

# Dunedin Income Growth Investment Trust PLC


An investment trust offering income and capital growth mainly from UK equities, founded in 1873

**Annual Report and Accounts**

31 January 2018



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# BOW BELLS HOUSE

View of Aberdeen Standard Investments' office from Bow Churchyard, London

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### Visit our Website

To find out more about Dunedin Income Growth Investment Trust PLC, please visit [dunedinincomegrowth.co.uk](http://dunedinincomegrowth.co.uk)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all your Ordinary shares in Dunedin Income Growth Investment Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

# Financial Highlights

For the year ended 31 January 2018

Dunedin Income Growth Investment Trust PLC (the "Company" or "DIGIT") is an investment trust with its Ordinary shares listed on the premium segment of the London Stock Exchange. The Company aims to attract long term private and institutional investors who seek growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom.

The Company is governed by a board of directors, all of whom are independent, and has no employees. Like most other investment companies, the Company outsources its investment management and administration to an investment management group, Aberdeen Standard Investments (the investment arm of the Standard Life Aberdeen plc group of companies), and other third party providers. The Company does not have a fixed life.

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

# +12.0%

2017

+19.2%

## Share price total return<sup>AC</sup>

# +11.7%

2017

+16.5%

## Discount to net asset value<sup>D</sup>

# 8.1%

2017

7.4%

## Earnings per share (revenue)

# 12.64p

2017

12.55p

## Ongoing charges<sup>AE</sup>

# 0.61%

2017

0.63%

## Dividends per Ordinary share

# 12.10p +3.4%

2017

11.70p

<sup>A</sup> Alternative Performance Measure (see pages 15, 73 and 80).

<sup>B</sup> With debt at fair value, dividends reinvested (see page 64).

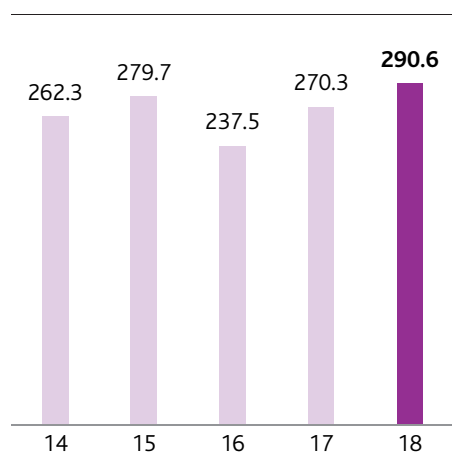
<sup>C</sup> Dividends reinvested (see page 73).

<sup>D</sup> With debt at fair value. See definition on page 80.

<sup>E</sup> See definition on page 80.

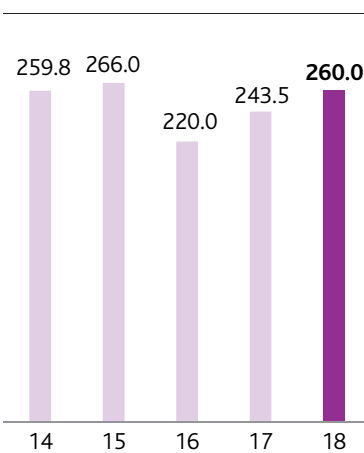
## Net Asset Value with debt at market value

At 31 January – pence



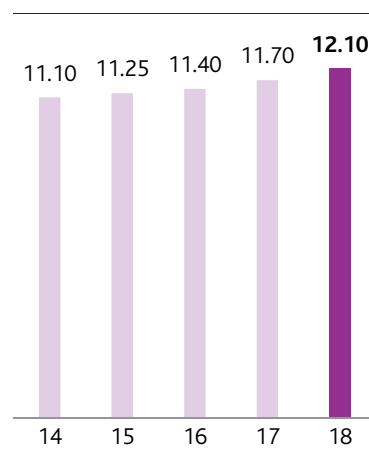
## Share price

At 31 January – pence



## Dividends per share

pence



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### Investment Objective

The Company's objective is 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 its objective, the Company's investment policy is to invest in high quality companies with strong income potential and providing an above-average portfolio yield.

*Details of the Company's policies in relation to risk diversification and gearing are contained on page 8.*

### Benchmark

The Company's benchmark is the FTSE All-Share Index (total return). Performance is measured on a net asset value total return basis over the long-term.

### Management

The Company's Manager is Aberdeen Fund Managers Limited ("AFML", the "AIFM" or the "Manager") which has delegated the investment management of the Company to Aberdeen Asset Managers Limited ("AAML" or the "Investment Manager"). Both companies are wholly owned subsidiaries of Aberdeen Asset Management PLC (the "Aberdeen Group"), which merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc.

### Financial Calendar

24 May 2018	Annual General Meeting in London (12 noon)
30 May 2018	Final dividend payable for year ended 31 January 2018
31 July 2018	Half year end
24 August 2018	Expected payment of first interim dividend
September 2018	Expected announcement of half-yearly results for six months ending 31 July 2018
23 November 2018	Expected payment of second interim dividend
31 January 2019	Year end
22 February 2019	Expected payment of third interim dividend
March 2019	Expected announcement of annual results for the year ending 31 January 2019

## Chairman's Statement

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**David Barron**  
Chairman

### Summary

In the year ended 31 January 2018 your company delivered solid absolute and relative returns. The Company's net asset value ("NAV") increased by 12.0% on a total return basis, outperforming the FTSE All-Share Index which produced a total return of 11.3%. The share price total return for the year was 11.7%.

### Earnings

Income from investments increased by 3.5%, offset to some degree by lower income from derivatives, leaving total revenue up by 1.6%. Reduced withholding tax refunds compared to the prior year resulted in the revenue per share being up by a slightly lower amount of 0.7%, year on year, at 12.64p.

### Dividend

Three interim dividends of 2.575p per share have already been paid and the Board is proposing a final dividend of 4.375p per share, payable on 30 May 2018 to shareholders on the register on 4 May 2018. This will make a total dividend of 12.1p per share for the year, an increase of 3.4% on last year. This will be the 34th year out of the past 38 that the Company has grown its dividend, with the distribution maintained in the other four years.

Following payment of the final dividend, we will be able to add a further 0.65p per share to the Company's revenue reserves, meaning that 11.16p per share will be available to support future distributions, representing 92% of the current annual dividend cost.

As we stated in the Annual Report last year, the Investment Manager has continued to execute our strategy of reducing the dependence on higher yielding, lower growth companies. This strategy should enhance the Company's longer term potential for both faster dividend growth and better capital performance. However, a consequence of this approach is the likelihood that the Company's revenue per share will fall in the year ahead. Our distribution policy remains to grow the dividend faster than inflation over the medium term and, with the

Company's increasingly robust revenue reserves and the healthy underlying dividend growth of the companies within the portfolio, that policy remains well supported.

### Market Background

It was a reasonably strong year for equity markets as the FTSE All-Share Index reached a series of all-time highs, shrugging off various challenges including elections in the UK and France, uncertainty over the progress of Brexit negotiations and continued tensions on the Korean peninsula. For most of the period, investors were able to focus away from politics and instead turn their attention to the strong recovery in global growth that took hold over the year and the consequently positive impact on corporate earnings growth. In fact 2017 was a very good year for Sterling-denominated company profits as a recovery in commodity prices, coupled with favourable exchange rates and generally improving global economic conditions, proved helpful. This was also beneficial for dividend payments.

Globally, the economic picture remains positive and has continued to improve ahead of expectations, with US fundamentals remaining healthy and the backdrop for emerging markets encouraging, supported by rising economic data in China and strong domestic demand in a number of other important markets such as India and Indonesia. Continental Europe has also seen a strong recovery take hold after a number of years of difficult economic performance.

Meanwhile, the UK economy has proven relatively resilient despite a weakened government following the General Election in June and ongoing uncertainty posed by the withdrawal from the EU. However, with inflation above target and modest spare capacity in the economy, the Bank of England felt able to raise interest rates for the first time since 2007. In partial recognition of this, Sterling steadily recovered against the US dollar over the course of 2017, regaining most of the ground lost since the EU referendum in 2016. Against the Euro, in contrast, Sterling weakened somewhat as the Eurozone continued to recover at a strong pace.



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## Performance

As I have noted above, the Company's NAV total return of 12.0% outperformed the total return of 11.3% from the FTSE All-Share Index. This was driven by out-performance from the equity portfolio alongside some assistance from gearing in a rising market and a mark-to-market reduction in the value of the Company's fixed rate debt.

Pleasingly, we saw a healthy contribution from some of the newer overseas investments. In contrast, a strong return from some of the very large index constituents, including Royal Dutch Shell and HSBC, where the Investment Manager's focus on diversification means that the Company is unlikely to hold such large positions as the benchmark, had a negative impact on performance. Alongside this, the disappointing turn of events at Provident Financial, which were described in the Half-Yearly Report, served to offset some of the positive developments in the rest of the portfolio.

As we noted in last year's Annual Report, we believe that the focus on owning higher yielding businesses in order to generate income and support a high level of dividend has constrained the Investment Manager's ability to generate competitive total returns in the past. Within the equity portfolio it is positive therefore to note that the Company benefitted from a strong performance from precisely the kind of companies to which the Investment Manager has been seeking to expand our exposure. Namely, high quality businesses with cash flows and balance sheets capable of providing reasonable levels of dividend yield but, critically, combined with good long-term growth prospects.

The Investment Manager now has greater flexibility and the Board is optimistic that this will facilitate the delivery of consistent positive returns from stock selection over the medium term.

## Gearing

Your Board believes that the sensible use of 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. We also recognise the benefit that having a reasonable proportion of long-term fixed rate funding provides to managing the Revenue Account, through greater certainty over financing costs.

The Company currently employs three sources of gearing. The £28.6 million debenture maturing in April 2019, the recently issued £30 million loan notes maturing in 2045, and a £25 million multi-currency revolving credit facility that expires in July 2018 of which a Sterling equivalent of £11.5 million was drawn down at the year end.

The proceeds of the loan note issuance remain invested in a portfolio of investment grade bonds which, taking into account the call features or prepayment options on several of the bonds, broadly matches the duration of the 2019 debenture and the income from which largely offsets the interest cost of the issue. The Company's equity gearing is therefore very much lower than the headline gearing figure would suggest. With debt valued at par, the Company's net gearing decreased from 14.6% to 14.4% during the year and, on a pure equity basis, after netting off cash and bonds, gearing rose from 6.1% to 7.8%. The Board believes this remains a relatively conservative level of equity gearing and, with part of the revolving credit facility undrawn, this provides the Company with financial flexibility should opportunities to deploy additional capital arise.

## Discount

The discount at which the price of the Company's shares trade relative to the NAV widened slightly from 7.4% at the beginning of the year to 8.1% as at 31 January 2018 (on an ex-income basis with borrowings stated at fair value).

The Company's shares have traded at a relatively wider discount than they have done in previous years. During the year the Company purchased 833,000 shares to hold in treasury, at a cost of £2.15 million, providing a small accretion to the NAV per share. The Company has continued to buy back shares since the year end.

As stated above, the Board believes that the implementation by the Investment Manager of the investment strategy should enhance the Company's longer term potential for improved performance. We believe that this, in turn, should lead to a re-rating of the Company's shares relative to its peers.

We will again seek shareholders' permission at the forthcoming Annual General Meeting to buy back shares and are prepared to continue to use this measure in the light of both the Company's absolute level of discount and that relative to those of its peer group.

## Board Composition

As previously announced, John Carson, who was appointed to the Board in June 2007, will retire as a Director at the Annual General Meeting. John is the Senior Independent Director and was, until May 2017, Chairman of the Company, having also chaired the Audit Committee. I would like to extend my thanks to John for his wise counsel and significant contribution throughout his time on the Board.

## Chairman's Statement continued

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I am pleased to announce that, following a formal recruitment process with independent search, Howard Williams will be appointed as an independent non-executive Director with effect from 1 April 2018. Howard has over 35 years' of fund management experience and was, until October 2017, Chief Investment Officer and Head of the Global Equity Team at JPMorgan Asset Management.

Howard's biographical details are contained on page 31 and he will stand for election at the Annual General Meeting.

### Management Group

Following the merger of Aberdeen Asset Management PLC and Standard Life plc that was announced and completed during our financial year, the Board continues to monitor closely any changes that may impact the management of your Company.

### Annual General Meeting

The Annual General Meeting will be held at the offices of Aberdeen Standard Investments, Bow Bells House, 1 Bread Street, London EC4M 9HH on Thursday 24 May 2018 at 12 noon. This is a good opportunity for shareholders to meet the Board and Manager and we would encourage you to attend.

### Outlook

Central banks are moving slowly and cautiously, but have a difficult balancing act to move to more normal interest rates without damaging growth. How valuations develop in an environment that pitches faster increases in interest rates against a continued strong global economic expansion remains to be seen. Following a long period of positive equity market performance and subdued volatility it is likely that we may well see more challenging market conditions in the period ahead. Recognising such an environment, the Investment Manager will be increasingly rigorous in its focus on owning the best quality businesses that it can, consistent with delivering your company's strategy.

#### David Barron

Chairman

28 March 2018



# Strategic Report

The Company is an investment trust with a premium listing on the London Stock Exchange.

The Company's objective is to achieve growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom.

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

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## 1873

Dunedin Income Growth Investment Trust PLC was launched in Dundee in 1873; investment trusts are the oldest form of collective investment in the world.

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# Overview of Strategy

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## Business Model

The Company is an investment trust with a premium listing on the London Stock Exchange.

## Investment Objective

The Company's objective is 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 its objective, the Company's investment policy is to invest in high quality companies with strong income potential and providing an above-average portfolio yield.

## Risk Diversification

The Company maintains a diversified portfolio consisting, substantially, of equity or equity-related securities, and it can invest in other financial instruments. The Company is invested mainly in companies listed or quoted in the United Kingdom and can 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 and no more than 15% of its gross assets in any one company.

## 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. The Board has set its gearing limit at a maximum of 30% of the net asset value at the time of draw down. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent considered appropriate.

## Delivering the Investment Objective

The Directors are responsible for determining the Company's investment objective and investment policy. Day-to-day management of the Company's assets has been delegated, via the AIFM, to the Investment Manager.

## Investment Process

The Investment 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 which includes meeting investee companies. New investments are not made without the Investment 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 Investment Manager's portfolios are generally run conservatively, with an emphasis on buy-and-hold and top-slicing/topping up. This approach usually results in low turnover within portfolios.

Portfolios are managed by the Investment Manager on a team basis, with individual fund managers carrying out their own research and analysis. All ideas are shared via formal committees and common databases, with desk heads ensuring consistency. Further information on the investment process and risk controls employed by the Investment Manager is contained on page 75.

## Benchmark

The Company's benchmark is the FTSE All-Share Index (total return). Performance is measured on a net asset value total return basis over the long-term.

## Key Performance Indicators ("KPIs")

The Board uses a number of other financial performance measures to assess the Company's success in achieving its objective and determining the progress of the Company in pursuing its investment policy. The main KPIs are shown in the table on the following page:

KPI	Description
<b>Performance</b>	The Board considers the Company's NAV total return figures to be the best single indicator of performance over time. The figures for each of the past 10 years are set out on page 16.
<b>Performance of NAV against benchmark index and comparable investment trusts</b>	The Board measures the Company's NAV total return performance against the benchmark index – the FTSE All-Share Index. The figures for this year and for the past three and five years, and a graph showing performance against the benchmark index over the past five years are shown on page 15. The Board also monitors performance relative to a peer group of investment trusts which have similar objectives, policies and yield characteristics.
<b>Revenue return per Ordinary share</b>	The Board monitors the Company's net revenue return. The revenue returns per Ordinary share for each of the past 10 years are set out on page 16.
<b>Dividend per Ordinary share</b>	The Board monitors the Company's annual dividends per Ordinary share. The dividends per share for each of the past 10 years are set out on page 16.
<b>Share price performance</b>	The Board monitors the performance of the Company's share price on a total return basis. The returns for this year and for the past three and five years, and a graph showing the share price total return performance against the benchmark index over the past five years are shown on page 15.
<b>Discount/premium to NAV</b>	The discount/premium of the share price relative to the NAV per share is monitored by the Board. The discounts at the year end and at the end of the previous year are disclosed on page 14.
<b>Ongoing charges</b>	The Board monitors the Company's operating costs carefully. Ongoing charges for the year and the previous year are disclosed on page 14.

## Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The risks and uncertainties faced by the Company are reviewed by the Audit Committee in the form of a risk matrix and the assessment of risks and their mitigation continues to be an area of significant focus for the Audit Committee. The principal risks and uncertainties facing the Company at

the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below. The Board has carried out a robust assessment of these risks, which include those that would threaten its business model, future performance, solvency or liquidity. The principal risks associated with an investment in the Company's shares are published monthly in the Company's factsheet and they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are available on the Company's website.

Risk	Mitigating Action
<b>Investment objectives</b> - a lack of demand for the Company's shares due to its objectives becoming unattractive to investors could result in a widening of the discount of the share price to its underlying net asset value and a fall in the value of its shares.	<p><b>Board review.</b> The Board formally reviews the Company's objectives and strategies for achieving them on an annual basis, or more regularly if appropriate.</p> <p><b>Shareholder communication.</b> The Board is cognisant of the importance of regular communication with shareholders. Directors attend meetings with the Company's largest shareholders and meet other shareholders at the Annual General Meeting. The Board reviews shareholder correspondence and investor relations reports and also receives feedback from the Company's broker.</p>



**Discount monitoring.** The Board, through the Manager, keeps the level of discount under constant review. The Board is responsible for the Company's share buy back policy and, if considered appropriate, would authorise the use of share buy backs to provide liquidity to the market and try to limit any widening of the discount.

**Investment strategies** - the Company adopts inappropriate investment strategies in pursuit of its objectives which could result in investors avoiding the Company's shares, leading to a widening of the discount and poor investment performance.

**Adherence to investment guidelines.** The Board sets investment guidelines and restrictions which the Manager follows, covering matters such as asset allocation, diversification, gearing, currency exposure, use of derivatives etc. These guidelines are reviewed regularly and the Manager reports on compliance with them at Board meetings.

In order to ensure adequate diversification, the Board has set absolute limits on maximum holdings and exposures in the portfolio at the time of investment, which are in addition to the limits contained in the Company's investment policy, including the following:

- No more than 10% of gross assets to be invested in any single stock; and
- The top five holdings should not account for more than 40% of gross assets.

Regular shareholder communication and discount monitoring, as above.

**Investment performance** - the appointment or continuing appointment of an investment manager with inadequate resources, skills or expertise or which makes poor investment decisions. This could result in poor investment performance, a loss of value for shareholders and a widening discount.

**Monitoring of performance.** The Board meets the Manager on a regular basis and keeps under close review (inter alia) its resources, adherence to investment processes, the adequacy of risk controls, and investment performance.

**Management Engagement Committee.** A detailed formal appraisal of the Manager is carried out annually by the Management Engagement Committee.

**Income/dividends** - the Company adopts an unsustainable dividend policy resulting in cuts to or suspension of dividends to shareholders, or one which fails to meet investor demands.

**Revenue forecasting and monitoring.** The Manager presents detailed forecasts of income and expenditure covering both the current and subsequent financial years at Board meetings. Dividend income received is compared to forecasts and variances analysed.

**Use of reserves.** The Company has built up significant revenue reserves which are available to smooth dividend distributions to shareholders should there be a shortfall in revenue returns.

**Financial/market** - insufficient oversight or controls over financial risks, including market risk, foreign currency risk, liquidity risk and credit risk could result in losses to the Company.

**Management controls.** The Manager has a range of procedures and controls relating to the Company's financial instruments, including a review of investment risk parameters by the Investment Risk department and a review of credit worthiness of counterparties by the Counterparty Credit Risk team.

**Foreign currency hedging.** It is not the Company's policy to hedge foreign currency exposure but the Company may, from time to time, partially mitigate it by drawing down borrowings in foreign currencies.

**Board review.** As stated above, the Board sets investment guidelines and restrictions which are reviewed regularly and the Manager reports on compliance with them at Board meetings.

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Further details of the Company's financial instruments and risk management are included in note 17 to the financial statements.

**Gearing** - gearing accentuates the effect of rises or falls in the market value of the Company's investment portfolio on its net asset value. An inappropriate level of gearing at a time of falling values could result in a significant fall in the value of the Company's net asset value and shares. Such a fall in the value of the Company's net assets could result in a breach of loan covenants and trigger demands for early repayment or require investments to be sold to meet any shortfall. This could result in further losses.

**Gearing restrictions.** The Board sets gearing limits within which the Manager can operate.

**Monitoring.** Both the limits and actual levels of gearing are monitored on an ongoing basis by the Manager and at regular Board meetings. In the event of a possible impending covenant breach, appropriate action would be taken to reduce borrowing levels.

**Scrutiny of loan agreements.** The Board takes advice from the Manager and the Company's lawyers before approving details of loan agreements. Care is taken to ensure that covenants are appropriate and unlikely to be breached.

**Limits on derivative exposure.** The Board has set limits on derivative exposures and positions are monitored at regular Board meetings.

**Regulatory** - changes to, or failure to comply with, relevant regulations (including the Companies Act, The Financial Services and Markets Act, The Alternative Investment Fund Managers Directive, accounting standards, investment trust regulations, the Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules) could result in fines, loss of reputation, reduced demand for the Company's shares and potentially loss of an advantageous tax regime.

**Board awareness.** The Directors have an awareness of the more important regulations and are provided with information on changes by The Association of Investment Companies. In terms of day to day compliance with regulations, the Board is reliant on the knowledge and expertise of the Manager. However, where necessary, the Board engages the service of external advisers.

**Management controls.** The Manager's company secretariat and accounting teams use checklists to aid compliance and these are backed by the Manager's compliance monitoring programme and risk based internal audit investigations.

**Operational** - the Company is reliant on services provided by third parties (in particular those of the Manager and the Depositary) and any control gaps and failures in their operations could expose the Company to loss or damage.

**Agreements.** Written agreements are in place defining the roles and responsibilities of all third party service providers.

**Internal control systems of the Manager.** The Board receives reports on the operation and efficacy of the Manager's IT and control systems, including those relating to cyber crime, and its internal audit and compliance functions.

**Safekeeping of assets.** The Depositary is ultimately responsible for the safekeeping of the Company's assets and its records are reconciled to those of the Manager on a regular basis. Through a delegation by the Depositary, the Company's investments and cash balances are held in segregated accounts by the Custodian.

**Monitoring of other third party service providers.** The Manager monitors closely the control environments and quality of services provided by third parties, including those of the Depositary and Custodian. This includes controls relating to cyber crime and is conducted through service level agreements, regular meetings and key performance indicators. The Directors review reports on the Manager's monitoring of third party service providers on a periodic basis.

## Promoting the Company

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the value and rating of the Company's shares. The Board believes an effective way to achieve this is through subscription to and participation in the promotional programme run by the Aberdeen Group on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by the Aberdeen Group. Aberdeen's marketing and investor relations teams report to the Board giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register.

The purpose of the programme is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's shares. Communicating the long-term attractions of the Company is key and therefore the Company also supports the Aberdeen Group's investor relations programme which involves regional roadshows, promotional and public relations campaigns.

## Board Diversity Policy

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits and is supportive of the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. In view of its size, the Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment and the Board does not therefore consider it appropriate to set measurable objectives in relation to its diversity.

At 31 January 2018, there were three male and two female Directors on the Board.

## Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated the day to day management and administrative functions to the Manager. There are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is set out below.

## Socially Responsible Investment Policy

The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of corporate governance and socially responsible business. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in both areas. The Manager's ultimate objective, however, is to deliver superior investment returns for its clients. Accordingly, whilst the Manager will seek to favour companies which pursue best practice in these areas, this must not be to the detriment of the return on the investment portfolio.

## UK Stewardship Code and Proxy Voting as an Institutional Shareholder

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on its website.

## Modern Slavery Act

Due to the nature of its business, being a company that does not offer goods and services to customers, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

## Viability Statement

The Board considers that the Company, which does not have a fixed life, is a long term investment vehicle and, for the purposes of this statement, has decided that five years is an appropriate period over which to consider its viability. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than five years.

Taking into account the Company's current position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this Report.



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In assessing the viability of the Company over the review period, the Directors have focused upon the following factors:

- The principal risks and uncertainties detailed on pages 9 to 11 and the steps taken to mitigate these risks.
- The relevance of the Company's investment objective, especially in the current low yield environment.
- The Company is invested in readily-realisable listed securities.
- Share buy backs carried out in the past have not resulted in significant reductions to the capital of the Company.
- Although the Company's stated investment policy contains a gearing limit of 30% of the net asset value at the time of draw down, the Board's policy is to have a relatively modest level of equity gearing and the financial covenants attached to the Company's borrowings provide for significant headroom.
- The repayment of the Company's £28.6 million 7<sup>7/8</sup>% Debenture Stock on 30 April 2019 has been pre-financed through the issue of £30 million 3.99% Loan Notes which are repayable in December 2045, the proceeds of which are invested in a portfolio of fixed interest securities which broadly match the duration of the Debenture.
- The requirement for the Company to refinance or repay its £25 million multi-currency revolving credit facility agreement on or before its maturity on 15 July 2018.

In making its assessment, the Board is also aware that there are other matters that could have an impact on the Company's prospects or viability in the future, including a large economic shock or significant stock market volatility, and changes in regulation or investor sentiment.

## Outlook

The Board's view on the general outlook for the Company can be found in the Chairman's Statement on pages 4 to 6 whilst the Investment Manager's views on the outlook for the portfolio are included on page 20.

On behalf of the Board

**David Barron**

Chairman

28 March 2018

## Financial Highlights

	31 January 2018	31 January 2017	% change
Total assets (see page 80 for definition)	£512,159,000	£485,339,000	+5.5
Equity shareholders' funds	£442,384,000	£415,810,000	+6.4
Market capitalisation	£389,167,000	£366,498,000	+6.2
Net asset value per Ordinary share	295.55p	276.26p	+7.0
Net asset value per Ordinary share with debt at fair value <sup>A</sup>	283.04p	262.94p	+7.6
Share price (mid)	260.00p	243.50p	+6.8
FTSE All-Share Index	4,137.66	3,858.26	+7.2
<b>Discount (difference between share price and net asset value)</b>			
Discount where borrowings are deducted at fair value	(8.1%)	(7.4%)	
<b>Gearing (see page 80 for definitions)</b>			
Net gearing <sup>B</sup>	14.42%	14.64%	
Equity gearing <sup>C</sup>	7.83%	6.11%	
<b>Dividends and earnings</b>			
Total return per share	30.83p	43.83p	
Revenue return per share	12.64p	12.55p	+0.7
Total dividend per share for the year	12.10p	11.70p	+3.4
Dividend cover (see page 79 for definition)	1.04	1.07	
<b>Revenue reserves</b>			
Prior to payment of third interim dividend declared and proposed final dividend <sup>D</sup>	18.11p	17.06p	
After payment of third interim dividend declared and proposed final dividend <sup>DE</sup>	11.16p	10.51p	
<b>Operating costs</b>			
Ongoing charges <sup>F</sup>	0.61%	0.63%	

<sup>A</sup> Based on capital only net asset values (see note 16 on page 64 for disclosure on net asset values).

<sup>B</sup> Calculated by dividing total borrowings less cash and cash equivalents by shareholders' funds, expressed as a percentage.

<sup>C</sup> Calculated as the amount by which the total value of equity securities held exceeds shareholders' funds, expressed as a percentage of shareholders' funds.

<sup>D</sup> Calculated by dividing the revenue reserve per the Statement of Financial Position on page 52 by the number of shares in issue at the reporting date per note 8 on page 60.

<sup>E</sup> Third interim dividend for the year ended 31 January 2018 of 2.575p per share (2017 – 2.575p). Proposed final dividend for the year ended 31 January 2018 of 4.375p (2017 – 3.975p).

<sup>F</sup> Considered to be an Alternative Performance Measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses divided by the average cum-income net asset value throughout the year (see note 21 on page 73 for the calculation).

## Strategic Report

# Performance

### Performance

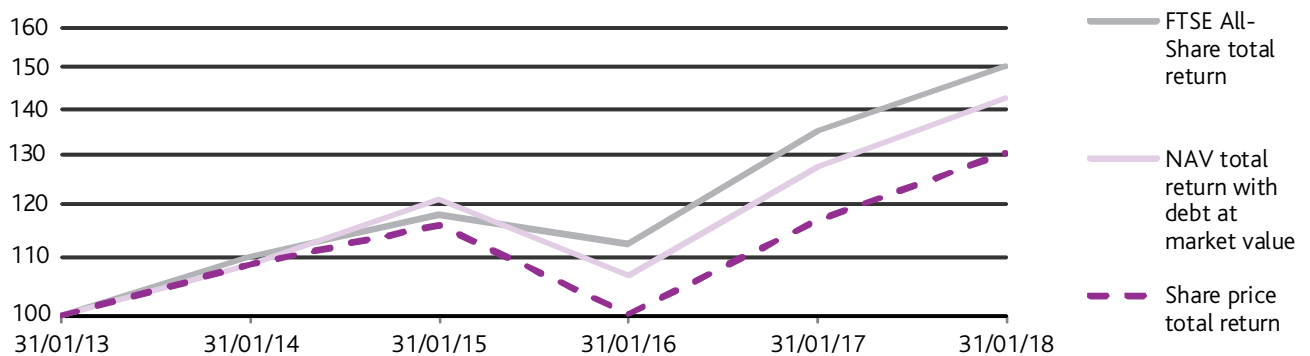
	1 year % return	3 year % return	5 year % return
<b>Total return (Capital return plus net dividends reinvested)</b>			
Net asset value <sup>AB</sup>	+12.0%	+18.2%	+42.6%
FTSE All-Share Index	+11.3%	+27.4%	+50.3%
Share price <sup>B</sup>	+11.7%	+12.5%	+30.5%
<b>Capital return</b>			
Net asset value <sup>A</sup>	+7.5%	+3.9%	+15.5%
FTSE All-Share Index	+7.2%	+14.2%	+25.9%
Share price	+6.8%	-2.3%	+4.4%

<sup>A</sup> Cum-income NAV with debt at fair value.

<sup>B</sup> Alternative Performance Measure (see pages 2, 73 and 80)

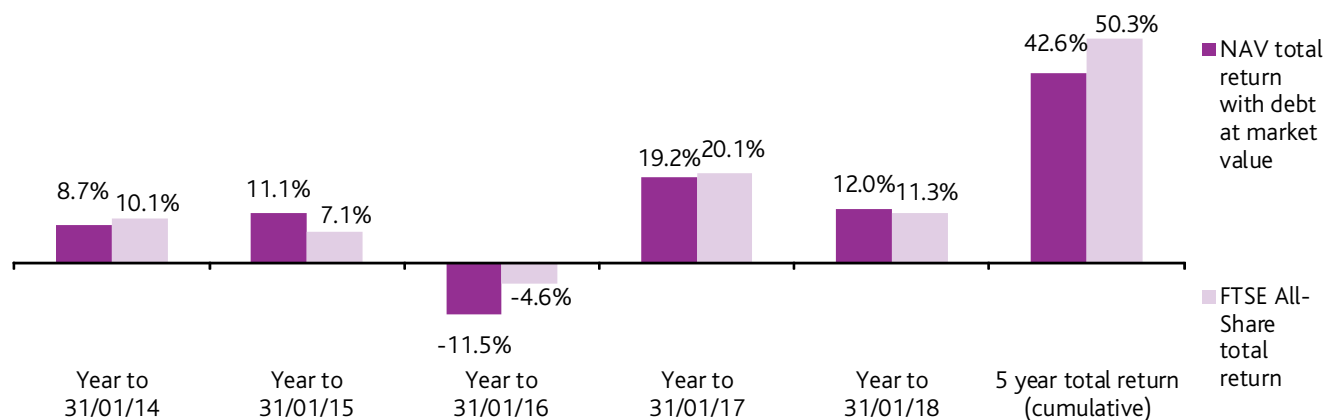
Source: Standard Life Aberdeen, Factset & Morningstar

### Comparison of NAV and Share Price Total Return Performance of DIGIT to FTSE All-Share Index (figures rebased to 100) - Five years ended 31 January 2018



Source: Standard Life Aberdeen, Morningstar & Lipper

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



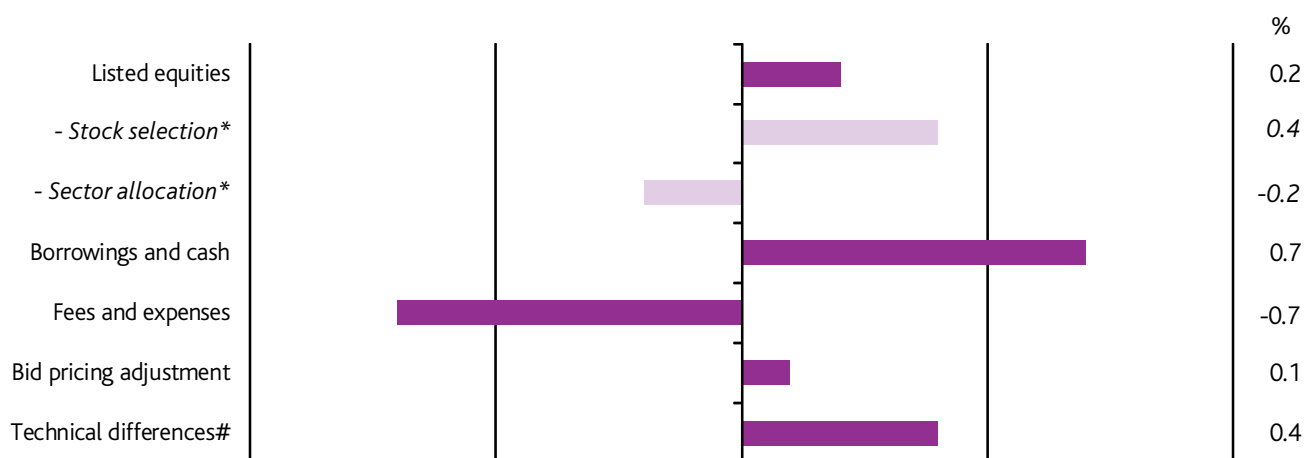
Source: Standard Life Aberdeen, Morningstar & Lipper

## Analysis of Total Return Performance

	%
<b>Gross assets total return</b>	<b>11.0</b>
Total NAV return per share <sup>^</sup>	12.0
Total return on FTSE All-Share Index	11.3
<b>Relative performance</b>	<b>0.7</b>

<sup>^</sup>With debt at market value

## Analysis of Performance for the year Relative to the FTSE All-Share Index



\* Further analysis of performance attributable to listed equities.

# Predominantly due to differences in the timing of income recognition between the month end NAV which is prepared under AIC guidelines and FRS 102 used for the annual financial statements.

Source: Standard Life Aberdeen

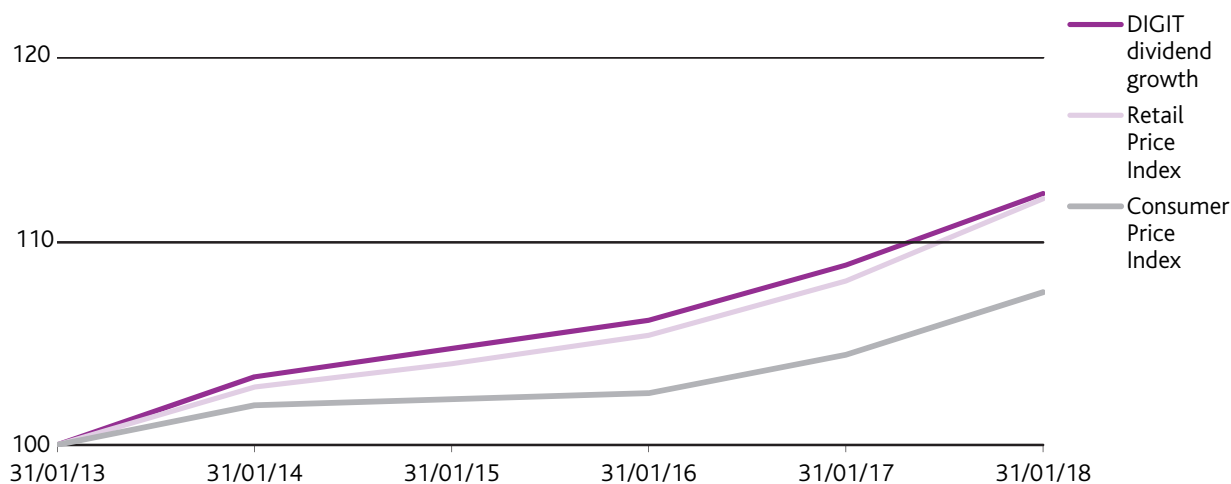
## Ten Year Financial Record

Year ended 31 January	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total revenue (£'000)	19,998	14,251	16,904	19,173	18,866	20,750	20,994	20,359	21,963	22,317
<b>Per share (p)</b>										
Revenue return	11.72	7.99	10.15	11.00	10.77	11.89	11.90	12.11	12.55	12.64
Dividends paid/proposed	10.25	10.25	10.25	10.65	10.75	11.10	11.25	11.40	11.70	12.10
Revenue reserve <sup>A</sup>	9.41	7.16	7.06	7.42	7.45	8.22	8.89	9.63	10.51	11.16
Net asset value <sup>B</sup>	156.89	198.8	226.81	222.88	251.48	262.34	279.66	237.48	270.34	290.57
Total return	(84.12)	51.15	39.00	6.50	41.30	22.24	27.76	(28.94)	43.83	30.83
Shareholders' funds (£'000)	241,944	303,603	346,927	341,280	385,605	403,526	428,702	368,041	415,810	442,384

<sup>A</sup> After payment of third interim and final dividends.

<sup>B</sup> With debt at fair value.

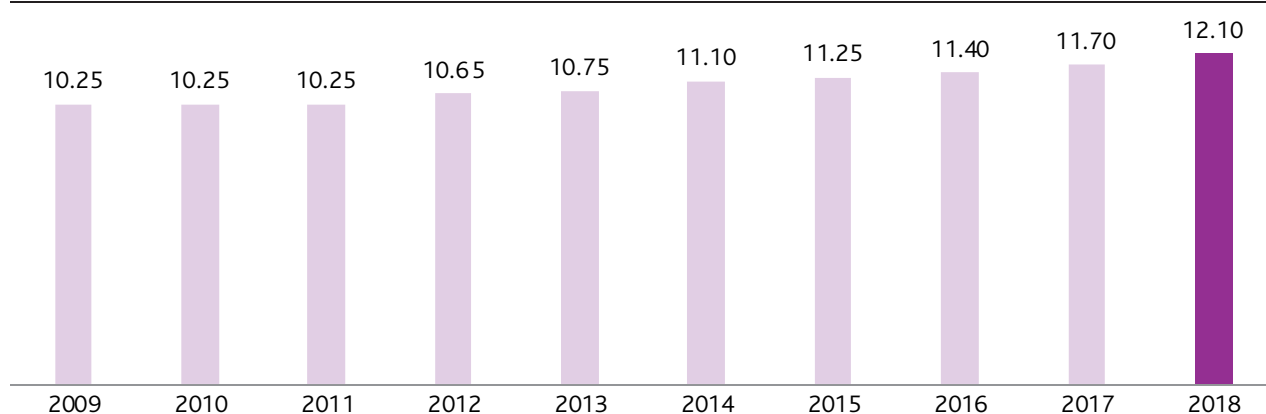
## Comparison of Dividend Growth of DIGIT to Inflation (figures rebased to 100) - Five years ended 31 January 2018



Source: Standard Life Aberdeen & Facstet

## Dividends per Share - Pence

Year to 31 January



## Dividends

Dividend per share	Rate	xd date	Record date	Payment date
Proposed final dividend 2018	4.375p	3 May 2018	4 May 2018	30 May 2018
Third interim dividend 2018	2.575p	1 February 2018	2 February 2018	23 February 2018
Second interim dividend 2018	2.575p	2 November 2017	3 November 2017	24 November 2017
First interim dividend 2018	2.575p	3 August 2017	4 August 2017	25 August 2017
<b>Total dividend 2018</b>	<b>12.10p</b>			

Dividend per share	Rate	xd date	Record date	Payment date
Final dividend 2017	3.975p	4 May 2017	5 May 2017	26 May 2017
Third interim dividend 2017	2.575p	2 February 2017	3 February 2017	24 February 2017
Second interim dividend 2017	2.575p	3 November 2016	4 November 2016	25 November 2016
First interim dividend 2017	2.575p	4 August 2016	5 August 2016	26 August 2016
<b>Total dividend 2017</b>	<b>11.70p</b>			

## Investment Manager's Review

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### Introduction

The year ended 31 January 2018 has been one of further progress. Since our appointment as lead managers within Aberdeen Fund Managers 18 months ago we have looked to increase the focus on growth of both capital and income and differentiate the Company in what is a highly competitive sector. It has certainly been an active year in terms of executing this. We are encouraged that our strategy is producing tangible results, with positive relative performance, whilst also improving both the underlying quality of the portfolio and its income growth potential. Since September 2016, we have nearly doubled the amount of income coming from faster growing companies and meaningfully increased the average underlying dividend growth rate of the holdings within the portfolio. In addition, the improving underlying quality of our holdings is reflected in higher returns and stronger balance sheets in aggregate for the portfolio, whilst the amount of income we deem at risk in the financial year ahead has fallen sharply. This has in part involved increasing our exposure to small and mid-cap companies that have greater opportunities for long term growth and which now make up close to 30% of the equity portfolio as compared to less than 20% 18 months ago.

### Performance

In terms of income performance it was a sound year, with income from investments up by 3.5%, although total revenue increased by a more modest 1.6% as lower income was received from derivatives. It is important to stress that maximisation of income in the near term has not been a priority and we have reduced holdings in higher yielding businesses, cutting near term earnings, in order to increase investments in lower yielding but faster growing companies. Given an already healthy Revenue Account we reduced our option writing in the second half as lower volatility presented fewer attractively priced opportunities. The Company benefited from a special distribution from **Compass** and, in addition, a number of companies declared dividends ahead of our expectations, such as **Prudential**, **Inchcape**, **Schroders** and **British American Tobacco**, amongst others. This has allowed us to make a healthy contribution to revenue reserves that will further support our strategy of focusing on greater income growth.

From a relative return perspective we had a mixed year although we modestly outperformed the FTSE All-Share Index. In part, helping performance was corporate activity, with **Berendsen's** share price strong due to the takeover by French peer **Elis**, and **Unilever** outperforming following the unsuccessful bid from **Kraft Heinz** and consequent strategic review. Furthermore, the holding in **Aveva** performed well following the announcement of a deal to combine with the software business of French company **Schneider Electric**.

Other holdings that contributed positively to performance included specialty chemicals company **Croda** which reported an acceleration of organic growth through the year, and life insurer **Prudential**, helped by continued high growth in its Asian business. Our more recent overseas investments were overall supportive, in particular Danish pharmaceutical **Novo Nordisk** which showed impressive growth across its products for diabetes treatment, and Swiss listed banking software company **Temenos** which performed well on the back of some key client wins as banks accelerate the shift to digital banking. Each of these companies possesses the attributes we look for in a high quality company, and it is encouraging that this is being reflected in share price performances.

This was, however, offset to a degree by the holding of **Provident Financial**. The company released an unscheduled trading update in August, announcing a significant deterioration in trading at its Home Collected Credit business, an investigation into Vanquis bank by the FCA, the decision to cancel the dividend and the removal of the Chief Executive. This caused a severe share price decline and we took the decision to exit the position given our serious concerns over the future of the business. We were extremely disappointed by the turn of events.

Another key detractor from performance during the year was the underweight position to the commodity producers, and in particular **Royal Dutch Shell**, which saw its share price recover well as it benefited from the rise in the oil price. While we have a fair sized position in absolute terms, the company constitutes 8.5% of the benchmark and an even greater percentage of overall income, and our desire to diversify the portfolio's capital and income exposure causes us to have a sizeable underweight position.

### Portfolio Activity

We had another busy year in terms of changes within the portfolio as we have continued to build a portfolio that can not only generate the current level of dividend but also grow it in real terms over the long term and deliver attractive total returns. To achieve this we have sold down some of the higher yielding investments with lower growth prospects to reinvest into companies where we see greater scope for both capital and income growth. While in the near term this process is likely to have a negative impact on the Revenue Account, over the longer term this should prove increasingly beneficial to the Company's income growth potential.

In line with our strategy, the newer holdings are predominantly towards the small and mid-cap end of the market, where companies have a combination of strong positions in their respective industries together with significant opportunity to grow from a lower base. This translates into the ability to sustain a higher dividend or to grow the dividend at a faster pace. In addition, these



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companies lend themselves well to our investment process where, rather than relying on external research, we have a well-resourced team investing the time to uncover and research companies that are often go unnoticed by others.

For example, we introduced **Euromoney**, an information and media company with a key attraction being the recurring nature of its subscriptions to their well-regarded publications. The steady cash flow generation and strong balance sheet support dividend growth, while the modest valuation combined with some turnaround initiatives implies an attractive return for long term investors.

Another new introduction was **Big Yellow**. The self-storage specialist benefits from a strong brand and being the owner of scarce and well positioned assets in and around London giving them the potential to increase prices over the medium term. The company has an attractive dividend yield and, given the superior cash generating ability of the business, they are well positioned to grow their dividend distribution at a pleasing rate over the medium term.

At the larger end of the market-cap spectrum we initiated a position in **RELX**, an information and publishing group with strong brands, highly visible and recurring revenue streams and a broad geographic reach. Their growth path is well set to continue, with scope to lever their data and platforms for developing new analytical products. The group has already transitioned much of its revenue from print to digital formats so it does not face this challenge in the future. We expect the company to continue to generate steady growth and high returns on capital, backed by a solid balance sheet, which underpins a bright outlook for dividend growth despite the dividend yield being relatively low.

We have made full use of our ability to invest 20% of assets in companies listed outside of the UK, initiating a number of overseas holdings over the year. We have looked to invest in companies that not only offer the potential for strong capital and income growth, but also that add economic exposures we are unable to find in the UK.

As an example, we introduced Swiss listed **Tecan**, a company which provides instruments and solutions that help automate manually repetitive workflow in research labs for the life science and diagnostic markets. It benefits from favourable structural demand trends and has significant opportunity to expand geographically, which we expect to be reflected in higher earnings and dividends in the upcoming years. The business has the appealing features of a recurring revenue base, an asset light model and a strong balance sheet.

We subscribed to the initial public offering of **GIMA TT**, an Italian listed maker of packaging machines for the tobacco industry with a particularly strong niche in next generation

products, a segment with significant growth potential. The company runs with a strong balance sheet, and we believe the projected growth in earnings will translate to increased dividends. In addition we initiated new positions in **Amplifon**, **GrandVision**, **SGS**, **Edenred** and **Heineken** earlier in the year, as we detailed in the Half-Yearly Report.

While it has been an active year for new holdings, we have also added capital selectively to existing positions where we continue to see attractive prospects, for example **Manx Telecom**, **BBA Aviation**, **Chesnara** and **Croda**. We added to the holdings in **Novo Nordisk** and **Rotork** on relative price weakness, and **Assura** and **Ultra Electronics** as part of equity raisings.

To fund these purchases, we exited the holdings of **Berendsen**, **Elementis**, **Pearson** and **Capita**. **Berendsen** was acquired by French peer **Elis** while **Elementis** made a significant acquisition that took its balance sheet into an indebted position reducing the prospects for a special dividend for the foreseeable future. In combination with reservations we had over the deal and a rating of the shares, we decided to exit on strength.

**Pearson** has been a difficult holding for us in recent years. Although management has outlined what they believe the business will look like over the upcoming years, there is a significant amount of estimation involved. Not only is the business engaged in a very significant restructuring but the changes that are occurring, particularly in the US higher education market, make it difficult to have confidence in the prospects even if they do make the transition they are seeking to achieve. Therefore we took the decision to sell and invest the capital into holdings with a clearer outlook.

Negative trading updates from **Capita** in the latter part of 2016 made it apparent that the environment had become more challenging and during 2017 we became increasingly cautious on a number of issues including the risk of further earnings shortfalls, the need for further investment in the business, a weakening balance sheet and the potential for a cut in the dividend. We exited, and our concerns proved founded at the beginning of 2018 when the new CEO released an update announcing a suspension of the dividend and plans to raise equity to further shore up the balance sheet.

## Corporate Engagement

An integral part of the responsibility of share ownership is corporate engagement and addressing the governance and risk controls of the companies we hold. It is an element of investing that we embrace at Aberdeen Standard Investments and it aligns well with our long term investment horizon. The investment team takes full responsibility, helped by expert advisors within the group. In addition to the

hundreds of visits each year with executive teams, we frequently engage with non-executive board members, risk officers and other relevant personnel from companies. We also regularly attend annual general meetings, seeing this as a unique opportunity to meet and pose questions to the full board, and often we are the only institution in attendance.

An important development in the previous financial year was to directly incorporate our Environmental and Social analysis into the core of our day to day investment process and bring responsible investing into the fabric of the team as opposed to sitting in a separate unit. This is proving an effective initiative, adding a similar focus on these issues to that which we have long applied to governance. We are paying more attention to how the companies we own identify environmental and social risks to their long term prospects, and have found that companies who manage these risks well and place high importance on responsible business practices are those that are best set to produce positive business results.

### Outlook

UK equity market performance over the last year has been robust, helped by a broader global growth dynamic, continued loose monetary policies and, so far, relatively limited disjoint from Brexit. The environment continues to be one where companies can trade successfully, although we are cautious that significant domestic political and economic uncertainty remain. While the outlook for corporate earnings remains positive, a key consideration will be the prospect of rising interest rates and their impact on equity valuations. How these two dynamics interplay is likely to be a key determinant of returns in the years ahead. The development of Sterling against the Euro and, in particular, the US Dollar will also be important in influencing the performance of the portfolio.

Your company is likely to prosper in absolute terms from any overall weakness of Sterling and particularly from outperformance from the Euro. If Sterling was to strengthen in a meaningful way then that would likely be a headwind. Likewise, an environment of rapidly rising interest rates would also be a significant headwind to portfolio returns. However, we believe that the portfolio also has much to gain from a more modest upward adjustment accompanied by faster global growth given its international exposure and ownership of companies with pricing power.

Overall, we believe your company is well positioned for the medium term, with low levels of equity gearing, substantial revenue reserves and a positive outlook for underlying earnings growth. Alongside this, we remain committed to a long term perspective, where we focus on holding high quality businesses whose market positions, competitive advantages, growth prospects and balance sheets afford

them the best opportunity to prosper. The composition of the portfolio will continue to evolve, and despite the level of equity valuations, we still see a number of good investment opportunities open to us that will enhance the portfolio's income growth and capital return prospects.

**Ben Ritchie and Louise Kernohan**

Aberdeen Asset Managers Limited

28 March 2018

## Portfolio

The year ended 31 January 2018 has been one of further progress. We have continued to look to increase the focus on growth of both capital and income and differentiate the Company in what is a highly competitive sector. We are encouraged that our strategy is producing tangible results, with positive relative performance whilst also improving both the underlying quality of the portfolio and its income growth potential.



# Ten Largest Investments

As at 31 January 2018

Company	FTSE All-Share Index Sector	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
<b>Royal Dutch Shell 'B'</b> Royal Dutch Shell explores for, produces and refines petroleum and produces fuels, chemicals and lubricants. The company owns and operates gasoline filling stations world-wide.	Oil & Gas Producers	23,062	4.5	20,664
<b>British American Tobacco</b> 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	21,782	4.3	22,146
<b>Prudential</b> Prudential is a life insurance and savings company with leading market positions in Asia, the United States and in the UK. They also own the fund management group M&G.	Life Insurance	20,966	4.1	16,852
<b>Unilever</b> Unilever is one of the world's foremost fast moving consumer goods companies with a portfolio of leading brands across the food and beverage, personal care and household categories.	Personal Goods	19,680	3.8	15,879
<b>HSBC Holdings</b> HSBC provides a variety of international banking and financial services, including retail and corporate banking, custody, capital markets, insurance and private banking.	Banks	19,070	3.7	20,149
<b>GlaxoSmithKline</b> 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	18,486	3.6	21,392
<b>AstraZeneca</b> 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	17,982	3.5	15,434
<b>BHP Billiton</b> BHP Billiton is the world's largest diversified resources group with a global portfolio of high quality assets. Core activities comprise the production and distribution of minerals, mineral products and petroleum.	Mining	15,922	3.1	16,258
<b>Vodafone</b> Vodafone is an international mobile telecommunications company providing mobile voice, data and fixed line communications. The group has around 450 million customers and operates in more than 30 countries worldwide including an extensive emerging markets portfolio.	Mobile Telecommunications	14,853	2.9	12,852
<b>Total</b> Total is a fully integrated international energy company involved in exploration, production, refining, transportation and marketing of oil and natural gas. The company also operates a chemical division which produces polypropylene, polyethylene, polystyrene, rubber, paint, ink, adhesives and resins.	Oil & Gas Producers	14,503	2.8	15,224
<b>Ten largest equity investments</b>		<b>186,306</b>	<b>36.3</b>	

# Other Equity Investments

As at 31 January 2018

Company	FTSE All-Share Index Sector	Valuation	Total	Valuation
		2018	assets	2017
		£'000	%	£'000
Assura	Real Estate Investment Trusts	14,399	2.8	5,412
Chesnara	Life Insurance	11,405	2.2	6,092
Compass	Travel & Leisure	11,047	2.2	10,943
Sage	Software & Computer Services	10,916	2.1	8,931
Standard Chartered	Banks	10,686	2.1	11,657
Croda	Chemicals	10,313	2.0	6,821
BP	Oil & Gas Producers	9,332	1.8	13,859
Novo-Nordisk	Pharmaceuticals & Biotechnology	9,200	1.8	2,515
Unibail-Rodamco	Real Estate Investment Trusts	9,194	1.8	13,684
Close Brothers	Banks	8,877	1.7	11,673
Top twenty investments		<b>291,675</b>	<b>56.8</b>	
Diageo	Beverages	8,509	1.7	7,404
Rolls-Royce	Aerospace & Defence	8,293	1.6	6,348
Weir	Industrial Engineering	8,253	1.6	7,432
Schroders	Financial Services	8,155	1.6	6,652
Rotork	Industrial Engineering	8,002	1.6	5,340
Edenred	Support Services	7,747	1.5	–
Experian	Support Services	7,579	1.5	7,140
John Wood	Oil Equipment Services & Distribution	7,249	1.4	9,377
Imperial Brands	Tobacco	6,898	1.4	8,743
National Grid	Gas, Water & Multi-utilities	6,839	1.3	9,778
Top thirty investments		<b>369,199</b>	<b>72.0</b>	
Nestlé	Food Producers	6,635	1.3	4,657
BBA Aviation	Industrial Transportation	6,565	1.3	2,840
Roche	Pharmaceuticals & Biotechnology	6,283	1.2	12,765
Aveva	Software & Computer Services	6,267	1.2	3,280
Inchcape	General Retailers	5,637	1.1	5,583
SGS	Support Services	5,302	1.0	–
Relx	Media	5,235	1.0	–
Euromoney Institutional Investor	Media	5,207	1.0	–
Manx Telecom	Fixed Line Telecommunications	5,096	1.0	3,298
Amplifon	Health Care Equipment & Services	5,037	1.0	–
Top forty investments		<b>426,463</b>	<b>83.1</b>	
RPC	General Industrials	4,993	1.0	4,434
Essentra	Support Services	4,557	0.9	3,648
Ultra Electronics	Aerospace & Defence	4,411	0.9	3,962
Temenos	Software & Computer Services	4,225	0.8	2,511
GIMA	Industrial Engineering	4,145	0.8	–
Grandvision	Health Care Equipment & Services	3,964	0.8	–
Inmarsat	Mobile Telecommunications	3,813	0.7	4,991
Brunello Cucinelli	Personal Goods	3,359	0.7	2,544
Hansteen Holdings	Real Estate Investment Trusts	3,331	0.7	5,160
Amadeus	Support Services	3,284	0.6	2,203
Top fifty investments		<b>466,545</b>	<b>91.0</b>	
Zurich Insurance	Non-life Insurance	2,823	0.6	7,603
Big Yellow	Real Estate Investment Trusts	2,776	0.5	–
Heineken	Beverages	2,535	0.5	–
Tecan	Health Care Equipment & Services	2,336	0.5	–
Total equity investments		<b>477,015</b>	<b>93.1</b>	

## Other Investments

As at 31 January 2018

Company	FTSE All-Share Index Sector	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
HBOS Cap Funding 6.461% Var Perp	Fixed Income	2,595	0.5	2,628
SSE 3.875% Var Perp	Fixed Income	2,187	0.4	2,101
BHP Billiton Finance 6.5% Var 22/10/77	Fixed Income	1,765	0.4	2,794
Citigroup 5.125% 12/12/18	Fixed Income	1,657	0.3	–
Rabobank Capital Funding Trust IV 5.556% FRN Perp Regs	Fixed Income	1,602	0.3	1,572
Firstgroup 6.125% 18/01/19	Fixed Income	1,569	0.3	1,632
Barclays Bank 8.25% Frn 29/12/49 EMTN	Fixed Income	1,256	0.3	637
Daimler International Finance 3.5% 06/06/19	Fixed Income	1,239	0.3	741
Heathrow Funding 6% 20/03/20	Fixed Income	1,205	0.2	794
Asif III Jersey 5% 18/12/18	Fixed Income	1,140	0.2	753
Ten largest other investments		16,215	3.2	
Credit Agricole 8.125% FRN Perp	Fixed Income	1,103	0.2	1,114
Imperial Brands Finance 7.75% 24/06/19	Fixed Income	1,090	0.2	–
HSBC Bank Funding 5.862% 29/04/49	Fixed Income	1,081	0.2	1,061
Lloyds Bank 5.75% 09/07/25 EMTN	Fixed Income	1,071	0.2	1,067
Legal & General 5.875% Var 29/03/49	Fixed Income	1,047	0.2	–
Friends Life Holdings 8.25% 21/04/22	Fixed Income	1,014	0.2	1,009
Legal & General 10% 23/07/41	Fixed Income	950	0.2	970
Southern Water Services Finance 4.5% 31/03/38	Fixed Income	865	0.2	872
EE Finance 4.375% 28/03/19	Fixed Income	777	0.2	–
ING Bank 6.875% 29/05/23	Fixed Income	713	0.1	745
Twenty largest other investments		25,926	5.1	
Wales & West Utilities Finance 6.25% 30/11/21	Fixed Income	704	0.1	733
HSBC Bank 5% Frn 20/03/23 EMTN	Fixed Income	653	0.1	674
ESB Finance 6.5% 05/03/20	Fixed Income	552	0.1	578
Motability Operations Group 6.625% 10/12/19	Fixed Income	253	0.1	696
Southern Water Services Finance 6.125% 31/03/19	Fixed Income	158	0.0	–
Total fixed income investments		28,246	5.5	
Total equity investments		477,015	93.1	
Total investments		505,261	98.6	
Net current assets <sup>a</sup>		6,898	1.4	
Total assets less current liabilities <sup>A</sup>		512,159	100.0	

<sup>A</sup> Excluding bank loan of £11,476,000.

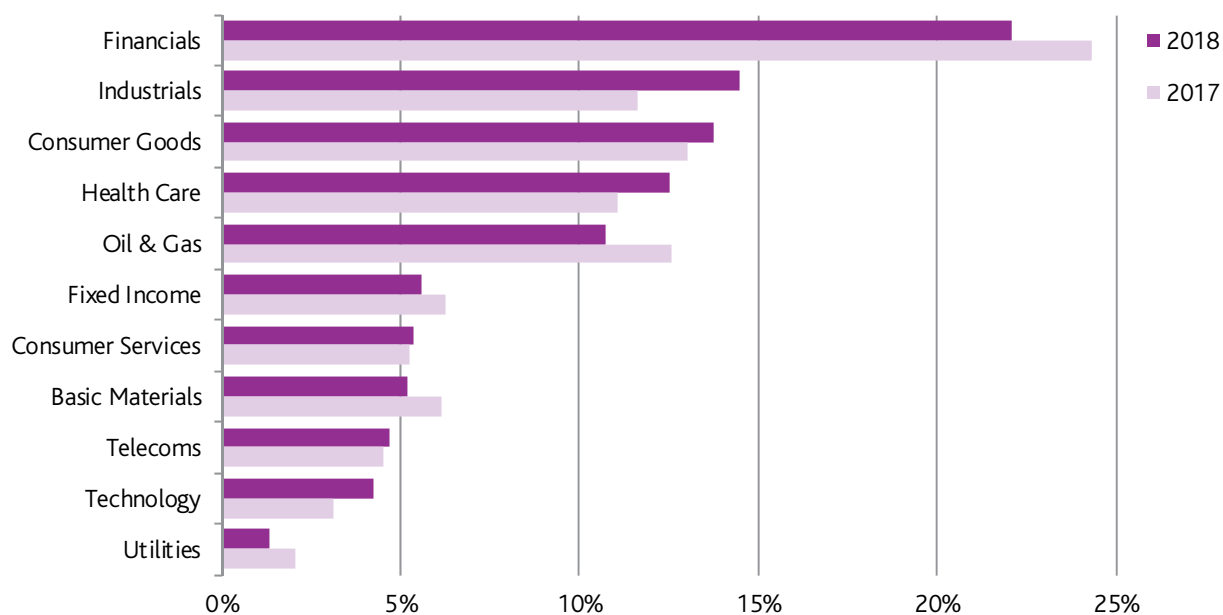
Note: The credit rating profile for the quoted bonds held is contained in note 17 on page 71.



## Portfolio Sector Breakdown

As at 31 January 2018

### Sector Breakdown



## Sector Analysis

As at 31 January 2018

		FTSE All-Share Index weighting 2018 %	Portfolio weighting 2018 %	Portfolio weighting 2017 %
Oil & Gas	Oil & Gas Producers	12.69	9.16	10.25
	Oil Equipment Services & Distribution	0.28	1.42	1.93
		<b>12.97</b>	<b>10.58</b>	<b>12.18</b>
Basic Materials	Chemicals	0.76	2.01	2.62
	Forestry & Paper	0.28	–	–
	Industrial Metals & Mining	0.11	–	–
	Mining	6.75	3.11	3.35
		<b>7.90</b>	<b>5.12</b>	<b>5.97</b>
Industrials	Construction & Materials	1.46	–	–
	Aerospace & Defense	1.83	2.48	2.12
	General Industrials	0.96	0.98	0.91
	Electronic & Electrical Equipment	0.52	–	–
	Industrial Engineering	0.86	3.98	2.63
	Industrial Transportation	0.42	1.28	0.59
	Support Services	4.65	5.56	5.02
		<b>10.70</b>	<b>14.28</b>	<b>11.27</b>
Consumer Goods	Automobiles & Parts	0.32	–	–
	Beverages	2.90	2.16	1.53
	Food Producers	0.74	1.30	0.96
	Household Goods & Home Construction	3.27	–	–
	Leisure Goods	0.05	–	–
	Personal Goods	2.28	4.50	3.80
	Tobacco	5.69	5.60	6.36
		<b>15.25</b>	<b>13.56</b>	<b>12.65</b>
Health Care	Health Care Equipment & Services	0.93	2.21	–
	Pharmaceuticals & Biotechnology	6.90	10.14	10.74
		<b>7.83</b>	<b>12.35</b>	<b>10.74</b>
Consumer Services	Food & Drug Retailers	1.38	–	–
	General Retailers	1.82	1.10	1.15
	Media	3.30	2.04	1.70
	Travel & Leisure	4.61	2.16	2.25
		<b>11.11</b>	<b>5.30</b>	<b>5.10</b>
Telecommunications	Fixed Line Telecommunications	0.95	0.99	0.68
	Mobile Telecommunications	2.56	3.65	3.68
		<b>3.51</b>	<b>4.64</b>	<b>4.36</b>
Utilities	Electricity	0.59	–	–
	Gas, Water & Multi-utilities	1.95	1.33	2.02
		<b>2.54</b>	<b>1.33</b>	<b>2.02</b>

<b>Financials</b>	Banks	11.43	7.54	6.55
	Non-life Insurance	1.08	0.55	1.57
	Life Insurance	4.44	6.32	4.73
	Real Estate Investment & Services	0.43	–	–
	Real Estate Investment Trusts	2.05	5.80	5.00
	Financial Services	3.07	1.59	5.74
	Equity Investment Instruments	4.57	–	–
		<b>27.07</b>	<b>21.80</b>	<b>23.59</b>
<b>Technology</b>	Software & Computer Services	1.07	4.18	3.03
	Technology Hardware & Equipment	0.05	–	–
		<b>1.12</b>	<b>4.18</b>	<b>3.03</b>
<b>Total equity investments</b>		<b>100.00</b>	<b>93.14</b>	<b>90.91</b>
<b>Fixed income investments</b>			<b>5.51</b>	<b>6.07</b>
<b>Total investments</b>			<b>98.65</b>	<b>96.98</b>
<b>Net current assets before borrowings<sup>A</sup></b>			<b>1.35</b>	<b>3.02</b>
<b>Total assets less current liabilities<sup>A</sup></b>			<b>100.00</b>	<b>100.00</b>

<sup>A</sup> Excluding bank loan of £11,476,000.



## Governance

The Company is registered as a public limited company and has been approved by HM Revenue & Customs as an investment trust. The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship of the Manager.

## Your Board of Directors

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The Directors' details, all of whom are non-executive and independent of the Manager, are set out below. The Directors supervise the management of the Company and represent the interests of shareholders.



**David Barron**

**Status:** Independent Non-Executive Chairman

**Length of service:** 2 years, appointed a Director on 1 February 2016

**Experience:** Chief Executive of Miton Group PLC. He was, until 2013, Head of Investment Trusts of JP Morgan Asset Management and, until 2014, a director of The Association of Investment Companies. He is a Member of the Council and Finance Committee of Lancaster University.

**Last re-elected to the Board:** 25 May 2016

**Committee membership:** Audit Committee, Management Engagement Committee and Nomination and Remuneration Committee



**John Carson**

**Status:** Senior Independent Non-Executive Director

**Length of service:** 10 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 2017

**Committee membership:** Audit Committee, Management Engagement Committee and Nomination and Remuneration Committee



**Catherine Claydon**

**Status:** Independent Non-Executive Director and Chairman of the Nomination and Remuneration Committee

**Length of service:** 7 years, 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. She is currently a director of Witan Investment Trust PLC and the Barclays UK Retirement Fund, as well as an Independent Member of the Unilever UK Pension Fund Investment Committee.

**Last re-elected to the Board:** 23 May 2017

**Committee membership:** Audit Committee, Management Engagement Committee and Nomination and Remuneration Committee (Chairman)



**Jasper Judd**

**Status:** Independent Non-Executive Director and Chairman of the Audit Committee

**Length of service:** 2 years, appointed a Director on 1 February 2016

**Experience:** formerly worked for Brambles Limited, a listed Australian multinational, where he held a number of senior executive roles including Global Head of Strategy. He is also a non-executive director of JP Morgan Indian Investment Trust plc. He is a Chartered Accountant.

**Last re-elected to the Board:** 25 May 2016

**Committee membership:** Audit Committee (Chairman), Management Engagement Committee and Nomination and Remuneration Committee





**Elisabeth Scott**

**Status:** Independent Non-Executive Director and Chairman of the Management Engagement Committee

**Length of service:** 6 years, 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. She is currently a director of Pacific Horizon Investment Trust PLC, Fidelity China Special Situations Investment Trust PLC, Allianz Technology Trust PLC and The Association of Investment Companies.

**Last re-elected to the Board:** 27 May 2015

**Committee membership:** Audit Committee, Management Engagement Committee (Chairman) and Nomination and Remuneration Committee



**Howard Williams**

**Status:** Independent Non-Executive Director (appointed on 1 April 2018)

**Appointment date:** 1 April 2018

**Experience:** has over 35 years' of fund management experience and was, until October 2017, Chief Investment Officer and Head of the Global Equity Team at JPMorgan Asset Management. Prior to joining JPMorgan Asset Management in 1994, he held a number of senior positions at Shell Pensions and Kleinwort Benson Asset Management. He started his career at James Capel & Co.

**Last re-elected to the Board:** n/a

**Committee membership:** To be appointed to the Audit Committee, Management Engagement Committee and Nomination and Remuneration Committee

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 January 2018.

## Results and Dividends

The financial statements for the year ended 31 January 2018 are contained on pages 51 to 73. First, second and third interim dividends, each of 2.575p per Ordinary share, were paid on 25 August 2017, 24 November 2017 and 23 February 2018 respectively. The Directors now recommend a final dividend of 4.375p per Ordinary share payable on 30 May 2018 to shareholders on the register on 4 May 2018. The ex-dividend date is 3 May 2018. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting.

## Investment Trust Status

The Company is registered as a public limited company (registered in Scotland No. SC000881) and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has been approved by HM Revenue & Customs as an investment trust subject to it continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 February 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 January 2018 so as to enable it to comply with the ongoing requirements for investment trust status.

## Individual Savings Accounts

The Company has conducted its affairs in such a way as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

## Capital Structure

The issued Ordinary share capital at 31 January 2018 consisted of 149,679,687 Ordinary shares of 25p and 3,998,248 Ordinary shares held in treasury. During the year, the Company purchased 833,000 Ordinary shares to be held in treasury. Since the end of the year, the Company has purchased a further 183,430 Ordinary shares to be held in treasury and, at the date of approval of this Report, there were 149,496,257 Ordinary shares of 25p in issue and 4,181,678 Ordinary shares held in treasury.

## Voting Rights

Each Ordinary share holds one voting right and shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares, excluding treasury shares, carry a right to receive dividends. On a winding up or other return of capital, after meeting the

liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings. 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.

## Management Agreement

The Company has appointed Aberdeen Fund Managers Limited ("AFML"), a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager. AFML has been appointed to provide investment management, risk management, administration and company secretarial services as well as promotional activities. The Company's portfolio is managed by Aberdeen Asset Managers Limited ("AAML") by way of a group delegation agreement in place between AFML and AAML. In addition, AFML has sub-delegated administrative and secretarial services to Aberdeen Asset Management PLC and promotional activities to AAML. Details of the management fees and fees payable for promotional activities are shown in notes 4 and 5 to the financial statements.

The management agreement is terminable on not less than six months' notice. In the event of termination by the Company on less than the agreed notice period, compensation is payable to the Manager in lieu of the unexpired notice period.

## Substantial Interests

As at 31 January 2018, the following interests in the issued Ordinary share capital of the Company had been disclosed in accordance with the requirements of the FCA's Disclosure Guidance and Transparency Rules:

Shareholder	Number of shares held	% held <sup>B</sup>
Aberdeen Asset Managers Limited Retail Plans <sup>A</sup>	35,105,837	23.4
1607 Capital Partners LLC	14,471,994	9.6
D C Thomson & Company Ltd	5,900,000	3.9

<sup>A</sup> Non-beneficial interest

<sup>B</sup> Based on 149,679,687 Ordinary shares in issue as at 31 January 2018

There have been no changes notified to the Company as at the date of approval of this Report.

## Corporate Governance

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 has applied the principles identified in the UK Corporate Governance Code (the "UK Code"), as published in April 2016 and effective for financial years commencing on or after 17 June 2016, which is

available on the Financial Reporting Council's website: [frc.org.uk](http://frc.org.uk).

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance as published in July 2016 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts. The AIC Code and AIC Guide are available on the AIC's website: [theaic.co.uk](http://theaic.co.uk).

The Board considers that reporting in accordance with the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders.

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

The UK Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The full text of the Company's Corporate Governance Statement can be found on its website.

## Directors

During the year, the Board comprised five non-executive Directors, each of which is considered by the Board to be independent of the Company and the Manager. David Barron is the Chairman. The names and biographies of each of the Directors are shown on pages 29 to 31 and indicate their range of skills and experience as well as length of service. Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper governance of the Company.

The Directors attended scheduled Board and Committee meetings during the year ended 31 January 2018 as follows (with their eligibility to attend the relevant meetings in brackets):

Director	Scheduled Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination and Remuneration Committee Meetings
David Barron	5 (5)	3 (3)	1 (1)	1 (1)
John Carson	5 (5)	3 (3)	1 (1)	1 (1)
Catherine Claydon	5 (5)	3 (3)	1 (1)	1 (1)
Jasper Judd	5 (5)	3 (3)	1 (1)	1 (1)
Elisabeth Scott	5 (5)	3 (3)	1 (1)	1 (1)

The Board meets more frequently when business needs require.

Elisabeth Scott retires by rotation at the Annual General Meeting and, being eligible, offer herself for re-election. The Board believes that Elisabeth Scott remains independent of the Manager and free from any relationship which could materially interfere with the exercise of her judgement on issues of strategy, performance, resources and standards of conduct. In addition, the Board confirms that, following a formal performance evaluation, her performance continues to be effective and demonstrates commitment to the role. The Board therefore recommends the re-election of Ms Scott at the Annual General Meeting.

Having served as a Director for more than ten years, John Carson will retire at the Annual General Meeting and will not seek re-election.

Since the end of the year, the Board has announced that Howard Williams will be appointed as an independent non-executive Director with effect from 1 April 2018. The Board engaged the services of an independent search consultant, Webster Partners Limited, for the purpose of the appointment. The Board considers that Mr Williams, whose biographical details are contained on page 31, has the range of skills and experience needed to complement those of the other Directors and the Board therefore recommends his election at the Annual General Meeting.

## Directors' and Officers' 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 is 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 or her in the

## Directors' Report *continued*

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execution of his or her duties in relation to the affairs of the Company. These rights are included in the Articles of Association of the Company.

### Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, each Director prepares a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although all Directors are issued with letters of appointment. There were no contracts during, or at the end of the year, in which any Director was interested.

The Board takes a zero-tolerance approach to bribery and has adopted appropriate procedures designed to prevent bribery. The Manager also takes a zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption.

### Board Committees

The Board has 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. The terms of reference of each of the Committees are reviewed and re-assessed by the Board for their adequacy on an ongoing basis.

#### Audit Committee

The Audit Committee's Report is contained on pages 40 to 42.

#### Management Engagement Committee

The Management Engagement Committee consists of all the Directors and is chaired by Elisabeth Scott. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee on an annual basis. The Committee also keeps the resources of the Aberdeen Group under review, together with its commitment to the Company and its investment trust business. In addition, the Committee conducts an

annual review of the performance, terms and conditions of the Company's main third party suppliers.

The Board remains satisfied with the capability of the Aberdeen Group to deliver satisfactory investment performance, that its investment screening processes are thorough and robust and that it employs a well-resourced team of skilled and experienced fund managers. In addition, the Board is satisfied that the Aberdeen Group has the secretarial, administrative and promotional skills required for the effective operation and administration of the Company. Accordingly, the Board believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of all the Directors and is chaired by Catherine Claydon. The Committee reviews the effectiveness of the Board, succession planning, Board appointments, appraisals, training and the remuneration policy. Further details of the remuneration policy are provided in the Directors' Remuneration Report on pages 37 to 39.

The Committee undertakes an annual appraisal of the Chairman of the Board, individual Directors and the performance of the Board as a whole. The intention is that the evaluation is externally facilitated every three years, the last such review being in 2015/16.

Potential new Directors are identified against the requirements of the Company's business and the need to have a balance of skills, experience, independence, diversity and knowledge of the Company within the Board.

### 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 loan covenants. The Company has a £25 million multi-currency revolving credit facility agreement which expires on 15 July 2018 and the Board expects it to be renewed on similar terms. The Directors believe that the Company has adequate financial resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of this Report. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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## Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on page 44 and 49.

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware, and they have taken all the steps that they could reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Independent Auditor

Following a formal tender process conducted during the previous year, Deloitte LLP was appointed as the Company's auditor for the audit of the financial statements for the year ending 31 January 2018. Deloitte LLP has indicated its willingness to remain in office. The Board will propose resolutions at the Annual General Meeting to appoint Deloitte LLP as auditor for the ensuing year and to authorise the Directors to determine its remuneration.

## Relations with Shareholders

The Directors place a great deal of importance on communications with shareholders. Shareholders and investors may obtain up to date information on the Company through its website and the Manager's information service.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (including the Company Secretary or the Manager) in situations where direct communication is required, and representatives from the Board meet with major shareholders on an annual basis in order to gauge their views. In addition, the Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. At each Board meeting the Board receives full details of any communication from shareholders to which the Chairman responds personally as appropriate.

The notice of the Annual General Meeting 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 Manager at the meeting.

## Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act

2006 (Strategic Report and Directors' Reports) Regulations 2013.

## Annual General Meeting

The Annual General Meeting will be held at the offices of Aberdeen Standard Investments, Bow Bells House, 1 Bread Street, London EC4M 9HH on Thursday 24 May 2018 at 12 noon. The Notice of the Meeting is included on pages 85 to 88. Resolutions including the following business will be proposed:

### 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 33.33% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of the resolution (up to a maximum aggregate nominal amount of £12,333,441 based on the number of Ordinary shares in issue as at the date of this Report) in accordance with Section 551 of the Companies Act 2006. The authority conferred by this resolution will expire at the next Annual General Meeting of the Company or, if earlier, 31 July 2019 (unless previously revoked, varied or extended by the Company in general meeting).

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.

### 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 representing 5% of the Company's issued Ordinary share capital as at the date of the passing of the resolution (up to an aggregate nominal amount of £1,868,703 based on the number of Ordinary shares in issue as at the date of this Report), without first being required to offer such shares to existing shareholders *pro rata* to their existing shareholding.

This power will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 31 July 2019 (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 premium to 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.

## 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:

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

Treasury shares may be resold quickly and cost effectively. The Directors therefore intend to continue to take advantage of this flexibility as they deem appropriate. 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 is 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution (approximately 22.4 million Ordinary shares). The minimum price which may be paid for an Ordinary share is 25p (exclusive of expenses). The maximum price (exclusive of expenses) which may be paid for the shares is 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 expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 31 July 2019 (unless previously revoked, varied or

extended by the Company in general meeting) and will be exercised only if it would result in an increase in net asset value per Ordinary share for the remaining shareholders and if it is in the best interests of shareholders as a whole.

## Recommendation

The Directors consider that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders and recommend that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings, amounting to 63,908 Ordinary shares, representing 0.04% of the issued share capital.

By order of the Board  
**Aberdeen Asset Management PLC**  
 Company Secretary  
 40 Princes Street  
 Edinburgh EH2 2BY  
 28 March 2018

# Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

1. a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the Annual General Meeting on 23 May 2017;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

Company law requires the Company's auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's report is included on pages 45 to 50.

## Remuneration Policy

The Directors' Remuneration Policy takes into consideration the principles of UK corporate governance and the AIC's recommendations regarding the application of those principles to investment companies. There were no changes to the Directors' Remuneration Policy during the year nor are there any proposals for changes in the foreseeable future.

No shareholder views were sought in setting the remuneration policy although any comments received from shareholders are considered.

Directors' remuneration is determined by the Nomination and Remuneration Committee, which is chaired by Catherine Claydon and comprises all of the Directors.

Directors' fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum. The current limit is £200,000 per annum and may only be increased by shareholder resolution. The Board's policy is that the remuneration of non-executive Directors should be sufficient to attract Directors of the quality required to run the Company successfully. The remuneration should also reflect the nature of the Directors' duties, responsibilities, the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, and have similar capital structures and similar investment objectives.

The levels of fees at the year end are set out in the table below. Fees are reviewed annually and, if considered appropriate, increased accordingly.

	31 January 2018 £	31 January 2017 £
Chairman	33,000	32,250
Chairman of Audit Committee	25,500	25,000
Director	22,000	21,500

## Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive and are appointed under the terms of letters of appointment.
- Directors must retire and be subject to election at the first Annual General Meeting after their appointment, and be subject to re-election at least every three years thereafter. Directors with more than nine years' service are subject to annual re-election.
- Any Director newly appointed to the Board will receive the fee applicable to each of the other Directors at the time of appointment together with any other fee then currently payable in respect of a specific role which the new Director is to undertake for the Company.
- No incentive or introductory fees will be paid to encourage a person to become a Director.
- Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties as a Director of the Company.

## Performance, Service Contracts, Compensation and Loss of Office

- Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

It is the Board's intention that this Remuneration Policy will apply for the three year period ended 31 January 2020.

# Directors' Remuneration Report continued

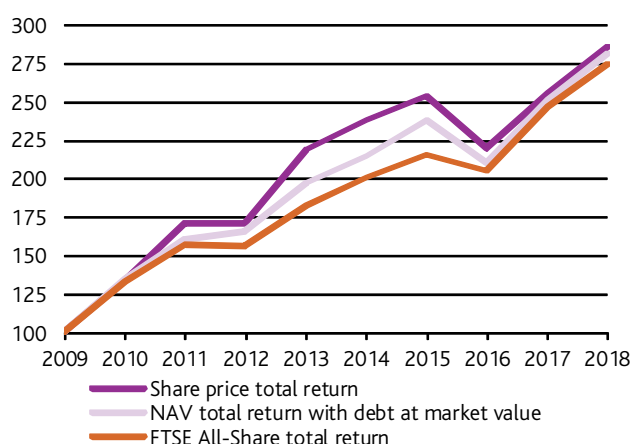
## Implementation Report

### Review of Directors' Fees

The Board carried out a review of the level of Directors' fees during the year and concluded that, with effect from 1 February 2018, fees should be increased to £33,750 for the Chairman, £26,000 for the Audit Committee Chairman and £22,500 for the other Directors. An additional fee of £2,000 per annum is payable to the Senior Independent Director. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

### Company Performance

The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE All-Share Index for the nine year period to 31 January 2018 (rebased to 100 at 31 January 2009). This Index was chosen for comparison purposes as it is the benchmark used for investment performance measurement purposes.



### Statement of Voting at General Meeting

At the Company's last Annual General Meeting, held on 23 May 2017, shareholders approved the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 January 2017. 98.3% of proxy votes were in favour of the resolution, 1.1% were against and 0.6% abstained. At the same meeting, shareholders approved the Directors' Remuneration Policy. 97.8% of proxy votes were in favour of the resolution, 1.4% were against and 0.8% abstained.

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 January 2018 will be proposed at the Annual General Meeting.

### Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

### Audited Information

#### Fees Payable

The Directors who served during the year received the following fees, which exclude employers' National Insurance contributions.

Director	2018 £	2017 £
David Barron <sup>A</sup>	29,599	21,500
John Carson <sup>B</sup>	26,787	25,832
Catherine Claydon	22,000	21,500
Jasper Judd <sup>C</sup>	25,500	21,586
Rory Macnamara <sup>D</sup>	-	29,563
Elisabeth Scott	22,000	21,500
Peter Wolton <sup>E</sup>	-	6,820
<b>Total</b>	<b>125,886</b>	<b>148,301</b>

<sup>A</sup> Appointed as Chairman on 23 May 2017

<sup>B</sup> Received a Chairman's fee from 20 December 2016 until 23 May 2017 in his capacity as Acting Chairman

<sup>C</sup> Appointed as Chairman of the Audit Committee on 24 January 2017

<sup>D</sup> Died 17 December 2016

<sup>E</sup> Retired 25 May 2016

Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above.

### Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 31 January 2018 and 31 January 2017 had no interest in the share capital of the Company other than those interests, all of which are beneficial, shown in the following table.

	31 January 2018 Ordinary shares	31 January 2017 Ordinary shares
David Barron	11,108	-
John Carson	40,000	40,000
Catherine Claydon	4,000	4,000
Jasper Judd	4,000	2,000
Elisabeth Scott	4,800	4,800

There have been no changes to the Directors' interests in the share capital of the Company since the year end up to the date of approval of this Report.

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## Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 31 January 2018:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

### Catherine Claydon

Chairman of Nomination and Remuneration Committee  
28 March 2018

## Audit Committee's Report

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The Audit Committee presents its Report for the year ended 31 January 2018.

### Committee Composition

The Audit Committee consists of all the Directors and is chaired by Jasper Judd who is a Chartered Accountant and has recent and relevant financial experience. The Board is satisfied that the Committee as a whole has competence relevant to the investment trust sector.

### Functions of the Audit Committee

The principal role of the Audit Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on at least an annual basis. Copies of the terms of reference are published on the Company's website and are available from the Company on request.

The Committee's main functions are listed below:

- to review and monitor the internal control systems and risk management systems (including review of non financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out below);
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly financial reports, announcements and related formal statements;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with the auditor to review the 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. Non-audit fees paid to the auditor during the year under review amounted to £7,000 (2017: £7,000 payable to KPMG LLP), comprising £6,000 (2017: £6,000) for the review of the Half-Yearly Financial Report and £1,000 (2017: £1,000) for the annual review of compliance with the debenture stock covenants.

All non-audit services must be approved in advance by the Audit Committee and will be reviewed in the light of statutory requirements and the need to maintain the auditor's independence;

- to review a statement from the Aberdeen Group detailing the arrangements in place within Aberdeen whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- 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 the auditor's independence, objectivity, effectiveness, resources and qualification.

### Activities During the Year

The Audit Committee met three times during the year when, amongst other things, it considered the Annual Report and the Half-Yearly Financial Report in detail. Representatives of the Aberdeen Group's internal audit, risk and compliance departments reported to the Committee at two of these meetings on matters such as internal control systems, risk management and the conduct of the business in the context of its regulatory environment.

### Internal Control

There is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that has been in place for the year ended 31 January 2018 and up to the date of approval of the Annual Report, is regularly reviewed by the Board and accords with the FRC's guidance on internal controls.

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 design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board, through the Audit Committee, has prepared its own risk register which lists potential risks as set out in the Strategic Report on pages 9 to 11. The Board considers the potential cause and possible effect of these risks as well as reviewing the controls in place to mitigate them.

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



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considers control and compliance issues brought to its attention. In carrying out its review, the Board has had regard to the activities of the Aberdeen Group, the Aberdeen Group's internal audit and compliance functions and the auditor.

The Board has reviewed Aberdeen's process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed. The Board has also reviewed the effectiveness of the Aberdeen Group's system of internal control including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurance Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organization".

Risks are identified and documented through a risk management framework by each function within the Aberdeen Group's activities. Risk is considered in the context of the FRC's guidance on internal controls and includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

The key components designed to provide effective internal control are outlined below:

- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- 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;
- 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;
- as a matter of course the Aberdeen Group's compliance department continually reviews its operations; and
- at its meeting in March 2018, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 January 2018 by considering documentation from the Aberdeen Group, including the internal audit and compliance functions and taking account of events since 31 January 2018.

The Board has considered the need for an internal audit function. However, the Company has no employees and the day-to-day management of the Company's assets has been delegated to the Aberdeen Group which has its own compliance and internal control systems. The Board has therefore decided to place reliance on those systems and internal audit procedures and has concluded that it is not necessary for the Company to have its own internal audit function.

### Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 31 January 2018, the Audit Committee considered the following significant issues, in particular those communicated by the auditor during its planning and reporting of the year end audit:

### Valuation and Existence of Investments

*How the issue was addressed* - The Company's investments have been valued in accordance with the accounting policies, as disclosed in note 2 to the financial statements. All investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 and 2 within the FRS102 fair value hierarchy. The portfolio holdings and their pricing is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared for each Board meeting. The Company uses the services of an independent Depositary (BNY Mellon Trust & Depositary (UK) Limited) to hold the assets of the Company. The Depositary checks the consistency of its records with those of the Manager on a monthly basis and reports to the Board on an annual basis.

### Recognition of Investment Income

*How the issue was addressed* - The recognition of investment income is undertaken in accordance with the stated accounting policies. In addition, the Directors review the Company's income, revenue forecasts and dividend comparisons at each Board meeting.

### Maintenance of Investment Trust Status

*How the issue was addressed* - The Company has been approved as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. Ongoing compliance with the eligibility criteria is monitored on a regular basis by the Manager and reported at each Board meeting.

### Review of Auditor

The Audit Committee has reviewed the effectiveness of the auditor, Deloitte LLP ("Deloitte") including:

- **Independence** - the auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee

aware of any potential issues, explaining all relevant safeguards.

- **Quality of audit work** - including the ability to resolve issues in a timely manner (identified issues are satisfactorily and promptly resolved), its communications/presentation of outputs (the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible), and working relationship with management (the auditor has a constructive working relationship with the Manager).
- **Quality of people and service** - including continuity and succession plans (the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the audit partner).

In reviewing the auditor, the Committee also took into account the FRC's Audit Quality Inspection Report for Deloitte LLP.

### Tenure of the Auditor

Following a formal tender process conducted during the previous year, Deloitte LLP was appointed as the Company's auditor for the audit of the financial statements for the year ending 31 January 2018. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 31 January 2018 is the first year for which the present audit partner has served.

The Audit Committee is satisfied that Deloitte is independent and therefore supports the recommendation to the Board that the re-appointment of Deloitte be put to shareholders for approval at the Annual General Meeting.

### Jasper Judd

Chairman of the Audit Committee  
28 March 2018

The background of the slide is a photograph of the Forth Bridge in Edinburgh, Scotland. The bridge is a large cantilever bridge with a distinctive red-orange color. It spans a wide body of water, and the sky is blue with some light clouds. The bridge's structure is composed of many vertical and diagonal beams, creating a complex lattice pattern. The water in the foreground is calm, reflecting the bridge and the sky.

# Financial Statements

In the year ended 31 January 2018 your company delivered solid absolute and relative returns. The Company's net asset value ("NAV") increased by 12.0% on a total return basis, outperforming the FTSE All-Share Index which produced a total return of 11.3%. The share price total return for the year was 11.7%.

The Board is proposing a final dividend of 4.375p per share. This will make a total dividend of 12.1p per share for the year, an increase of 3.4% on last year.

## Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report 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, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of 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 proper accounting records that 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 Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance 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, but not for the content of any information included on the website that has been prepared or issued by third parties. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- in the opinion of the Directors, the Annual Report taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; and
- the Strategic Report and Directors' Report include 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.

On behalf of the Board

**David Barron**

Chairman

28 March 2018

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

## Report on the Audit of the Financial Statements

### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Dunedin Income Growth Investment Trust PLC (the "Company") which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 (United Kingdom Generally Accepted Accounting Practice).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Summary of Our Audit Approach

Key audit matters	The key audit matter that we identified in the current year was valuation and ownership of listed investments.
Materiality	The materiality that we used in the current year was £4.4 million which was determined on the basis of 1% of net asset value.
Scoping	The Company has appointed Aberdeen Fund Managers Limited ("AFML") as its alternative investment fund manager. AFML has then sub-delegated the administrative and secretarial services for the Company to Aberdeen Asset Management PLC ("AAM") which has delegated portfolio accounting and administration functions to BNP Paribas Securities Services ("BNP"). As part of our audit we evaluated the design and implementation of relevant controls in place at BNP and AAM.



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

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## Conclusions Relating to Going Concern, Principal Risks and Viability Statement

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### Going Concern

We have reviewed the Directors' statement in note 2(a) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

*We confirm that we have nothing material to report, add or draw attention to in respect of these matters.*

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

### Principal Risks and Viability Statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

*We confirm that we have nothing material to report, add or draw attention to in respect of these matters.*

- the disclosures on pages 9 to 11 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 9 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on pages 12 and 13 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.





## Key Audit Matters

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Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation and Ownership of Listed Investments 	
<b>Key audit matter description</b> 	<p>The listed investments of the Company of £505.3 million make up 98% of the total assets of the Company at 31 January 2018. See the accounting policy in note 2(c) of the financial statements and also see note 10 of the financial statements.</p> <p>Investments are valued at the closing bid price at the year end.</p> <p>There is a risk that listed investments within the portfolio may not be valued correctly or may not represent the property of the Company. Given the nature and size of the balance and its importance to the entity, we have considered that there is a potential risk of fraud in this area.</p> <p>This key audit matter is also included in the Report of the Audit Committee within the Annual Report as a significant issue.</p>
<b>How the scope of our audit responded to the key audit matter</b> 	<p>We have performed the following procedures to test the ownership and valuation of the investment portfolio at 31 January 2018:</p> <ul style="list-style-type: none"> <li>• evaluated the design and implementation of controls at BNP over the ownership and valuation of listed investments;</li> <li>• agreed 100% of the Company's listed investment portfolio at the year end to the confirmation received directly from the depositary; and</li> <li>• agreed 100% of the bid prices of listed investments at year end to an independent pricing source.</li> </ul>
<b>Key observations</b> 	<p>No misstatements were identified which required reporting to those charged with governance.</p>

## Our Application of Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Materiality</b>	<p>£4.4 million</p> <p>In 2017, the previous auditor determined materiality to be £4.8 million and, in addition, applied materiality of £0.9 million to income from investments.</p>
<b>Basis for determining materiality</b>	<p>1% of net assets</p> <p>In 2017, the previous auditor used 1% of total assets as the benchmark in determining materiality.</p>
<b>Rationale for the benchmark applied</b>	<p>Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.</p>

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £88,400 (2017: the previous auditor reported on audit differences in excess of £243,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

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## An Overview of the Scope of our Audit

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Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control and assessing the risks of material misstatement through quantitative and qualitative factors relating to each account balance, class of transactions and disclosure. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The Company has appointed Aberdeen Fund Managers Limited ("AFML") as its alternative investment fund manager. AFML has then sub-delegated the administrative and secretarial services for the company to Aberdeen Asset Management PLC ("AAM") which has delegated portfolio accounting and administration functions to BNP Paribas Securities Services ("BNP"). As part of our audit we evaluated the design and implementation of relevant controls in place at BNP and AAM.

## Other Information

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The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

***We have nothing to report in respect of these matters.***

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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## Responsibilities of Directors

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As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our Report

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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.

## Report on Other Legal and Regulatory Requirements

### Opinions on Other Matters Prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

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## Matters on Which we are Required to Report by Exception

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### *Adequacy of explanations received and accounting records*

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

***We have nothing to report in respect of these matters.***

### *Directors' remuneration*

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

***We have nothing to report in respect of these matters.***

## Other Matters

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### *Auditor tenure*

Following the recommendation of the Audit Committee, we were appointed by the shareholders at the Annual General Meeting on 23 May 2017 to audit the financial statements for the year ending 31 January 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year.

### *Consistency of the audit report with the additional report to the audit committee*

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

**Andrew Partridge (Senior statutory auditor)**

**For and on behalf of Deloitte LLP**

Statutory Auditor

Edinburgh, United Kingdom

28 March 2018

## Statement of Comprehensive Income

	Notes	Year ended 31 January 2018			Year ended 31 January 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	10	–	30,708	30,708	–	50,712	50,712
Currency losses		–	(217)	(217)	–	(494)	(494)
Income	3	22,317	–	22,317	21,963	–	21,963
Investment management fee	4	(687)	(1,030)	(1,717)	(630)	(945)	(1,575)
Administrative expenses	5	(954)	–	(954)	(932)	–	(932)
<b>Net return before finance costs and taxation</b>		<b>20,676</b>	<b>29,461</b>	<b>50,137</b>	<b>20,401</b>	<b>49,273</b>	<b>69,674</b>
Finance costs	6	(1,445)	(2,159)	(3,604)	(1,445)	(2,165)	(3,610)
<b>Return before taxation</b>		<b>19,231</b>	<b>27,302</b>	<b>46,533</b>	<b>18,956</b>	<b>47,108</b>	<b>66,064</b>
Taxation	7	(262)	–	(262)	(57)	–	(57)
<b>Return after taxation</b>		<b>18,969</b>	<b>27,302</b>	<b>46,271</b>	<b>18,899</b>	<b>47,108</b>	<b>66,007</b>
<b>Return per Ordinary share (pence)</b>	<b>9</b>	<b>12.64</b>	<b>18.19</b>	<b>30.83</b>	<b>12.55</b>	<b>31.28</b>	<b>43.83</b>

The column of this statement headed "Total" represents the profit and loss account of the Company.

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

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

## Statement of Financial Position

	Notes	As at 31 January 2018 £'000	As at 31 January 2017 £'000
<b>Non-current assets</b>			
Equity securities		477,015	441,202
Fixed interest securities		28,246	29,462
<b>Investments at fair value through profit or loss</b>	10	505,261	470,664
<b>Current assets</b>			
Debtors	11	2,022	7,030
Cash and cash equivalents		5,983	8,648
		8,005	15,678
<b>Creditors: amounts falling due within one year</b>			
Bank loan	12	(11,476)	(11,253)
Other creditors	12	(1,107)	(1,003)
		(12,583)	(12,256)
<b>Net current (liabilities)/assets</b>		(4,578)	3,422
<b>Total assets less current liabilities</b>		500,683	474,086
<b>Creditors: amounts falling due after more than one year</b>	13	(58,299)	(58,276)
<b>Net assets</b>		<b>442,384</b>	<b>415,810</b>
<b>Capital and reserves</b>			
Called-up share capital	14	38,419	38,419
Share premium account		4,619	4,619
Capital redemption reserve		1,606	1,606
Capital reserve		370,634	345,486
Revenue reserve		27,106	25,680
<b>Equity shareholders' funds</b>		<b>442,384</b>	<b>415,810</b>
<b>Net asset value per Ordinary share (pence)</b>	16	<b>295.55</b>	<b>276.26</b>

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018 and were signed on its behalf by:

**David Barron**

Director

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



## Statement of Changes in Equity

For the year ended 31 January 2018

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	Notes						
Balance at 31 January 2017		38,419	4,619	1,606	345,486	25,680	415,810
Return after taxation		–	–	–	27,302	18,969	46,271
Dividends paid	8	–	–	–	–	(17,543)	(17,543)
Buyback of Ordinary shares for treasury		–	–	–	(2,154)	–	(2,154)
<b>Balance at 31 January 2018</b>		<b>38,419</b>	<b>4,619</b>	<b>1,606</b>	<b>370,634</b>	<b>27,106</b>	<b>442,384</b>

For the year ended 31 January 2017

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	Notes						
Balance at 31 January 2016		38,419	4,619	1,606	299,437	23,960	368,041
Return after taxation		–	–	–	47,108	18,899	66,007
Dividends paid	8	–	–	–	–	(17,179)	(17,179)
Buyback of Ordinary shares for treasury		–	–	–	(1,059)	–	(1,059)
<b>Balance at 31 January 2017</b>		<b>38,419</b>	<b>4,619</b>	<b>1,606</b>	<b>345,486</b>	<b>25,680</b>	<b>415,810</b>

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

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

## Statement of Cash Flows

		Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
	Notes		
<b>Operating activities</b>			
Net return before finance costs and taxation		50,137	69,674
Adjustment for:			
Gains on investments		(30,708)	(50,712)
Currency losses		217	494
Increase in accrued dividend income		(316)	(88)
(Increase)/decrease in accrued interest income		(33)	138
Stock dividends included in dividend income		(1,009)	(2,424)
Amortisation of fixed income book cost		362	352
(Increase)/decrease in other debtors excluding tax		(8)	6
Decrease in other creditors		(127)	(125)
Net tax paid		(424)	(91)
<b>Net cash flow from operating activities</b>		<b>18,091</b>	<b>17,224</b>
<b>Investing activities</b>			
Purchases of investments		(80,500)	(66,492)
Sales of investments		83,013	79,097
<b>Net cash from investing activities</b>		<b>2,513</b>	<b>12,605</b>
<b>Financing activities</b>			
Interest paid		(3,578)	(3,587)
Dividends paid	8	(17,543)	(17,179)
Buyback of Ordinary shares for treasury		(2,154)	(1,059)
Repayment of loan		–	(6,000)
Draw down of loan		–	5,878
Issue of Loan Notes		–	(18)
<b>Net cash used in financing activities</b>		<b>(23,275)</b>	<b>(21,965)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(2,671)</b>	<b>7,864</b>
<b>Analysis of changes in cash and cash equivalents during the year</b>			
Opening balance		8,648	568
Effect of exchange rate fluctuations on cash held		6	216
(Decrease)/increase in cash as above		(2,671)	7,864
<b>Closing balance</b>		<b>5,983</b>	<b>8,648</b>

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

# Notes to the Financial Statements

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## 1. Principal activity

The Company is a closed-end investment company, registered in Scotland No. SC000881, with its Ordinary shares being listed on the London Stock Exchange.

## 2. Accounting policies

### (a) Basis of preparation and going concern

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 with consequential amendments. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report (unaudited) on page 34.

### Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of certain significant accounting judgements, estimates and assumptions which requires management to exercise its judgement in the process of applying the accounting policies and are continually evaluated. The Board considers that there are no accounting judgements, estimates and assumptions which would significantly impact the financial statements.

### (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 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. Stock lending income is recognised on an accruals basis.

The fixed returns on debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the debt securities.

Underwriting commission is taken to revenue, unless any shares underwritten are required to be taken up, in which case the proportionate commission received is deducted from the cost of the investment.

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 including the amortisation of expenses and premium related to the debenture issue and loan note placement are allocated between revenue and capital in line with the Board's expectation of returns from the Company's investments over the long-term of 40% to revenue and 60% to capital.

### (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 Statement of Comprehensive Income.

Notes to the Financial Statements *continued***(d) Dividends payable**

Dividends payable to equity shareholders are recognised in the financial statements when they have been approved by Shareholders and become a liability of the Company. Interim dividends are recognised in the financial statements in the period in which they are paid.

**(e) Nature and purpose of reserves****Called-up share capital**

The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve.

**Share premium account**

The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 25p.

**Capital redemption reserve**

The capital redemption reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital.

**Capital reserve**

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 part of this reserve represented by realised capital gains is available for distribution by way of dividend.

The costs of share buybacks to be held in treasury are also deducted from this reserve.

**Revenue reserve**

Income and expenses which are recognised in the revenue column of the Statement of Comprehensive Income are transferred to the revenue reserve. The revenue reserve is available for distribution by way of dividend.

**(f) Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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**

Monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the reporting date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Gains or losses arising from a change in exchange rates subsequent to the date of a transaction are included as a currency gain or loss in revenue or capital in the Statement of Comprehensive Income, depending on whether the gain or loss is of a revenue or capital nature. 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.

**(h) Traded options**

The Company may enter into certain derivative contracts (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. The initial fair value is based on the initial premium, which is recognised upfront. The premium received and fair value changes in the open position which occur due to the movement in underlying securities are recognised in the revenue column, losses realised on the exercise of the contracts are recorded in the capital column of the Statement of Comprehensive Income.

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 Statement of Comprehensive Income.

**(i) Borrowings**

Borrowings are measured initially at the fair value of the consideration received, net of any issue expenses, and subsequently at amortised cost using the effective interest method. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method and are charged 40% to revenue and 60% to capital in the Statement of Comprehensive Income to reflect the Company's investment policy and prospective income and capital growth.

	2018	2017
	£'000	£'000
<b>3. Income</b>		
<b>Income from investments</b>		
UK dividend income	15,383	13,417
Overseas dividends	3,203	2,952
Fixed income	1,290	1,388
Stock dividends	1,009	2,424
	20,885	20,181
<b>Other income</b>		
Deposit interest	–	50
Income on derivatives	1,413	1,720
Underwriting commission	5	–
Income from stock lending	14	12
	1,432	1,782
<b>Total income</b>	<b>22,317</b>	<b>21,963</b>

During the year, the Company earned premiums totalling £1,413,000 (2017 – £1,720,000) in exchange for entering into derivative transactions. The Company had no open positions in derivative contracts at 31 January 2018 (2017 – no open positions). Losses realised on the exercise of derivative transactions are disclosed in note 10.

	2018			2017		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>4. Management fee</b>						
Management fee	687	1,030	1,717	630	945	1,575

The Company has an agreement with Aberdeen Fund Managers Limited ("AFML") for the provision of investment management, risk management, accounting, administrative and secretarial services. The management fee is calculated and charged, on a monthly basis, at 0.45% per annum on the first £225 million, 0.35% per annum on the next £200 million and 0.25% per annum on amounts over £425 million per annum of the net assets of the Company, with debt at par and excluding commonly managed funds. The balance due at the year end was £nil (2017 – £139,000). The

Notes to the Financial Statements *continued*

management fee is allocated 40% to revenue and 60% to capital. There were no commonly managed funds held in the portfolio during the year to 31 January 2018 (2017 – none).

The management agreement may be terminated by either party on six months' written notice.

	2018	2017
	£'000	£'000
<b>5. Administrative expenses</b>		
Directors' fees	126	148
Auditor's remuneration (excluding irrecoverable VAT):		
• fees payable to the Company's auditor for the audit of the Company's annual accounts (2017 – KPMG)	19	17
• fees payable to the Company's auditor for other services (2017 – KPMG)		
– interim review	6	6
– other services	1	1
Promotional activities	372	372
Registrar's fees	45	45
Share plan fees	72	68
Printing and postage	49	50
Other expenses	264	225
	<b>954</b>	<b>932</b>

Expenses of £372,000 (2017 – £372,000) were paid to AFML in respect of the promotion of the Company. The balance outstanding at the year end was £31,000 (2017 – £31,000).

All of the expenses above, with the exception of auditor's remuneration, include irrecoverable VAT where applicable. The VAT charged on the auditor's remuneration is disclosed within other expenses.

	2018			2017		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>6. Finance costs</b>						
Bank loan	50	75	125	54	81	135
Debenture Stock	901	1,352	2,253	901	1,352	2,253
Amortised Debenture Stock premium and issue expenses	5	8	13	5	8	13
Loan Notes – repayable after more than 5 years	479	718	1,197	479	718	1,197
Amortised Loan Notes issue expenses	4	6	10	4	6	10
Bank overdraft	6	–	6	2	–	2
	<b>1,445</b>	<b>2,159</b>	<b>3,604</b>	<b>1,445</b>	<b>2,165</b>	<b>3,610</b>

Finance costs (excluding bank overdraft interest) are allocated 40% to revenue and 60% to capital.



## 7. Taxation

### (a) Analysis of charge for the year

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas tax suffered	498	–	498	224	–	224
Overseas tax reclaimable	(236)	–	(236)	(167)	–	(167)
<b>Total tax charge for the year</b>	<b>262</b>	<b>–</b>	<b>262</b>	<b>57</b>	<b>–</b>	<b>57</b>

### (b) Factors affecting the tax charge for the year

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, giving an effective standard rate for the year of 19.17% (2017 – standard rate of 20%). The tax assessed for the year is higher than the rate of corporation tax. The differences are explained below:

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Return before taxation</b>	<b>19,231</b>	<b>27,302</b>	<b>46,533</b>	<b>18,956</b>	<b>47,108</b>	<b>66,064</b>
Corporation tax at 19.17% (2017 – 20%)	3,687	5,234	8,921	3,791	9,422	13,213
Effects of:						
Non-taxable UK dividend income	(2,948)	–	(2,948)	(2,683)	–	(2,683)
Non-taxable stock dividends	(194)	–	(194)	(485)	–	(485)
Capital gains on investments not taxable	–	(5,887)	(5,887)	–	(10,143)	(10,143)
Currency losses not taxable	–	42	42	–	99	99
Overseas taxes	262	–	262	57	–	57
Non-taxable overseas dividends	(551)	–	(551)	(560)	–	(560)
Corporate interest restriction	123	184	307	–	–	–
Excess management expenses	(117)	427	310	(61)	622	561
Prior year adjustment	–	–	–	(2)	–	(2)
<b>Total tax charge</b>	<b>262</b>	<b>–</b>	<b>262</b>	<b>57</b>	<b>–</b>	<b>57</b>

### (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 £121,573,000 (2017 – £119,957,000). A deferred tax asset in respect of this has not been recognised and these unrelieved expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

## 8. Ordinary dividends on equity shares

	2018 £'000	2017 £'000
Amounts recognised as distributions paid during the year:		
Third interim dividend for 2017 – 2.575p (2016 – 2.575p)	3,876	3,888
Final dividend for 2017 – 3.975p (2016 – 3.675p)	5,969	5,539
First interim dividend for 2018 – 2.575p (2017 – 2.575p)	3,865	3,876
Second interim dividend for 2018 – 2.575p (2017 – 2.575p)	3,865	3,876
Return of unclaimed dividends	(32)	–
	<b>17,543</b>	<b>17,179</b>

Notes to the Financial Statements *continued*

A third interim dividend of 2.575p per Ordinary share was declared on 16 January 2018, payable on 23 February 2018 to shareholders on the register on 2 February 2018 and has not been included as a liability in these financial statements.

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 net revenue available for distribution by way of dividend for the year is £18,969,000 (2017 – £18,899,000).

	2018 £'000	2017 £'000
First interim dividend for 2018 – 2.575p (2017 – 2.575p)	3,865	3,876
Second interim dividend for 2018 – 2.575p (2017 – 2.575p)	3,865	3,876
Third interim dividend for 2018 – 2.575p (2017 – 2.575p)	3,857	3,876
Proposed final dividend for 2018 – 4.375p (2017 – 3.975p)	6,540	5,972
	<b>18,127</b>	<b>17,600</b>

183,430 Ordinary shares have been bought back since the year end and the proposed final dividend is based on the latest share capital of 149,496,257 Ordinary shares.

9. Return per Ordinary share	2018		2017	
	£'000	p	£'000	p
Revenue return	18,969	12.64	18,899	12.55
Capital return	27,302	18.19	47,108	31.28
<b>Total return</b>	<b>46,271</b>	<b>30.83</b>	<b>66,007</b>	<b>43.83</b>
<b>Weighted average number of Ordinary shares in issue</b>	<b>150,103,822</b>		<b>150,619,769</b>	

10. Investments: listed at fair value through profit or loss	Listed 2018 £'000	Listed 2017 £'000
Opening fair value	470,664	436,012
Opening investment holding gains	(101,391)	(58,984)
<b>Opening book cost</b>	<b>369,273</b>	<b>377,028</b>
Purchases at cost	81,375	68,564
Sales – proceeds	(77,486)	(84,624)
Sales – realised gains <sup>A</sup>	5,936	8,305
<b>Closing book cost</b>	<b>379,098</b>	<b>369,273</b>
Closing investment holdings gains	126,163	101,391
<b>Closing fair value</b>	<b>505,261</b>	<b>470,664</b>

	2018	2017
	£'000	£'000
<b>Gains on investments</b>		
Realised gains on sales <sup>A</sup>	5,936	8,305
Change in investment holdings gains	24,772	42,407
	<b>30,708</b>	<b>50,712</b>

<sup>A</sup> Includes losses realised on the exercise of traded options of £198,000 (2017 – £669,000). Premiums received of £1,413,000 (2017 – £1,720,000) are included within income per note 3.

#### Transaction costs

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

	2018	2017
	£'000	£'000
Purchases	215	271
Sales	28	55
	<b>243</b>	<b>326</b>

	2018	2017
	£'000	£'000
<b>Stock lending</b>		
Aggregate value of securities on loan at the year end	–	4,165
Maximum aggregate value of securities on loan during the year	4,640	54,048
Fee income from stock lending	14	12

Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed date. Fee income is received for making the investments available to the borrower. The principal risks and rewards of holding the investments, namely the market movements in share prices and dividend income, are retained by the Company. In all cases the securities lent continue to be recognised on the Statement of Financial Position.

All stocks lent under these arrangements are fully secured by collateral. The value of the collateral held at 31 January 2018 was £nil (2017 – £4,712,000).

	2018	2017
	£'000	£'000
<b>11. Debtors: amounts falling due within one year</b>		
Net dividends and interest receivable	1,386	1,037
Tax recoverable	607	445
Amounts due from stockbrokers	–	5,527
Other loans and receivables	29	21
	<b>2,022</b>	<b>7,030</b>

	2018	2017
	£'000	£'000
<b>12. Creditors: amounts falling due within one year</b>		
<b>(a) Bank loan</b>		
EUR 13,100,000 – 13 February 2017	–	11,253
EUR 13,100,000 – 13 February 2018	11,476	–
	<b>11,476</b>	<b>11,253</b>

Notes to the Financial Statements *continued*

The Company has a multi-currency revolving credit facility agreement (which expires 15 July 2018) with Scotiabank for up to £25,000,000. At 31 January 2018 €13,100,000 had been drawn down at a rate of 0.8% (2017 – €13,100,000 at a rate of 0.8%), which matured on 13 February 2018. At the date this Report was approved €13,100,000 had been drawn down at a rate of 0.8%, maturing on 12 April 2018. The terms of the loan facility contain covenants that the adjusted asset coverage is not be less than 4.00 to 1.00 and that the minimum net assets of the Company are £200 million.

	2018	2017
	£'000	£'000
<b>(b) Other creditors</b>		
Debenture Stock, Loan Notes and bank loan interest	753	750
Amounts due to stockbrokers	228	–
Sundry creditors	126	253
	<b>1,107</b>	<b>1,003</b>

	2018	2017
	£'000	£'000
<b>13. Creditors: amounts falling due after more than one year</b>		
7½% Debenture Stock 2019	28,600	28,600
Unamortised Debenture Stock premium and issue expenses	(16)	(29)
<b>Amortised cost of Debenture Stock</b>	<b>28,584</b>	<b>28,571</b>
3.99% Loan Notes 2045	30,000	30,000
Unamortised Loan Note issue expenses	(285)	(295)
<b>Amortised cost of Loan Notes</b>	<b>29,715</b>	<b>29,705</b>
<b>Total</b>	<b>58,299</b>	<b>58,276</b>

The 7½% Debenture Stock was issued in 1997 and is due to be redeemed at par on 30 April 2019. 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 covenant 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 3.99% Loan Notes were issued in December 2015 and are due to be redeemed at par on 8 December 2045. Interest is payable in half-yearly instalments in June and December. The Loan Notes are secured by a floating charge over the whole of the assets of the Company. The Company has complied with the Loan Note Trust Deed covenant that total net borrowings (ie. after the deduction of cash balances) should not exceed 33% of the Company's net asset value and that the Company's net asset value should not be less than £200 million.

The fair value of the Debenture Stock as at 31 January 2018 was £30,684,000 (2017 – £32,547,000), the value being calculated per the disclosure in note 17. The effect on the net asset value of deducting the Debenture Stock at fair value rather than at par is disclosed in note 16.

The fair value of the Loan Notes as at 31 January 2018 was £35,069,000 (2017 – £34,637,000), the value being calculated per the disclosure in note 17. The effect on the net asset value of deducting the Loan Notes at fair value rather than at par is disclosed in note 16.

	2018 £'000	2017 £'000
<b>14. Called-up share capital</b>		
<b>Allotted, called up and fully paid:</b>		
149,679,687 (2017 – 150,512,687) Ordinary shares of 25p each – equity	37,420	37,628
<b>Treasury shares:</b>		
3,998,248 (2017 – 3,165,248) Ordinary shares of 25p each – equity	999	791
	<b>38,419</b>	<b>38,419</b>

The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve.

During the year the Company repurchased 833,000 Ordinary shares (2017 – 493,500) at a cost of £2,154,000 including expenses (2017 – £1,059,000). All of these shares were placed in treasury.

Since the year end 183,430 Ordinary shares of 25p each have been purchased by the Company at a total cost of £454,000. These are held in treasury.

	2018			2017		
	Equity share capital (including premium) £'000	Loan Notes £'000	Debenture stock £'000	Equity share capital (including premium) £'000	Loan Notes £'000	Debenture stock £'000
<b>15. Analysis of changes in financing during the year</b>						
Opening balance at 31 January 2017	43,038	29,705	28,571	43,038	29,713	28,558
Loan Notes issue expenses	–	–	–	–	(18)	–
Movement in unamortised Debenture Stock discount and issue expenses	–	–	13	–	–	13
Movement in unamortised Loan Notes issue expenses	–	10	–	–	10	–
<b>Closing balance at 31 January 2018</b>	<b>43,038</b>	<b>29,715</b>	<b>28,584</b>	<b>43,038</b>	<b>29,705</b>	<b>28,571</b>

#### 16. Net asset value per share

Equity shareholders' funds have been calculated in accordance with the provisions of FRS 102. The analysis of equity shareholders' funds on the face of the Statement of Financial Position 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 and Loan Notes at par. A reconciliation between the two sets of figures is as follows:

	2018	2017
Net assets attributable (£'000)	442,384	415,810
Number of Ordinary shares in issue at year end <sup>A</sup>	149,679,687	150,512,687
Net asset value per Ordinary share	295.55p	276.26p

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

Notes to the Financial Statements *continued*

Adjusted net assets	2018	2017
Net assets attributable (£'000) as above	442,384	415,810
Unamortised Debenture Stock premium and issue expenses (note 13)	(16)	(29)
Unamortised Loan Note issue expenses (note 13)	(285)	(295)
<b>Adjusted net assets attributable (£'000)</b>	<b>442,083</b>	<b>415,486</b>
<b>Number of Ordinary shares in issue at year end<sup>A</sup></b>	<b>149,679,687</b>	<b>150,512,687</b>
<b>Adjusted net asset value per Ordinary share</b>	<b>295.35p</b>	<b>276.05p</b>

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

Net assets – debt at fair value	£'000	£'000
Net assets attributable	442,384	415,810
Amortised cost Debenture Stock	28,584	28,571
Amortised cost Loan Notes	29,715	29,705
Market value Debenture Stock	(30,684)	(32,547)
Market value Loan Notes	(35,069)	(34,637)
<b>Net assets attributable</b>	<b>434,930</b>	<b>406,902</b>
<b>Number of Ordinary shares in issue at the period end<sup>A</sup></b>	<b>149,679,687</b>	<b>150,512,687</b>
<b>Net asset value per Ordinary share (debt at fair value)</b>	<b>290.57p</b>	<b>270.34p</b>

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

Net assets – debt at fair value (capital basis)	£'000	£'000
Net assets attributable	434,930	406,902
Less: revenue return for the period	(18,969)	(18,899)
Add: interim dividends paid	7,730	7,752
Less: refund of unclaimed dividends	(32)	–
<b>Net assets attributable</b>	<b>423,659</b>	<b>395,755</b>
<b>Number of Ordinary shares in issue at the period end<sup>A</sup></b>	<b>149,679,687</b>	<b>150,512,687</b>
<b>Net asset value per Ordinary share (debt at fair value)</b>	<b>283.04p</b>	<b>262.94p</b>

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

## 17. Financial instruments and risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments comprise securities and other investments, cash balances, 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 option contracts for the purpose of generating income and futures/options for hedging market exposures.

During the year, the Company entered into certain options contracts for the purpose of generating income. Positions closed during the year realised a loss of £198,000 (2017 – £669,000). As disclosed in note 3, the premium received and fair value changes in respect of options written in the year was £1,413,000 (2017 – £1,720,000). The largest position in derivative contracts held during the year at any given time was £510,000 (2017 – £900,000). The Company had no open positions in derivative contracts at 31 January 2018 (2017 – none).

The Board relies on Aberdeen Fund Managers Limited ("AFML" or the "Manager") for the provision of risk management activities under the terms of its management agreement with AFML (further details of which are included under note 3).



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The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors on the grounds that they are not considered to be material.

The Company's Manager has an independent Investment Risk department for reviewing the investment risk parameters of all core equity, fixed income and alternative asset classes 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.

### **Risk management framework**

The directors of AFML collectively assume responsibility for AFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

AFML is a fully integrated member of the Standard Life Aberdeen Group (the "Group") which provides a variety of services and support to AFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. AFML has delegated the day to day administration of the investment policy to Aberdeen Asset Managers Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). AFML has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the co-Chief Executive Officers of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SWORD").

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group's co-Chief Executive Officers and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Group's corporate governance structure is supported by several committees to assist the board of directors of Aberdeen, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

### **Risk Management**

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

The Board regularly reviews and agrees policies for managing each of these risks. The Group'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 price risk.

Notes to the Financial Statements *continued***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.

**Management of the risk**

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

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving, and uncommitted facilities. Details of borrowings at 31 January 2018 are shown in notes 12 and 13.

**Interest risk profile**

The interest rate risk profile of the portfolio of financial assets and liabilities at the Statement of Financial Position date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 January 2018</b>				
<b>Assets</b>				
Sterling	11.62	6.36	28,246	5,983
<b>Total assets</b>	–	–	<b>28,246</b>	<b>5,983</b>
<b>Liabilities</b>				
Bank loans	0.08	0.80	(11,476)	–
Loan Notes	27.87	3.99	(29,715)	–
Debenture Stock	1.25	7.87	(28,584)	–
<b>Total liabilities</b>	–	–	<b>(69,775)</b>	–

The weighted average period for which interest rates are fixed in relation to the Company's fixed interest portfolio at 12.63 years, extends significantly beyond the maturity date of the 7% Debenture Stock, which matures on 30 April 2019. This is due to the large number of perpetual holdings within that portfolio which have call dates around the time of the maturity of the Debenture.

At 31 January 2017	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>Assets</b>				
Sterling	14.57	6.54	29,462	8,648
<b>Total assets</b>	–	–	<b>29,462</b>	<b>8,648</b>
<b>Liabilities</b>				
Bank loans	0.08	0.80	(11,253)	–
Loan Notes	28.83	3.99	(29,705)	–
Debenture Stock	2.25	7.87	(28,571)	–
<b>Total liabilities</b>	–	–	<b>(69,529)</b>	–

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 12 and 13 to the financial statements.

The floating rate assets consist of cash deposits all 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

Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total profit.

#### 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 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 Statement of Financial Position can be affected by movements in exchange rates.

#### Management of the risk

It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings. A proportion of the Company's borrowings, as detailed in note 12, is in foreign currency as at 31 January 2018. The revenue account is subject to currency fluctuations arising on dividends received 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.

Notes to the Financial Statements *continued*

## Foreign currency risk exposure by currency of denomination:

	31 January 2018			31 January 2017		
	Investments	Net	Total	Investments	Net	Total
		monetary	currency		monetary	currency
		assets	exposure		assets	exposure
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	58,864	(11,074)	47,790	33,656	(5,526)	28,130
Swiss Francs	27,603	719	28,322	27,535	260	27,795
Danish Krone	9,200	193	9,393	2,514	–	2,514
Sterling	409,594	(52,715)	356,879	406,959	(49,588)	357,371
<b>Total</b>	<b>505,261</b>	<b>(62,877)</b>	<b>442,384</b>	<b>470,664</b>	<b>(54,854)</b>	<b>415,810</b>

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.

**Price risk**

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 and traded options.

**Management of the risk**

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular company or 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.

**Price risk sensitivity**

If market prices at the Statement of Financial Position date had been 10% higher while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 January 2018 would have increased by £50,526,000 (2017 – increase of £47,066,000) 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 as they fall due in line with the maturity profile analysed below.

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
<b>At 31 January 2018</b>							
Bank loans	11,476	–	–	–	–	–	11,476
Debenture Stock	–	28,600	–	–	–	–	28,600
Loan Notes	–	–	–	–	–	30,000	30,000
Interest cash flows on bank loans, debentures and loan notes	3,457	2,323	1,197	1,197	1,197	27,531	36,902
Cash flows on other creditors	354	–	–	–	–	–	354
	<b>15,287</b>	<b>30,923</b>	<b>1,197</b>	<b>1,197</b>	<b>1,197</b>	<b>57,531</b>	<b>107,332</b>

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
<b>At 31 January 2017</b>							
Bank loans	11,253	–	–	–	–	–	11,253
Debenture Stock	–	–	28,600	–	–	–	28,600
Loan Notes	–	–	–	–	–	30,000	30,000
Interest cash flows on bank loans and Debenture Stock	3,457	3,449	2,323	1,197	1,197	28,728	40,351
Cash flows on other creditors	253	–	–	–	–	–	253
	<b>14,963</b>	<b>3,449</b>	<b>30,923</b>	<b>1,197</b>	<b>1,197</b>	<b>58,728</b>	<b>110,457</b>

### Management of the risk

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, Loan Notes and a revolving facility. The Debenture Stock and Loan Notes provide 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 2018 are shown in notes 12 and 13.

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 12. 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 2018 and 31 January 2017 the amortised cost of the Company's Debenture Stock was £28,584,000 and £28,571,000 respectively. This is due to be redeemed at par on 30 April 2019. At 31 January 2018 and 31 January 2017 the amortised cost of the Company's Loan Notes was £29,715,000 and £29,705,000 respectively. At 31 January 2018 and 31 January 2017 the Company's bank loans amounted to £11,476,000 and £11,253,000 respectively. The facility is committed until 15 July 2018.

Notes to the Financial Statements *continued***(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.

**Management of the risk**

- investment transactions are carried out with a large number of brokers, whose credit standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty 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 Group's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Aberdeen Group'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.

The Company participates in stock lending activities. Under the terms of the stock lending agreement, all loans are backed by collateral (cash, near cash, government and public securities, certificates of deposit, letter of credit and UK equities) equal to or greater than 105% of the market value (as calculated daily on each business day) of the securities on loan.

There are internal exposure limits to cash balances placed with counterparties. The credit worthiness of counterparties is also reviewed on a regular basis.

With the exception of securities on loan referred to in note 13, none of the Company's financial assets are secured by collateral or other credit enhancements.

**Credit risk exposure**

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 January was as follows:

	2018		2017	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Non-current assets</b>				
Investments at fair value through profit or loss	505,261	28,246	470,664	29,462
<b>Current assets</b>				
Cash and short term deposits	5,983	5,983	8,648	8,648
	<b>511,244</b>	<b>34,229</b>	<b>479,312</b>	<b>38,110</b>

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



### Credit ratings

The table below provides a credit rating profile using Standard & Poors credit ratings for the quoted bonds at 31 January 2018 and 31 January 2017:

	2018 £'000	2017 £'000
A+	1,393	1,449
A	1,239	741
A–	3,081	2,994
BB+	2,359	2,485
BB	2,595	2,628
BBB+	5,252	5,550
BBB	9,156	6,902
BBB–	3,171	6,713
	<b>28,246</b>	<b>29,462</b>

### Fair values of financial assets and financial liabilities

The fair value of borrowings has been calculated at £77,229,000 as at 31 January 2018 (2017 – £78,437,000) compared to an accounts value in the financial statements of £69,775,000 (2017 – £69,529,000) (notes 12 and 13). 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 Statement of Financial Position at fair value.

## 18. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 31 January 2018	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	477,015	–	–	477,015
Quoted bonds	b)	–	28,246	–	28,246
<b>Total</b>		<b>477,015</b>	<b>28,246</b>	<b>–</b>	<b>505,261</b>

Notes to the Financial Statements *continued*

		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 January 2017</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	441,202	–	–	441,202
Quoted bonds	b)	–	29,462	–	29,462
<b>Total</b>		<b>441,202</b>	<b>29,462</b>	<b>–</b>	<b>470,664</b>

**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 quoted bonds has been determined by reference to their quoted bid prices at the reporting date. Bonds included in Fair Value Levels 2 are Corporate Bonds. Investments categorised as Level 2 are not considered to trade in active markets.

**19. Capital management policies and procedures**

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the 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 future expected returns 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.

**20. Related party transactions and transactions with the Manager****Directors' fees and interests**

Fees payable during the year to the Directors and their interest in shares of the Company are disclosed within the Directors' Remuneration Report on page 38.

**Transactions with the Manager**

The Company has an agreement with the Standard Life Aberdeen Group for the provision of management, secretarial, accounting and administration services and also for the provision of promotional activities. Details of transactions during the year and balances outstanding at the year end are disclosed in notes 4 and 5.

**21. Alternative performance measures**

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

The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

### Total return

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

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

	Dividend rate	NAV <sup>A</sup>	Share price
<b>2018</b>			
31 January 2017	N/A	270.34p	243.50p
2 February 2017	2.575p	269.01p	243.50p
4 May 2017	3.975p	285.04p	257.50p
3 August 2017	2.575p	290.39p	261.00p
2 November 2017	2.575p	291.81p	262.88p
31 January 2018	N/A	290.57p	260.00p
<b>Total return</b>		<b>12.0%</b>	<b>11.7%</b>

	Dividend rate	NAV <sup>A</sup>	Share price
<b>2017</b>			
31 January 2016	N/A	237.48p	220.00p
4 February 2016	2.575p	226.02p	210.00p
5 May 2016	3.675p	234.76p	211.50p
4 August 2016	2.575p	266.15p	244.75p
3 November 2016	2.575p	262.39p	232.25p
31 January 2017	N/A	270.34p	243.50p
<b>Total return</b>		<b>19.2%</b>	<b>16.5%</b>

<sup>A</sup> Cum-income NAV with debt at fair value

### Ongoing charges

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

	2018	2017
Investment management fees (£'000)	1,717	1,575
Administrative expenses (£'000)	954	932
Less: non-recurring charges (£'000)	(30)	–
Ongoing charges (£'000)	2,641	2,507
Average net assets (£'000)	433,055	397,046
Ongoing charges ratio	0.61%	0.63%





## Corporate Information

The Investment Manager is a subsidiary of Aberdeen Asset Management PLC, which merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc. Assets under management of the combined investment division, Aberdeen Standard Investments, were £575.7 billion as at 31 December 2017.

## Information about the Investment Manager

### Aberdeen Asset Managers Limited

The Company's Investment Manager is Aberdeen Asset Managers Limited, a subsidiary of Aberdeen Asset Management PLC, which merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc. Assets under the management of the combined investment division,

Aberdeen Standard Investments, were £575.7 billion at 31 December 2017.

### The Investment Team Senior Managers



**Ben Ritchie**

#### Head of UK and European Equities

Ben is Head of UK and European Equities on AAM's Pan European equities team and joined AAM 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.



**Louise Kernohan**

#### Senior Investment Manager

Louise is a Senior Investment Manager on the Pan European equities team, having joined Aberdeen via the acquisition of Deutsche Asset Management businesses in 2005. Louise graduated with a BSc (Hons) in Mathematics, Physics and Philosophy and an MA in Management from the University of Durham and is a CFA Charterholder.

### The Investment Process

#### Philosophy and Style

The Investment Manager believes that markets are not always efficient. We believe that superior investment returns are therefore attainable by identifying good companies that are trading cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment, including company visits, in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, we would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to

either top up or top slice positions, which typically accounts for the bulk of the activity within the portfolio.

#### 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 Investment Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.





### AIFMD

The Company has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager and BNY Mellon Trust & Depositary (UK) Limited as its depositary under the AIFMD. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's Pre-investment Disclosure Document ("PIDD") which can be found on its website. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 83.

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

The AIFMD requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Dunedin Income Growth Investment Trust PLC, to make available to investors certain information prior to such investors' investment in the Company. The Company's PIDD is available for viewing on its website.

### Website

Further information on the Company can be found on its website: [dunedinincomegrowth.co.uk](http://dunedinincomegrowth.co.uk). This provides information on the Company's share price performance, capital structure, stock exchange announcements and monthly factsheets.

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

The Aberdeen Group has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment trust shares, purporting to work for the Aberdeen Group or for third party firms. The Aberdeen Group has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for the Aberdeen Group and any third party making such offers/claims has no link with the Aberdeen Group.

The Aberdeen Group does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

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

### Keeping You Informed

Detailed information on the Company, including price, performance information and a monthly fact sheet is available from its website and the TrustNet website ([trustnet.com](http://trustnet.com)). Alternatively you can call 0808 500 0040 (free when dialing from a UK landline).

If you have any questions about your Company, the Manager or performance, please telephone the Aberdeen Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, you may email Aberdeen at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

### Shareholder Enquiries

In the event of queries regarding their holdings of shares, lost certificates, dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephoning on 0371 384 2441. Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday (excluding bank holidays). Calls may be recorded and monitored randomly for security and training purposes.

Changes of address must be notified to the registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, Dunedin Income Growth Investment Trust PLC, 40 Princes Street, Edinburgh EH2 2BY or by emailing [company.secretary@aberdeenstandard.com](mailto:company.secretary@aberdeenstandard.com).

### Direct Investment

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, 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 runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable. Selling costs are £10 + VAT. There is no



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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. Investors have full voting and other rights of share ownership.

### Aberdeen's Investment Trust Share Plan

Aberdeen runs a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable. 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 £20,000 can be made in the 2018/2019 tax year.

The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

### ISA Transfer

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

### Dividend Tax Allowance

The annual tax-free allowance on dividend income is £2,000 for the 2018/2019 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend

income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

### Literature Request Service

For literature and application forms for the Company and the Aberdeen Group's investment trust products, please contact:

Telephone: 0808 500 4000

Website: [invtrusts.co.uk/en/investmenttrusts/literature-library](http://invtrusts.co.uk/en/investmenttrusts/literature-library)

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

### Aberdeen Investment Trust Administration

PO Box 11020

Chelmsford

Essex CM99 2DB

Telephone: 0808 500 0040

(free when dialing from a UK landline)

Terms and conditions for the Aberdeen managed savings products can also be found under the literature section of [invtrusts.co.uk](http://invtrusts.co.uk).

### Online Dealing Details

#### Investor information

There are a number of other ways in which you can buy and hold shares in this investment trust.

#### Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

- AJ Bell You Invest
- Alliance Trust Savings
- Barclays Stockbrokers
- Charles Stanley Direct
- Halifax Share Dealing
- Hargreave Hale
- Hargreaves Lansdown
- Idealing
- Interactive Investor/TD Direct
- Selftrade Equiniti
- The Share Centre
- Stocktrade

#### Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management & Financial Advice Association at: [pimfa.co.uk](http://pimfa.co.uk).

#### Financial advisers

To find an adviser on investment trusts, visit [unbiased.co.uk](http://unbiased.co.uk).

#### Regulation of stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or at [fca.org.uk/firms/systems-reporting/register/search](http://fca.org.uk/firms/systems-reporting/register/search)

Email: [register@fca.org.uk](mailto:register@fca.org.uk)

#### Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking income and capital growth from a portfolio invested mainly in companies listed or quoted in the United Kingdom, and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, in order that its shares can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments ("NMPIs").

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream pooled investment products because they are shares in an investment trust.

#### Key Information Document ("KID")

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

#### Note

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

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

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

*The information on pages 76 to 78 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.*

# Glossary of Terms and Definitions

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Aberdeen, Aberdeen Group or AAM	The Aberdeen Asset Management PLC group of companies. Aberdeen Asset Management PLC merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc.
AIC	The Association of Investment Companies.
AIFMD	The Alternative Investment Fund Managers Directive. The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.
Benchmark	This is a measure against which an Investment Trust's performance is compared. The Company's benchmark is the FTSE All-Share Index. The index averages the performance of a defined selection of listed companies over specific time periods.
Call Option	An option contract which gives the buyer the right, but not the obligation, to purchase a specified amount of an asset at the strike price by a future specified date.
Closed-End Fund	A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.
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.
FCA	Financial Conduct Authority.
Gearing	<p>Net gearing is calculated by dividing total borrowings less cash and cash equivalents by shareholders' funds, expressed as a percentage.</p> <p>Equity gearing is calculated as the amount by which the total value of equity securities exceeds shareholders' funds, expressed as a percentage of shareholder funds.</p>
Investment Manager or AAML	Aberdeen Asset Managers Limited is a wholly owned subsidiary within the Aberdeen Group and acts as the Company's investment manager. It is authorised and regulated by the FCA.
Investment Trust	A type of Closed-End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.
Key Information Document or KID	The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.
Leverage	For the purposes of the Alternative Investment Fund Managers Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its Net Asset Value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

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# Glossary of Terms and Definitions continued

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Manager, AIFM or AFML	Aberdeen Fund Managers Limited is a wholly owned subsidiary within the Aberdeen Group and acts as the Alternative Investment Fund Manager for the Company. It is authorised and regulated by the FCA.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The Net Asset Value divided by the number of shares in issue produces the Net Asset Value per Ordinary share.
NAV with debt at fair value	The Net Asset Value with debt valued divided by the number of shares in issue where Debenture Stock is valued at the quoted market rate and Loan Notes are valued using the discounted cash flow basis..
Ongoing Charges	Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.
Pre-Investment Disclosure Document ("PIDD")	The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, which can be found on the Company's website.
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.
Price/Earnings Ratio	This is calculated by dividing the market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Total Assets	Total assets less current liabilities (before deducting Prior Charge as defined above), as per the Statement of Financial Position.
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 Company on the date to which that dividend was earned.

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## Your Company's History

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### 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 on 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 10% 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.

# Share Capital History

## Issued Share Capital at 31 January 2018

149,679,687	Ordinary shares of 25p (153,677,935 including treasury shares)
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## Treasury Shares at 31 January 2018

3,998,248	Ordinary shares
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## Name Change

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

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
Year ended 31 January 2006	450,000 Ordinary shares purchased for cancellation and 450,000 Ordinary shares purchased to hold in treasury
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
Year ended 31 January 2013	No shares purchased, cancelled or issued
Year ended 31 January 2014	300,000 shares sold from treasury
Year ended 31 January 2015	No shares purchased, cancelled or issued
Year ended 31 January 2016	No shares purchased, cancelled or issued
Year ended 31 January 2017	493,500 Ordinary shares purchased to hold in treasury
Year ended 31 January 2018	833,000 Ordinary shares purchased to hold in treasury



## AIFMD Disclosures (Unaudited)

Aberdeen Fund Managers Limited and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website.

There have been no material changes to the disclosures contained within the PIDD since its most recent update in April 2017.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report, note 17 to the financial statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretary, Aberdeen Asset Management PLC, on request, and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 30 September 2017 and the period ended 31 December 2017 are available on the Company's website.

## Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 January 2018	1.14:1	1.16:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which AFML may employ on behalf of the Company, the right of use of collateral or any guarantee granted under any leveraging arrangement, or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

*The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.*

## Securities Financing Transactions Disclosure

The Company engages in Securities Financing Transactions ("SFTs") (as defined in Article 3 of Regulation (EU) 2015/2365, SFTs include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the accounting period are detailed below:

Return and cost per type of SFT	£'000	%
<b>For the year ended 31 January 2018</b>		
Securities lending		
<b>Gross return</b>	18	100.00
Direct operational costs (securities lending agent costs) <sup>A</sup>	4	20.00
Indirect operational costs (Investment Adviser operational costs)	–	–
<b>Total costs</b>	4	20.00
<b>Net return</b>	<b>14</b>	<b>80.00</b>

<sup>A</sup> The unrounded direct operational costs and fees incurred for securities lending for the 12 months to 31 January 2018 is £3,500.

The Company ceased stock lending activities on 23 May 2017. As such, the following disclosures are nil as at 31 January 2018:

- Absolute value of assets engaged in SFTs
- Top ten collateral issuers
- Collateral held per custodian
- Collateral analysed by currency
- Top ten counterparties per type of SFT
- Maturity tenor of collateral (remaining period to maturity)

# 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 Bow Bells House, 1 Bread Street, London EC4M 9HH on Thursday 24 May 2018 at 12 noon, for the following purposes:

## Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive the reports of the Directors and auditor and the financial statements for the year ended 31 January 2018.
2. To receive and adopt the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 January 2018.
3. To approve a final dividend of 4.375 per Ordinary share.
4. To re-elect Ms Elisabeth Scott as a Director of the Company.
5. To elect Mr Howard Williams as a Director of the Company.
6. To re-appoint Deloitte LLP as auditor of the Company.
7. To authorise the Directors to determine the remuneration of the auditor for the year to 31 January 2019.
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 £12,333,441 or, if less, the number representing 33.33% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution 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 or on 31 July 2019 (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.

To consider and, if thought fit, pass the following as special resolutions:

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) 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), in each case for cash and as if Section 561(1) of the Act did not apply to any such allotment or sale provided that this power shall be limited to:
  - (i) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to sub-paragraph (ii) below) up to an aggregate nominal value of £1,868,703 or, if less, the number representing 5% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of this resolution, at a price representing a premium to the net asset value per share at allotment or sale, as determined by the Directors; and
  - (ii) the allotment of 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 next Annual General Meeting of the Company or on 31 July 2019 (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

# Notice of Annual General Meeting continued

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 and to cancel or hold in treasury such shares provided that:

- (i) the maximum aggregate number of Ordinary shares hereby authorised to be purchased shall be 22,409,488 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 next Annual General Meeting of the Company or on 31 July 2019 (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.

By order of the Board  
**Aberdeen Asset Management PLC**  
 Company Secretary  
 40 Princes Street  
 Edinburgh EH2 2BY  
 28 March 2018

**Registered Office**  
 40 Princes Street  
 Edinburgh EH2 2BY

## 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 0371 384 2441 (charges for calling this number are determined by the caller's service provider. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday, excluding bank holidays), tel international +44 (0)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.

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- (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 euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
  - (v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 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 the meeting is determined by reference to the Company's register of members as at 6.30 p.m. on 22 May 2018 or, if the meeting is adjourned, at 6.30 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 28 March 2018 (being the latest practicable date prior to the publication of this document) the Company's issued share capital comprised 149,496,257 Ordinary shares of 25p each and 4,181,678 treasury shares. 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 28 March 2018 was 149,496,257.
  - (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/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance 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 31 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
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## Notice of Annual General Meeting continued

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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](http://dunedinincomegrowth.co.uk).
- (xviii) Pursuant to Section 319A of the Companies Act 2006, any shareholder has the right to put questions at the meeting relating to business being dealt with at the meeting.

# Contact Addresses

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## Directors

David Barron  
John Carson  
Catherine Claydon  
Jasper Judd  
Elisabeth Scott  
Howard Williams (appointed 1 April 2018)

## Registered Office & Company Secretary

Aberdeen Asset Management PLC  
40 Princes Street  
Edinburgh EH2 2BY

## Alternative Investment Fund Manager

Aberdeen Fund Managers Limited  
Bow Bells House  
1 Bread Street  
London EC4M 9HH

## Investment Manager

Aberdeen Asset Managers Limited  
40 Princes Street  
Edinburgh EH2 2BY

## Aberdeen Customer Services Department, Children's Plan, Share Plan and ISA Enquiries

Aberdeen Investment Trusts  
PO Box 11020  
Chelmsford  
Essex CM99 2DB

Freephone: 0808 500 0040  
(open Monday to Friday, 9.00 a.m. to 5.00 p.m.)  
Email: [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com)

## Company Registration Number

SC000881 (Scotland)

## Website

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

## Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Shareholder Helpline: 0371 384 2441\*

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

Overseas helpline number: +44 (0)121 415 7047

## Depository

BNY Mellon Trust & Depositary (UK) Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

## Stockbroker

JPMorgan Cazenove  
25 Bank Street  
London E14 5JP

## Auditor

Deloitte LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2DB

## United States Internal Revenue Service FATCA Registration Number ("GIIN")

CJ1DH9.99999.SL.826

## Legal Entity Identifier ("LEI")

549300PPXLZPR5JTL763

