2012 £'000	2011 £'000
Directors' fees	119	100
Auditor's remuneration (excluding irrecoverable VAT):		
• fees payable to the Company's auditor for the audit of the annual accounts	16	16
• fees payable to the Company's auditor and its associates for other services:		
• interim review	6	6
Investor Relations/Marketing Initiative	271	240
Registrar's fees	104	101
Printing and postage	42	54
Irrecoverable VAT	75	69
Other expenses	155	154
	788	**740**

A payment of £271,000 (2011 – £240,000) was made to the Manager in respect of marketing and promotion of the Company.

5. Finance costs

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Bank loan interest	74	111	185	42	64	106
Debenture Stock – repayable after 5 years	901	1,351	2,252	901	1,351	2,252
Amortised Debenture Stock premium and issue expenses	5	8	13	5	8	13
	980	**1,470**	**2,450**	**948**	**1,423**	**2,371**

6. Taxation

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
(a) Analysis of charge for the year						
Overseas tax suffered	348	–	348	154	–	154
Overseas tax reclaimable	(84)	–	(84)	(36)	–	(36)
Current tax charge for the year	**264**	**–**	**264**	**118**	**–**	**118**

(b) Factors affecting the tax charge for the year

The UK Corporation tax rate was 28% until 31 March 2011 and 26% from 1 April 2011 giving an effective rate of 26.33% (2011 – effective rate of 28%). The tax assessed for the year is lower than the rate of corporation tax. The differences are explained below:

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Return on ordinary activities before taxation	**16,845**	**(6,788)**	**10,057**	**15,409**	**43,473**	**58,882**
Corporation tax at 26.33% (2011 – 28%)	4,435	(1,787)	2,648	4,315	12,172	16,487
Effects of:						
Non-taxable UK dividends	(3,606)	–	(3,606)	(3,350)	–	(3,350)
Non-taxable stock dividends	(51)	–	(51)	(51)	–	(51)
Capital losses/(gains) on investments not taxable	–	1,157	1,157	–	(12,663)	(12,663)
Overseas taxes	264	–	264	118	–	118
Non-taxable overseas dividends	(803)	–	(803)	(377)	–	(377)
Utilisation/(non-utilisation) of management expenses	25	608	633	(537)	456	(81)
Capital loss on exchange movements not allowable	–	22	22	–	35	35
Current tax charge	**264**	**–**	**264**	**118**	**–**	**118**

(c) Factors that may affect future tax charges

At the year end, the Company has, for taxation purposes only, accumulated unrelieved management expenses and loan relationship deficits of £105,464,000 (2011 – £103,063,000). A deferred tax asset in respect of this has not been recognised and these expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

7. Dividends	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 January 2011 – 6.50p (2010 – 6.50p) paid 25 May 2011	9,796	9,796
Interim dividend for the year ended 31 January 2012 – 3.75p (2011 – 3.75p) paid 17 October 2011	5,651	5,651
Return of unclaimed dividends	(7)	(7)
Dividends paid in the period	**15,440**	**15,440**

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

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis upon which the requirements of Sections 1158–1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £16,581,000 (2011 – £15,291,000).

	2012 £'000	2011 £'000
Interim dividend for the year ended 31 January 2012 – 3.75p (2011 – 3.75p)	5,651	5,651
Proposed final dividend for the year ended 31 January 2012 – 6.90p (2011 – 6.50p)	10,399	9,796
	16,050	**15,447**

There have been no shares bought back since the year end and the proposed final dividend for 2012 is based on the latest share capital of 150,706,187 Ordinary shares.

8. Return per Ordinary share	2012 £'000	2012 p	2011 £'000	2011 p
Revenue return	16,581	11.00	15,291	10.15
Capital return	(6,788)	(4.50)	43,473	28.85
Total return	**9,793**	**6.50**	**58,764**	**39.00**
Weighted average number of Ordinary shares in issue		**150,706,187**		**150,706,187**

9. Investments: listed at fair value through profit or loss	Listed 2012 £'000	Listed 2011 £'000
Opening fair value	361,864	328,928
Opening investment holding gains	(66,528)	(31,182)
Opening book cost	295,336	297,746
Purchases at cost	69,183	57,300
Sales – proceeds	(55,942)	(69,588)
Sales – realised gains	7,487	10,116
Loss on traded index option contracts	–	(238)
Closing book cost	316,064	295,336
Closing investment holdings gains	54,647	66,528
Closing fair value	**370,711**	**361,864**

(Losses)/gains on investments	2012 £'000	2011 £'000
Realised gains on sales	7,487	10,116
Loss on traded index option contracts	–	(238)
Change in investment holdings gains	(11,881)	35,346
	(4,394)	**45,224**

Transaction costs

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

	2012 £'000	2011 £'000
Purchases	281	248
Sales	54	68
	335	**316**

Stock lending	2012 £'000	2011 £'000
Aggregate value of securities on loan at the year end	17,543	–
Maximum aggregate value of securities on loan during the year	19,220	–
Fee income (gross) from stock lending	64	–

All stocks lent under these arrangements are fully secured against collateral. The value of the collateral held at 31 January 2012 was £19,625,000 (2011 – nil) which comprised government stocks.

10. Debtors: amounts falling due within one year	2012 £'000	2011 £'000
Amounts due from stockbrokers	1,585	–
Net dividends and interest receivable	1,098	746
Tax recoverable	180	188
Interest on VAT recoverable	–	1,121
Other loans and receivables	24	43
	2,887	**2,098**

11. Creditors: amounts falling due within one year

(a) Bank loan

The Company has an agreement (which expires 25 July 2013) with Royal Bank of Scotland to provide a loan facility for up to £20,000,000 (2011 – £5,000,000). At 31 January 2012 £5,000,000 (2011 – £5,000,000) was drawn down at a rate of 1.8763%. On 29 February 2012 the loan was rolled over at a rate of 1.84589%. The terms of the loan facility contain covenants that gross borrowings should not exceed 30% of adjusted assets and that the minimum net assets of the Company are £200,000,000.

Notes to the Financial Statements continued

(b) Other creditors

	2012 £'000	2011 £'000
Amounts due to stockbrokers	1,545	–
Debenture Stock and bank loan interest	569	574
Traded option contracts	442	283
Sundry creditors	146	117
	2,702	**974**

12. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
7⅞% Debenture Stock 2019 (issued in 1997)	28,600	28,600
Unamortised Debenture Stock premium and issue expenses	(94)	(107)
Amortised cost of Debenture Stock	**28,506**	**28,493**

The 7⅞% Debenture Stock is due to be redeemed at par on 30 April 2019 and interest is payable in half-yearly instalments in April and October. The Debenture Stock is secured by a floating charge over the whole of the assets of the Company. The Company has complied with the Debenture Stock Trust Deed that total borrowings should not be greater than adjusted capital and reserves throughout the year and up to the date this report was signed.

The market value of the Debenture Stock as at 31 January 2012 was £33,891,000 (2011 – £33,605,000), the value being calculated per the disclosure in note 19. The effect on the net asset value of deducting the Debenture Stock at market value rather than at par is disclosed in note 18.

13. Called-up share capital

	2012 £'000	2011 £'000
Allotted, called up and fully paid:		
150,706,187 (2011 – 150,706,187) Ordinary shares of 25p each – equity	37,676	37,676
Treasury shares:		
2,971,748 (2011 – 2,971,748) Ordinary shares of 25p each – equity	743	743
	38,419	**38,419**

During the year there were no Ordinary shares repurchased (2011 – nil), and no treasury shares cancelled (2011 – nil).

14. Capital reserve

	2012 £'000	2011 £'000
At 31 January 2011	281,917	238,444
Net gains on sales of investments during the year	7,487	10,116
Movement in investment holdings gains during the year	(11,881)	35,346
Loss on traded index option contracts	–	(238)
Currency losses	(84)	(125)
Finance costs of borrowings (note 5)	(1,470)	(1,423)
Investment management fee	(840)	(783)
VAT recoverable on management fees	–	582
Administrative expenses	–	(2)
At 31 January 2012	**275,129**	**281,917**

Included in the total above are investment holdings gains at the year end of £54,647,000 (2011 – £66,528,000).

15. **Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities**	**2012 £'000**	**2011 £'000**
Net return on ordinary activities before finance costs and taxation	12,507	61,253
Adjustment for:		
Losses/(gains) on investments	4,394	(45,224)
Currency losses	84	125
(Increase)/decrease in accrued income	(352)	14
Decrease in other debtors	1,148	358
Increase in other creditors	188	211
	17,969	**16,737**

16. **Analysis of changes in financing during the year**	**Equity share capital (including premium) 2012 £'000**	**Debenture stock 2012 £'000**	**Equity share capital (including premium) 2011 £'000**	**Debenture stock 2011 £'000**
Opening balance at 31 January 2011	42,962	28,493	42,962	28,480
Movement in unamortised Debenture Stock discount and issue expenses	–	13	–	13
Closing balance at 31 January 2012	**42,962**	**28,506**	**42,962**	**28,493**

The Ordinary share capital on the Balance Sheet relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, should a transfer be made to the capital redemption reserve.

17. **Analysis of changes in net debt**	**At 31 January 2011 £'000**	**Cash flow £'000**	**Amortisation of issue expenses and premium £'000**	**At 31 January 2012 £'000**
Cash and short term deposits	3,566	324	–	3,890
AAA Money Market funds	13,866	(13,866)	–	–
Debt due within one year	(5,000)	–	–	(5,000)
Debt due after more than one year	(28,493)	–	(13)	(28,506)
Net debt	**(16,061)**	**(13,542)**	**(13)**	**(29,616)**

18. Net asset value per share

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 year end, adjusted to reflect the deduction of the Debenture Stock at par. A reconciliation between the two sets of figures is as follows:

	2012	2011
Equity shareholders' funds	£341,280,000	£346,927,000
Adjusted net assets	£341,186,000	£346,820,000
Number of equity shares in issue at year end[A]	150,706,187	150,706,187
Equity shareholders' funds per share	226.45p	230.20p
Less: unamortised Debenture Stock premium and issue expenses	(0.06p)	(0.07p)
Adjusted net asset value per share	**226.39p**	**230.13p**

[A] excluding shares held in treasury

The net asset value per share at 31 January 2012, adjusted to include the Debenture Stock at market value rather than at par is 222.88p (2011 – 226.81p).

The movements during the year of the assets attributable to the Ordinary shares were as follows:

	2012 £'000	2011 £'000
Opening adjusted net assets	346,820	303,483
Capital return for the year	(6,788)	43,473
Revenue on ordinary activities after taxation	16,581	15,291
Dividends appropriated in the year	(15,440)	(15,440)
Movement in unamortised Debenture Stock premium and issue expenses	13	13
Closing adjusted net assets	**341,186**	**346,820**

19. Financial instruments

The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts and futures and options for the purpose of managing currency and market risks arising from the Company's activities.

During the year, the Company entered into certain derivative contracts. Positions closed during the year realised a loss of £769,000 (2011 – £1,590,000). As disclosed in note 2, the premium received and fair value changes in respect of options written in the year was £1,723,000 (2011 – £1,277,000). The largest position in derivative contracts held during the year at any given time was £829,000 (2011 – £381,000). The Company had 17 open positions in derivative contracts at 31 January 2012 valued at a liability of £442,000 (2011 – £283,000) as disclosed in note 11.

Risk management

The Manager has a dedicated investment management process, which ensures that the investment policy explained on page 8 is followed. Stock selection procedures are in place based on active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a Senior Investment Manager and also by the Manager's Investment Committee.

The Manager has an independent Investment Risk department for reviewing the investment risk parameters of the Company's portfolio on a regular basis. The department reports to the Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

Additionally, the Manager's Compliance department continually monitors the Company's investment and borrowing powers and reports to the Manager's Risk Management Committee.

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

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors, other than for currency disclosures.

(i) Market risk

Market risk comprises three elements – interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate movements may affect:

– the fair value of the investments in fixed interest rate securities;

– the level of income receivable on cash deposits; and

– interest payable on the Company's variable rate borrowings.

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

Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the Balance Sheet date was as follows:

At 31 January 2012	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Sterling	–	–	–	3,890
Total assets	**–**	**–**	**–**	**3,890**
Liabilities				
Bank loans	0.08	1.88	(5,000)	–
Debenture Stock	7.25	7.87	(28,506)	–
Total liabilities	**–**	**–**	**(33,506)**	**–**

At 31 January 2011	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Sterling	10.49	2.65	5,742	17,432
Total assets	**–**	**–**	**5,742**	**17,432**

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Liabilities				
Bank loans	0.19	2.17	(5,000)	–
Debenture Stock	8.25	7.87	(28,493)	–
Total liabilities	**–**	**–**	**(33,493)**	**–**

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans. The maturity dates of the Company's borrowings are shown in notes 11 and 12 to the financial statements.

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

The Company's equity portfolio and short-term debtors and creditors (excluding bank loans) have been excluded from the above tables. All financial liabilities are measured at amortised cost.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the Balance Sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's profit before tax for the year ended 31 January 2012 would increase by £19,000 (2011 – increase by £87,000) and had interest rates been 50 basis points lower the converse would apply. This is attributable to the Company's exposure to interest rates on its floating rate cash balances. The Company holds no financial instruments that will have an equity reserve impact.

In the opinion of the Directors, the sensitivity analysis is not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives.

Foreign currency risk

A proportion of the Company's investment portfolio is invested in overseas securities whose values are subject to fluctuation due to changes in foreign exchange rates. In addition, the impact of changes in foreign exchange rates upon the profits of investee companies can result, indirectly, in changes in their valuations. Consequently the Balance Sheet can be affected by movements in exchange rates and it is the Company's policy not to hedge this risk.

The revenue account is subject to currency fluctuations arising on dividends paid in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

	31 January 2012 Investments £'000	Net monetary assets £'000	Total currency exposure £'000	31 January 2011 Investments £'000	Net monetary assets £'000	Total currency exposure £'000
Euro	40,221	303	40,524	28,571	184	28,755
Swiss Francs	19,667	384	20,051	11,904	184	12,088
Sterling	310,823	(30,118)	280,705	321,389	(15,305)	306,084
Total	**370,711**	**(29,431)**	**341,280**	**361,864**	**(14,937)**	**346,927**

The asset allocation between specific markets can vary from time to time based on the Manager's opinion of the attractiveness of the individual stocks in these markets.

Foreign currency sensitivity

There is no sensitivity analysis included as the Board believes the amount exposed to foreign currency denominated monetary assets to be immaterial. Where the Company's equity investments (which are non-monetary items) are priced in a foreign currency, they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

Other price risk

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. Both the allocation of assets and the stock selection process, as detailed on page 8, act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges in the UK and Europe.

Other price risk sensitivity

If market prices at the Balance Sheet date had been 10% higher while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 January 2012 would have increased by £37,071,000 (2011 – increase of £36,186,000) and equity reserves would have increased by the same amount. Had market prices been 10% lower the converse would apply.

(ii) Liquidity risk

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

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise Debenture Stock and a revolving facility. The Debenture Stock provides secure long-term funding while short term flexibility is achieved through the borrowing facility. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of less than 30% at all times. Details of borrowings at 31 January 2012 are shown in notes 11 and 12.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly cash and listed securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities, details of which can be found in note 11. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing are shown in the interest rate risk section of this note.

Liquidity risk exposure

At 31 January 2012 and 31 January 2011 the amortised cost of the Company's Debenture Stock was £28,506,000 and £28,493,000 respectively. This is due to be redeemed at par on 30 April 2019. At both 31 January 2012 and 31 January 2011 the Company's bank loans amounted to £5,000,000. The facility is committed until 25 July 2013.

(iii) Credit risk

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

The Company considers credit risk not to be significant as it is actively managed as follows:

– investment transactions are carried out with a large number of brokers, whose credit standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the custodians' records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Manager's Risk Management Committee. This review will also include checks on the maintenance and security of investments held;

– the risk of counterparty exposure due to stock lending is mitigated by the review of collateral positions provided daily by the various counterparties involved;

– cash is held only with reputable banks whose credit ratings are monitored on a regular basis.

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

Credit risk exposure

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

	2012		2011	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Current assets				
Fixed interest securities	–	–	5,742	5,742
Debtors and prepayments	2,887	2,887	2,098	2,098
Cash and short term deposits	3,890	3,890	17,432	17,432
	6,777	**6,777**	**25,272**	**25,272**

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

Fair values of financial assets and financial liabilities

The fair value of borrowings has been calculated at £38,891,000 as at 31 January 2012 (2011 – £38,605,000) compared to an accounts value in the financial statements of £33,600,000 (2011 – £33,600,000) (notes 11 and 12). The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. All other assets and liabilities of the Company are included in the Balance Sheet at fair value.

20. Fair value hierarchy

FRS 29 'Financial Instruments: Disclosures' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

31 January 2012	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	370,711	–	–	370,711
Quoted bonds	b)	–	–	–	–
Total		370,711	–	–	370,711
Financial liabilities at fair value through profit or loss					
Derivatives	c)	(212)	(230)	–	(442)
		370,499	**(230)**	**–**	**370,269**

31 January 2011	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	356,122	–	–	356,122
Quoted bonds	b)	5,742	–	–	5,742
Total		361,864	–	–	361,864
Financial liabilities at fair value through profit or loss					
Derivatives	c)	(257)	(26)	–	(283)
		361,607	**(26)**	**–**	**361,581**

a) Quoted equities

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

b) Quoted bonds

The fair value of the Company's investments in corporate quoted bonds has been determined by reference to their quoted bid prices at the reporting date.

c) Derivatives

The fair value of the Company's investments in Exchange Traded Options has been determined using observable market inputs on an exchange traded basis and therefore has been classed as Level 1.

The fair value of the Company's investments in Over the Counter Options has been determined using observable market inputs other than quoted prices included within Level 1.

21. Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern; and

– to maximise the return to its equity shareholders through an appropriate balance of equity capital and debt.

The capital of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Company's capital. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company is not subject to any externally imposed capital requirements.

Marketing Strategy

Dunedin Income Growth Investment Trust PLC contributes to the marketing programme run by Aberdeen Asset Managers Limited ("Aberdeen") on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by Aberdeen. This contribution is reviewed annually.

The purpose of the Programme is to communicate effectively with existing shareholders and attract new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares. Aberdeen's experience has also shown that well-targeted marketing of the Company's investment merits through packaged products, whether singly, or in conjunction with other trusts run by Aberdeen, can be a cost-effective way of gaining new investors.

These aims can be met in several ways:

Investor Relations Programme

Aberdeen runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Group Schemes

The Aberdeen Group administers several savings schemes including the Share Plan, ISA and the Children's Plan. These schemes allow investment at lower costs and have proved popular with private investors.

Direct Response Advertising

Aberdeen advertise the packaged product availability of the Company in the specialist financial press.

Direct Mail

Periodic mail shots of information packs inviting named addressees to respond is a low-cost method of building awareness and investor databases. Target groups include existing holders of other Aberdeen investment trusts as well as known buyers of investment trusts.

Newsletter

`The Bulletin' newsletter, an informed commentary on markets and investment trusts managed by Aberdeen, is distributed free of charge.

Public Relations

Aberdeen undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder Services

Aberdeen runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of Aberdeen's Group Head of Marketing, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The Company has its own dedicated website at: www.dunedinincomegrowth.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports.

The Company is committed to the close monitoring of the Marketing Programme. The Group Head of Marketing reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone Aberdeen's Investor Services Department on 0500 00 00 40. Alternatively, internet users may e-mail us at inv.trusts@aberdeen-asset.com or write to us at Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex, CM99 2DB.

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.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("Aberdeen") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including 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 Aberdeen 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

Aberdeen 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 Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £11,280 in Dunedin Income Growth Investment Trust PLC can be made in the tax year 2012/2013.

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 management charge is £24 + VAT. 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.

Trust Information

For 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 please call 0500 00 00 40 for trust information.

Contact

For information on any administrative queries relating to the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:
Aberdeen Investment Trusts
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 384 2100

Shareview Enquiry Line: 0871 384 2233
Textel/hard of hearing: 0871 384 2255

(Calls to the above Equiniti number cost 8p per minute from a BT Landline, other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday)
Tel International: +44 121 415 7047

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 in the United Kingdom.

Glossary of Terms and Definitions

Actual Gearing
Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds.

Asset Cover
The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

Discount
The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Cover
Earnings per share divided by dividends per share expressed as a ratio.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Net Asset Value
The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

Premium
The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Potential Gearing
Total Assets including all debt being used for investment purposes divided by shareholders' funds.

Price/Earnings Ratio
The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stockmarket's view of a company's prospects and profit growth potential.

Prior Charges
The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

Total Assets
Total Assets less current liabilities (before deducting prior charges as defined above).

Total Expense Ratio
Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.

Total Return
Total Return involves reinvesting the net dividend in the month that the share price goes ex dividend. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, e.g. quarter end, half year or year end date.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Dunedin Income Growth Investment Trust PLC (the "Company") will be held at Discovery Point, Dundee, DD1 4XA on Wednesday, 23 May 2012 at 12 noon, for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 8 inclusive will be proposed as ordinary resolutions and resolutions 9 to 10 will be proposed as special resolutions:

1. To receive the reports of the Directors and auditor and the accounts for the year ended 31 January 2012.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2012.
3. To approve a final dividend of 6.90p on the Ordinary shares.
4. To re-elect Peter Wolton as a Director of the Company.
5. To elect Elisabeth Scott as a Director of the Company.
6. To re-appoint KPMG Audit Plc as auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
7. To authorise the Directors to fix the remuneration of the auditor for the year to 31 January 2013.
8. That, in substitution for any existing authority under Section 551 of the Companies Act 2006 (the "Act") but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (such shares and rights together being "relevant securities") up to an aggregate nominal amount of £12,557,593 provided that such authorisation expires (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company in 2013 or on 31 July 2013 (whichever is earlier) save that the Company may, at any time prior to the expiry of such authority, make offers or agreements which would or might require such relevant securities to be allotted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.
9. That, subject to the passing of resolution number 8 set out above and in substitution for any existing power under Sections 570 and 573 of the Companies Act 2006 ("the Act") but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Directors be and are hereby generally empowered, pursuant to Sections 570 and 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred on them by resolution number 8 or by way of a sale of treasury shares (within the meaning of Section 560(3) of the Act) as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:
   (i) (otherwise than pursuant to sub-paragraph (ii) below) up to an aggregate nominal value of £1,883,827; and
   (ii) in connection with an offer of such equity securities by way of rights issue, open offer or other pre-emptive offer in favour of all holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective number of Ordinary shares held by them on a record date fixed by the Directors (subject to such exclusions, limitations, restrictions or other arrangements as the Directors consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever);

   and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2013, or on 31 July 2013 (whichever is earlier), save that the Company may, at any time prior to the expiry of such authority, make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.
10. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Company be and is hereby generally and unconditionally authorised, for the purposes of Section 701 of the Act to make one or more market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") on such terms as the Directors of the Company think fit provided that:

(i) the maximum aggregate number of Ordinary shares hereby authorised to be purchased shall be an aggregate of 22,590,857 Ordinary shares, or if less, the number representing 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
(ii) the minimum price which may be paid for an Ordinary share shall be 25p (exclusive of expenses);
(iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be the higher of:
  (a) 5% above the average of the middle market quotations of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date of purchase; and
  (b) the higher of the price of the last independent trade in Ordinary shares and the highest current independent bid for Ordinary shares on the London Stock Exchange; and
(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 or on 31 July 2013 (whichever is the earlier) save that the Company may at any time prior to such expiry, enter into a contract or arrangement to purchase Ordinary shares under this authority which will or might be completed or executed wholly or partly after the expiration of this authority and may make a purchase of shares pursuant to any such contract or arrangement.

6 April 2012
Registered office: 7th Floor, 40 Princes Street
Edinburgh EH2 2BY

By order of the Board
Aberdeen Asset Management PLC,
Secretary

Notes:

(i) A member entitled to attend and vote at the meeting may appoint a proxy or proxies to exercise all or any of his/her rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise the rights attached to any one share. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms or would like to appoint more than one proxy, please contact the Company's Registrars, Equiniti Limited on 0871 384 2441 (calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday), tel international +44 121 415 7047. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior). A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder.
(ii) A form of proxy is enclosed. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting.
(iii) The return of a completed proxy form or other such instrument of proxy will not prevent a member attending the Annual General Meeting and voting in person if he/she wishes to do so.
(iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
(v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the

instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(viii) The "vote withheld" option on the proxy form is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" a particular resolution.

(ix) The right to vote at a meeting is determined by reference to the Company's register of members as at 6.00 p.m. on 21 May 2012 or if this meeting is adjourned, at 6.00 p.m. on the day two days (excluding non-working days) prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.

(x) As at 23 March 2012 (being the latest practicable date prior to the publication of this document) the Company's issued share capital comprised 150,706,187 ordinary shares of 25p each. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 23 March 2012 was 150,706,187.

(xi) Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

(xii) A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes (i) to (iii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.

(xiii) Biographical details of the Directors standing for election and re-election are set out on pages 19 to 20 of this report.

(xiv) Members who have general queries about the Annual General Meeting should contact the Company Secretary in writing. Members are advised that any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

(xv) Members should note that, it is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

(xvi) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the Company's registered office and for 15 minutes prior to, and at, the meeting.

(xvii) Information regarding the Annual General Meeting is available from the Company's website, dunedinincomegrowth.co.uk

(xviii) Pursuant to Section 319A of the Companies Act 2006, as a member, you have the right to put questions at the meeting relating to business being dealt with at the meeting.

(xix) There are special arrangements for holders of shares through the Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Corporate Information

Directors

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

Manager and Registered Office

Aberdeen Asset Managers Limited
7th Floor, 40 Princes Street
Edinburgh EH2 2BY
Telephone: 0131 528 4000

Company Registration Number: SC000881

Registrar

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0871 384 2441
(Calls to the above Equiniti number cost 8p per minute from a BT landline, other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday).
Tel International: +44 121 415 7047

Stockbroker

J.P.Morgan Cazenove Limited
10 Aldermanbury
London EC2V 7RF

Auditor

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

Custodian

BNY Mellon Asset Servicing
One Canada Square
London E14 5AL

Website

www.dunedinincomegrowth.co.uk

Your Company's History

Dunedin Income Growth Investment Trust PLC – a History

The provenance of Dunedin Income Growth Investment Trust PLC goes back to 1873 and to the origins of the investment trust industry in Scotland. In 1873, a 28 year old Robert Fleming (sometimes dubbed the "father of the investment trust industry"), persuaded a group of Dundee's wealthiest investors to back his idea of forming "the first Association in Scotland for investments in American railroad bonds, carefully selected and widely distributed, and where investments would not exceed one-tenth of the capital in any one security". Fleming, who was later founder of the merchant bank that bore this name, showed extraordinary commercial acumen at a very young age. He was born in modest circumstances in Dundee and was first apprenticed as office boy at 13, then rose to become, at 21, book-keeper with the exporting arm of Dundee's largest textile merchant, Edward Baxter & Son.

In 1870, the elderly Mr Baxter sent Robert Fleming to the United States to represent him on business. Fleming returned enthused about the investment opportunities offered by the States, despite the country still suffering from the aftermath of the American Civil War. The "association" proved to be an attractive means for investors to pool their resources, spread risk and put their investments under full-time management. The new Fund, then known as The Scottish American Investment Trust, was launched in 1 February 1873. The Scottish American Investment Trust was partly modelled on the Foreign & Colonial Government Trust that was launched in 1868. Unlike Foreign & Colonial, which purchased overseas government stocks, the new Trust would invest in "The Bonds of States, cities, railroads and other corporations in the US, but chiefly in the mortgage bonds of railroads". John Guild, one of the chairmen, reported "while in this country you could not lend money on first-class railway debentures at over 4% or 4.5%, in America you could get 7% with the best security of this description". Coupled with the fact that railway infrastructure development in the UK had by then become relatively mature, it was for this reason that the United States was an attractive destination for Scottish funds.

The original prospectus described the intended issue of £150,000 in certificates of £100 each, paying interest of 6% per annum. Such was the level of demand that the original prospectus was withdrawn and a new one was printed with a capital issue of £300,000. The Trust started out with 30 stocks, each comprising no more than 30% of the portfolio. Confusingly, a similar sounding investment trust company, launched in Edinburgh, The Scottish American Investment Company was formed in April 1873, just a few months after Fleming's launch in February 1873. In Dundee, two almost identical issues were made in the following two years, described as the "Second Issue" and "Third Issue". The three issues became three separate trust companies, under the Joint Stock Companies Act, in 1879 – the First, Second and Third Scottish American Trust Companies Ltd, but merged into a single trust company in 1969 as The First Scottish American Trust Company Ltd.

In 1984, the First Scottish became part of the Dunedin Fund Managers' stable of trusts and was subsequently renamed in 1990 as Dunedin Income Growth Investment Trust. Dunedin Fund Managers merged with Edinburgh Fund Managers in 1996, which was then acquired by Aberdeen Asset Management in 2003.

Capital History

Issued Share Capital at 31 January 2012

150,706,187	Ordinary shares of 25p (153,677,935 including treasury shares)

Treasury Shares at 31 January 2012

2,971,748	Ordinary shares of 25p

Issued Debenture Stock at 31 January 2012

£28,600,000	7 ⅞% Debenture Stock 2019

Name Change

April 1990	Company name changed from "The First Scottish American Trust PLC" to Dunedin Income Growth Investment Trust PLC

Capital History

February 1997	£30,000,000 7 ⅞% Debenture Stock 2019 issued at £99.783%
April 1997	Capitalisation issue of four Ordinary shares of 25p issued for each existing Ordinary share
April 1999	Reduction of share capital by way of repayment of £840,000 of 3 ½% Preference stock
Year ended 31 January 2004	50,000 Ordinary shares purchased for cancellation
Year ended 31 January 2005	1,950,000 Ordinary shares purchased for cancellation and £400,000 7 ⅞% Debenture Stock 2019 purchased for cancellation
Year ended 31 January 2006	450,000 Ordinary shares purchased for cancellation and 450,000 Ordinary shares purchased to hold in treasury. £1,000,000 7 ⅞% Debenture Stock 2019 purchased for cancellation and £40,000,000 11 ½% Debenture Stock 2016 redeemed
Year ended 31 January 2007	3,231,101 Ordinary shares purchased to hold in treasury
Year ended 31 January 2008	2,237,440 Ordinary shares purchased to hold in treasury, 1,972,800 treasury shares cancelled
Year ended 31 January 2009	1,026,007 Ordinary shares purchased to hold in treasury, 2,000,000 treasury shares cancelled
Year ended 31 January 2010	No shares purchased, cancelled or issued
Year ended 31 January 2011	No shares purchased, cancelled or issued
Year ended 31 January 2012	No shares purchased, cancelled or issued

Aberdeen