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The Edinburgh Investment Trust plc

**HALF-YEARLY FINANCIAL REPORT**

**SIX MONTHS TO 30 SEPTEMBER 2011**  
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## CONTENTS

01	Financial Information and Performance Statistics
02	Interim Management Report
08	Directors' Responsibility Statement
09	Top Twenty Holdings
10	Independent Review Report
12	Condensed Financial Statements
20	Directors, Manager and Administration

If you have any queries about The Edinburgh Investment Trust plc or any of the other specialist funds managed by Invesco Perpetual, please contact the Investor Services Team on:

☎ 0800 085 8677

🌐 [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)

*Front Cover: Obsidian, volcanic, extrusive igneous rocks fractures in a distinctive way*

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# FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

The Edinburgh Investment Trust plc (the 'Company') is an investment trust listed on the London Stock Exchange, which invests primarily in UK securities.

## Investment Objective of the Company

The Company invests primarily in UK securities with the long term objective of achieving:

1. an increase of the Net Asset Value per share by more than the growth in the FTSE All-Share Index; and
2. growth in dividends per share by more than the rate of UK inflation.

## Performance Statistics

	AT 30 SEPTEMBER 2011	AT 31 MARCH 2011	% CHANGE
<b>Capital Return</b>			
Net asset value ("NAV")			
– debt at par	453.49p	456.66p	–0.7
– debt at market value	428.11p	434.02p	–1.4
FTSE All-Share Index	2654.38	3067.73	–13.5
Share price	448.70p	444.00p	+1.1
(Premium)/discount			
– debt at par	1.1%	2.8%	
– debt at market value	(4.8)%	(2.3)%	
Gearing – net <sup>(1)</sup>	22.4%	22.4%	
– gross <sup>(2)</sup>	22.5%	22.4%	

## FOR THE SIX MONTHS TO 30 SEPTEMBER

	2011	2010	% CHANGE
<b>Revenue Return</b>			
Revenue Return <sup>(4)</sup>			
– excluding VAT recovered on management fees	11.0p	11.0p	–
– VAT recovered	–	0.9p	
First interim dividend <sup>(3)</sup>	5.0p	4.75p	+5.3
Special dividend <sup>(3)(4)</sup>	–	0.93p	
Retail Price Index	2.3%	2.1%	

Total Return (capital growth with income reinvested)

NAV – debt at par			+1.9
– debt at market value			+1.4
FTSE All-Share Index			–11.8
Share price, including income reinvested			+3.8

Notes:

1. Net gearing: borrowings less cash and investments in money market funds ÷ shareholders' funds.
2. Gross gearing: borrowings ÷ shareholders' funds.
3. Dividends declared in respect of the financial year.
4. VAT recovered on management fees of 0.93p was paid out as a special dividend.

## INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

### Dear Shareholder,

Against the backdrop of extremely challenging financial markets, the Company's defensively positioned portfolio has delivered substantial investment out-performance against the benchmark in the 6 month period to 30 September 2011. A first interim dividend of 5 pence per share will be paid on 30 November 2011 (2010: 4.75p).

### Performance

**Capital:** The Company's Net Asset Value ('NAV') fell by 0.7% (debt at par) and 1.4% (debt at market), the latter being impacted by contracting bond market yields. This performance of the equity portfolio represents strong out-performance in the period compared to the Company's benchmark (the FTSE All-Share Index) which fell by 13.5%. The key drivers of this out-performance have been the portfolio's overweight positions in pharmaceutical and tobacco companies and the lack of exposure to the banking and mining sectors. More details are contained in the Manager's Report.

**Total Return:** The Company's NAV (debt at par) on a total return basis (capital growth with income reinvested ) increased by 1.9% compared to the FTSE All-Share Index (the 'Index') which fell by 11.8%.

**Shareholders' Return:** The Company's share price (including income reinvested) increased over the 6 months by 3.8% and this compares very favourably to the 11.8% fall in the Index over the same period. The discount of the share price to NAV (debt at par) reduced from 2.8% at 31 March 2011 to 1.1% at 30 September 2011; at the same date the shares traded at a premium of 4.8% valuing debt at market, an increase from 2.3% at 31 March 2011 reflecting the movement in bond yields referred to earlier.

### Gearing

The Company continues to have long-term debt amounting to £200 million. This is all deployed in the market for investment purposes. At the end of the period the gearing level was 22.4%, unchanged from the level at 31 March 2011.

### Dividend

Income from the portfolio in the 6 Months to 30 September 2011 was £26.0m (2010: £25.8m).

The Board has declared a first interim dividend of 5 pence per share (2010: 4.75p). The increase in the first interim dividend is aimed principally at spreading the dividend more evenly over the year rather than signalling the order of magnitude of any increase in the total dividend for the year. This will be paid on 30 November 2011 to shareholders on the register on 18 November 2011.

## Board

The AGM in July of this year saw the retirement of our former Chairman Scott Dobbie. Scott joined the Company as a non-executive director in 1998 and became Chairman in 2003. We thank him for his enormous contribution over these years and wish him well for the future.

Max Ward joined the Board on 8 August 2011 and has extensive investment management experience. He spent a major part of his career as a partner at Baillie Gifford, and is currently Managing Director and portfolio manager of the Independent Investment Trust plc.

Dick Barfield, who after 10 years on the Board, will retire at the AGM in July 2012. It is envisaged that over the next few years there will be further refreshing of the Board and in this context we support the intention of the Lord Davies Review 'Women on Boards' to encourage diversity on the boards of companies. When appointing a new Director, the Board takes into account the diversity, balance of skills, knowledge and experience of the Board as a whole, as well as the ability of a new Director to devote sufficient time to the Company to carry out his or her duties effectively.

## Outlook

The economic outlook and, in particular, the timing and pace of economic recovery in the developed nations of the world remain very difficult to predict. Until some clarity emerges on the resolution of the European sovereign debt and banking crisis and on the depth of the impact of the various austerity measures on economic growth in the UK, Continental Europe and the USA, concern and volatility in financial markets looks set to continue. Political inertia is not helping in this regard and it seems likely that the current period of sluggish economic growth in the developed world is set to continue for some time. One encouraging note amongst all of this is that some parts of the corporate sector are performing well and there are companies that have significantly improved their financial positions since the global financial crisis and are now at relatively attractive valuations. Against this backdrop, the Board and the Manager see no reason to change the Company's investment approach. Although this may continue to result in material short term deviations from benchmark, we believe that the defensive and concentrated nature of the portfolio, with a focus on companies that can deliver sustainable earnings and dividend growth, should continue to provide resilience in weak market environments whilst retaining the potential for attractive returns in the long term.

**Jim Pettigrew**

*Chairman*

9 November 2011

## MANAGER'S REPORT

### Market Review

The buoyant mood of the start of 2011 quickly waned as the year unfolded and the FTSE All-Share Index delivered a negative return over the six months. The second half of the period witnessed its worst quarterly performance – a negative return of 13.5% by the FTSE All-Share – since the third quarter of 2002. Global news, particularly the European sovereign debt and banking crisis, dominated investor sentiment while forecasts for slower economic growth brought downward revisions to profit estimates in the more cyclically-oriented parts of the market.

The IMF cut its forecast for economic growth in 2011 for the UK from 1.5% to 1.1% as the Bank of England continued to keep interest rates on hold at 0.5% – raising expectations for a further bout of quantitative easing, which has since been confirmed. Meanwhile, the UK government's preferred measure of UK inflation, the Consumers Price Index (CPI), remained stubbornly above its target of 2.0%, but is expected to fall sharply in 2012.

Amidst all the doom and gloom there was, however, some positive corporate newsflow, with share buy backs a growing theme and some businesses continuing to deliver resilient operational performance.

### Portfolio Strategy and Review

The Company's net asset value, including reinvested dividends, rose by 1.9% during the period, compared with a fall of 11.8% (total return) for the FTSE All-Share Index.

The stock market very rarely rewards investors in a straight line and the significant outperformance of the market by the Company over the half masked shorter term periods of underperformance. But the overall message from 2011 to date is that market dynamics appear to have changed significantly. For much of the previous two years, equity markets were driven by momentum with fundamentals largely being ignored. In 2011 however, fundamentals appear to have started to reassert themselves – valuation has again started to matter. This change has been broadly positive for the investment strategy the Manager has adopted and has allowed the Company's value to rise despite the market's significant decline.

Over a quarter of the Company's assets are invested in the pharmaceutical sector. Newsflow over the period was generally supportive for the sector – for an industry that is priced for terminal decline the market was wrong-footed by a string of new drug approvals by the FDA, including Horizant for GlaxoSmithKline and Vandetanib for AstraZeneca. These drugs are likely to be small in the context of each business as a whole but have been positive for sentiment. The portfolio's holdings in Swiss pharmaceutical giants Roche and Novartis further benefited from the strength of the Swiss franc against sterling. The Manager remains convinced that over the longer term a large exposure to the pharmaceutical sector should prove rewarding.

The Company's exposure to the tobacco sector also benefited its performance through the turbulent second half of the period, delivering a positive absolute return. The holdings in Altria and Reynolds American saw their returns further boosted by the rise of the US dollar. Imperial Tobacco saw its shares rise on news that the price war in Spain had ended while the shares were further boosted by speculation regarding a possible take-over bid. The Manager continues to believe that, even after its outstanding returns of the past 25 years, the tobacco sector's exceptional cash generation should underpin superior share price performance and returns to shareholders.

The portfolio has no exposure to the mining sector and this too benefited performance; the sector fell sharply over the period as reduced forecasts for global economic growth and growing concerns about the possibility of a hard landing in China hit both sector profit forecasts and valuations. The Company's zero weighting in the Banks sector provided a further positive impact on performance; fears over the worsening situation in the Eurozone led to a fall in share prices across the sector.

During the quarter the Company further reduced its exposure to the utilities sector, selling its position in Pennon. Following strong performance by the shares the Manager believed that the attractions of the waste business were offset by his concern that regulation prevents the water business from providing an appropriate return. The Manager took advantage of share price weakness to add to its holdings in BAE Systems and Rentokil Initial.

## Outlook

The increasingly tough economic outlook is not a surprise to the Manager; he maintains his view that the developed world faces a prolonged period of low economic growth and the Company is positioned accordingly.

The Manager believes that there are certain types of companies that can thrive in this environment, delivering sustainable dividends and earnings growth. He believes the equity market sell-off has left many of these strongly placed companies looking even more attractive and remains confident about the outlook for long-term returns.

## Neil Woodford

*Investment Manager*

9 November 2011

## INTERIM MANAGEMENT REPORT - continued

### Related Party

Invesco Asset Management Limited ('IAML'), a wholly owned subsidiary of Invesco Limited, acts as Manager, Company Secretary and Administrator to the Company. Details of the management fee arrangements are given in notes 2 and 3 of the condensed financial statements.

There are no other related party transactions.

### Principal Risks and Uncertainties

The principal risk factors relating to the Company can be summarised as follows:

- Market Risk – a fall in the stock market as a whole will affect the performance of the portfolio, as well as performance of individual portfolio investments; it also includes interest rate and currency risks;
- Investment Performance Risk – this is the stock specific risk that the stock selection process may not achieve the Company's published objectives;
- Gearing Risk – borrowing will amplify the affect on shareholders' funds of portfolio gains and losses;
- Income/Dividend Risk – investment income may fail to reach the level required to meet the Company's income objective;
- Shares Price Risk – the Company's prospects and NAV may not be fully reflected in the share price;
- Control System Risk – the Board relies on the effectiveness of the Manager's control systems which include control activities in fund management operations, financial controls, meeting regulatory requirements and managing relations with third parties;
- Reliance on Third Party Providers Risk – the Company has no employees, so is reliant upon the performance of third party service providers for it to function, particularly the Manager, Custodian and Registrars; and
- Other Risks – the Company may be affected by other risks such as business and strategic risks, and the perceived impact of the designated Investment Manager ceasing to be involved with the Company.

A detailed explanation of these principal risks and uncertainties can be found on pages 17 to 20 of the 2011 annual financial report, which is available on the Manager's website at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)



In the view of the Board these principal risks and uncertainties are as much applicable to the remaining six months of the financial year as they were to the six months under review. In addition, over the coming months, there is the risk that European policy makers fail to restore market confidence by implementing an effective and lasting solution to the Eurozone sovereign debt crisis. Such failure could lead to a general curtailment of credit availability in global banking and add significantly to market risk in the near term.

## Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet funding commitments, and the ability of the Company to meet all its liabilities and ongoing expenses from its assets and revenue.

## DIRECTORS' RESPONSIBILITY STATEMENT

### IN RESPECT OF THE PREPARATION OF THE HALF-YEARLY FINANCIAL REPORT

The Directors are responsible for preparing the half-yearly financial report using accounting policies consistent with applicable law and UK Accounting Standards.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the half-yearly financial report have been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports';
- the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules; and
- the interim management report includes a fair review of the information required on related party transactions.

Signed on behalf of the Board of Directors.

**Jim Pettigrew**

*Chairman*

9 November 2011

## TOP TWENTY HOLDINGS

AT 30 SEPTEMBER 2011

*UK listed and ordinary shares unless otherwise stated*

COMPANY	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
GlaxoSmithKline	Pharmaceuticals & Biotechnology	109,299	10.0
AstraZeneca	Pharmaceuticals & Biotechnology	102,092	9.4
British American Tobacco	Tobacco	79,594	7.3
Reynolds American			
– US common stock	Tobacco	66,318	6.1
BT	Fixed Line Telecommunications	59,613	5.5
Vodafone	Mobile Telecommunications	59,564	5.5
Imperial Tobacco	Tobacco	55,934	5.1
BG	Oil & Gas Producers	49,569	4.6
Roche			
– Swiss common stock	Pharmaceuticals & Biotechnology	47,347	4.4
Reckitt Benckiser	Household Goods	39,855	3.7
Top ten holdings		669,185	61.6
Altria – US common stock	Tobacco	38,056	3.5
Tesco	Food & Drug Retailers	37,033	3.4
BAE Systems	Aerospace & Defence	35,308	3.2
Capita	Support Services	31,775	2.9
Centrica	Gas, Water & Multiutilities	27,416	2.5
Rolls Royce	Aerospace & Defence	26,353	2.4
SSE	Electricity	24,726	2.3
Novartis			
– Swiss common stock	Pharmaceuticals & Biotechnology	23,798	2.2
Morrison (W) Supermarkets	Food & Drug Retailers	21,144	1.9
Drax	Electricity	19,902	1.8
Top twenty holdings		954,696	87.7
Aggregate value of other investments		133,540	12.3
<b>Total investments</b>		<b>1,088,236</b>	<b>100.0</b>

# INDEPENDENT REVIEW REPORT

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 which comprises the condensed income statement, condensed reconciliation of movements in shareholders' funds, condensed balance sheet, condensed cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

## Directors' Responsibilities

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

## Our Responsibility

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

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would

become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with the Statement 'Half-Yearly Financial Reports' as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

### **Salim Tharani**

*for and on behalf of KPMG Audit Plc*  
*Chartered Accountants*  
London

9 November 2011

## CONDENSED INCOME STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2011 (UNAUDITED)		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments	–	11,598	11,598
Foreign exchange losses	–	(4)	(4)
Income			
UK dividends	22,363	–	22,363
Scrip dividends	423	–	423
Overseas dividends	3,191	–	3,191
Income from money market funds	5	–	5
Interest on VAT recovered on management fees	–	–	–
Deposit interest	18	–	18
Underwriting and other income	13	–	13
	26,013	11,594	37,607
<b>Operating costs</b>			
Investment management fee – note 2	(818)	(1,908)	(2,726)
Performance fee – note 3	–	(6,010)	(6,010)
VAT recovered on management fees – note 4	–	–	–
Other expenses	(406)	–	(406)
<b>Net return before finance costs and taxation</b>	24,789	3,676	28,465
Finance costs – note 2	(2,944)	(6,871)	(9,815)
<b>Return on ordinary activities before tax</b>	21,845	(3,195)	18,650
Tax on ordinary activities	(446)	–	(446)
<b>Return on ordinary activities after tax</b>	21,399	(3,195)	18,204
<b>Return per ordinary share – note 5</b>	11.0p	(1.7)p	9.3p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations and the Company has no other gains or losses therefore no statement of recognised gains or losses is presented. No operations were acquired or discontinued in the year.

	SIX MONTHS TO 30 SEPTEMBER 2010 (UNAUDITED)			YEAR ENDED 31 MARCH 2011 (AUDITED)
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000
Gains on investments	–	26,441	26,441	70,285
Foreign exchange losses	–	(94)	(94)	(131)
Income				
UK dividends	22,110	–	22,110	39,841
Scrip dividends	404	–	404	689
Overseas dividends	3,122	–	3,122	9,314
Income from money market funds	3	–	3	9
Interest on VAT recovered on management fees	–	–	–	2,459
Deposit interest	–	–	–	–
Underwriting and other income	148	–	148	148
	25,787	26,347	52,134	122,614
<b>Operating costs</b>				
Investment management fee – note 2	(692)	(1,615)	(2,307)	(4,881)
Performance Fee – note 3	–	–	–	–
VAT recovered on management fees – note 4	1,809	1,367	3,176	3,176
Other expenses	(375)	(1)	(376)	(776)
<b>Net return before finance costs and taxation</b>	26,529	26,098	52,627	120,133
Finance costs – note 2	(2,938)	(6,853)	(9,791)	(19,506)
<b>Return on ordinary activities before tax</b>	23,591	19,245	42,836	100,627
Tax on ordinary activities	(430)	–	(430)	(1,305)
<b>Return on ordinary activities after tax</b>	23,161	19,245	42,406	99,322
<b>Return per ordinary share – note 5</b>	11.9p	9.8p	21.7p	50.9p

## CONDENSED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
<b>FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)</b>						
<b>At 31 March 2011</b>	48,779	6,639	24,676	752,448	61,364	893,906
Dividends paid						
– third interim	–	–	–	–	(9,268)	(9,268)
– second special	–	–	–	–	(2,458)	(2,458)
– final	–	–	–	–	(12,780)	(12,780)
Net return on ordinary activities	–	–	–	(3,195)	21,399	18,204
<b>At 30 September 2011</b>	48,779	6,639	24,676	749,253	58,257	887,604
<b>FOR THE YEAR ENDED 31 MARCH 2011 (AUDITED)</b>						
<b>At 31 March 2010</b>	48,779	6,639	24,676	698,000	49,231	827,325
Dividends paid						
– final	–	–	–	–	(12,390)	(12,390)
Net return on ordinary activities	–	–	–	54,448	44,874	99,322
Dividends paid						
– first interim	–	–	–	–	(9,268)	(9,268)
– first special	–	–	–	–	(1,815)	(1,815)
– second interim	–	–	–	–	(9,268)	(9,268)
<b>At 31 March 2011</b>	48,779	6,639	24,676	752,448	61,364	893,906
<b>FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)</b>						
<b>At 31 March 2010</b>	48,779	6,639	24,676	698,000	49,231	827,325
Dividends paid						
– final	–	–	–	–	(12,390)	(12,390)
Net return on ordinary activities	–	–	–	19,245	23,161	42,406
<b>At 30 September 2010</b>	48,779	6,639	24,676	717,245	60,002	857,341



## CONDENSED BALANCE SHEET

Registered number SC1836

	AT 30 SEPTEMBER 2011 (UNAUDITED) £'000	AT 30 SEPTEMBER 2010 (UNAUDITED) £'000	AT 31 MARCH 2011 (AUDITED) £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	1,088,236	1,052,493	1,088,478
<b>Current assets</b>			
VAT recoverable on management fees	–	3,176	–
Prepayments and accrued income	4,973	4,332	6,843
Tax recoverable	689	87	663
Cash and cash funds	1,296	3,959	184
	6,958	11,554	7,690
<b>Creditors: amounts falling due within one year</b>			
Amounts due to brokers	(830)	(4,589)	–
Accruals	(3,512)	(3,419)	(3,439)
	(4,342)	(8,008)	(3,439)
<b>Net current assets</b>	2,616	3,546	4,251
<b>Total assets less current liabilities</b>	1,090,852	1,056,039	1,092,729
<b>Creditors: amounts falling due after more than one year</b>			
Debenture Stock	(197,238)	(196,987)	(197,112)
Provision for performance fee	(6,010)	(1,711)	(1,711)
<b>Net assets</b>	887,604	857,341	893,906
<b>Capital and reserves</b>			
Share capital	48,779	48,779	48,779
Share premium	6,639	6,639	6,639
Capital redemption reserve	24,676	24,676	24,676
Capital reserve	749,253	717,245	752,448
Revenue reserve	58,257	60,002	61,364
<b>Shareholders' funds</b>	887,604	857,341	893,906
<b>Net asset value per ordinary share</b>			
Basic – note 7	453.49p	437.86p	456.66p

## CONDENSED CASH FLOW STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2011 (UNAUDITED) £'000	SIX MONTHS TO 30 SEPTEMBER 2010 (UNAUDITED) £'000	YEAR TO 31 MARCH 2011 (AUDITED) £'000
Net return before finance costs and taxation	28,465	52,627	120,133
Scrip dividends	(423)	(404)	(689)
Gains on investments	(11,598)	(26,441)	(70,285)
Foreign exchange losses	4	94	131
Decrease/(increase) in debtors	1,844	(362)	(273)
Increase/(decrease) in creditors	4,309	(45)	13
Overseas tax paid	(446)	(430)	(1,305)
<b>Net cash inflow from operating activities</b>	<b>22,155</b>	<b>25,039</b>	<b>47,725</b>
<b>Servicing of finance</b>	<b>(9,626)</b>	<b>(9,625)</b>	<b>(19,253)</b>
<b>Financial investment</b>			
Purchase of investments	(40,290)	(82,800)	(167,992)
Sale of investments	53,383	83,598	172,345
<b>Equity dividends paid</b>	<b>(24,506)</b>	<b>(12,390)</b>	<b>(32,741)</b>
<b>Net cash inflow before management of liquid resources and financing</b>	<b>1,116</b>	<b>3,822</b>	<b>84</b>
<b>Net cash outflow from management of liquid resources</b>	<b>(1,275)</b>	<b>(3,950)</b>	<b>–</b>
<b>(Decrease)/increase in cash</b>	<b>(159)</b>	<b>(128)</b>	<b>84</b>
Cashflow from movement in liquid resources	1,275	3,950	–
Exchange movements	(4)	(94)	(131)
Debenture stock non-cash movement	(126)	(128)	(253)
<b>Net debt at beginning of period</b>	<b>(196,928)</b>	<b>(196,628)</b>	<b>(196,628)</b>
<b>Net debt at end of period</b>	<b>(195,942)</b>	<b>(193,028)</b>	<b>(196,928)</b>
<b>Analysis of changes in net debt:</b>			
Brought forward:			
Cash and cash funds	184	231	231
Debenture stock	(197,112)	(196,859)	(196,859)
<b>Net debt brought forward</b>	<b>(196,928)</b>	<b>(196,628)</b>	<b>(196,628)</b>
Movements in the period:			
Cash inflow from cash and cash funds	1,116	3,822	84
Exchange movements	(4)	(94)	(131)
Debenture stock non-cash movement	(126)	(128)	(253)
<b>Net debt carried forward</b>	<b>(195,942)</b>	<b>(193,028)</b>	<b>(196,928)</b>

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. Basis of Preparation

These condensed financial statements of the Company have been prepared using the same accounting policies as those adopted in the 2011 annual financial report, which are consistent with applicable United Kingdom Accounting Standards, and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. These financial statements are prepared on a going concern basis.

### 2. Investment management fee and finance costs

Invesco Asset Management Limited ('IAML') acts as Manager and Secretary to the Company under an investment management agreement dated 15 September 2008. The agreement is terminable by either party by giving not less than 3 months' notice.

The management fee is payable monthly in arrears and is equal to 0.05% of the market capitalisation of the Company's ordinary shares at each month end. Investment management fee and finance costs are allocated 30% to revenue and 70% to capital.

### 3. Performance Fee

IAML is entitled to a performance fee of 15% of the out-performance of the NAV (with debt at par), up to a maximum of 1% of net assets in any one year, in respect of each rolling three year period in which the Company outperforms its benchmark (the FTSE All-Share Index) plus a hurdle rate, being the equivalent of 1.25% per annum, as adjusted for shorter periods.

A performance fee provision of £6,010,000 is provided for in these accounts. No performance fee was due for the half-year 30 September 2010, or for the year ended 31 March 2011. Performance fees are allocated wholly to capital.

### 4. VAT recoverable on management fees

An amount of £3,176,000 was recognised in the 2011 annual financial accounts in respect of VAT recovered on management fees paid to a previous manager, Aberdeen Asset Management ('Aberdeen'). The recovered VAT has been credited £1,809,000 to revenue and £1,367,000 to capital, in the same proportion as originally charged to the income statement. Interest recovered thereon of £2,459,000 was credited wholly to revenue.

## NOTES TO CONDENSED FINANCIAL STATEMENTS - continued

### 5. Return per ordinary share

The basic revenue, capital and total returns per share are based on the returns after tax and the average number of shares in issue during the period as follows:

	SIX MONTHS TO 30 SEPTEMBER 2011	SIX MONTHS TO 30 SEPTEMBER 2010	YEAR ENDED TO 31 MARCH 2011
Returns after tax:			
Revenue	21,399	23,161	44,874
Capital	(3,195)	19,245	54,448
Total return after tax	18,204	42,406	99,322
Weighted average number of ordinary shares in issue during the period	195,116,734	195,116,734	195,116,734

### 6. Dividends

A first interim dividend of 5p (2011: 4.75p) for the year ended 31 March 2012, will be paid on 30 November 2011 to shareholders on the register on 18 November 2011.

### 7. Net asset value ('NAV') per ordinary share

#### (a) Debt at par

The shareholders' funds in the balance sheet are accounted for in accordance with accounting standards, however, this does not reflect the rights of shareholders on a return of assets under the Articles of Association. These rights are reflected in the net assets with debt at par and the corresponding NAV per share.

	30 SEPTEMBER 2011 (PENCE)	30 SEPTEMBER 2010 (PENCE)	31 MARCH 2011 (PENCE)
NAV per ordinary share	454.91	439.40	458.14
Less: unamortised discount and expenses arising from debenture issue	(1.42)	(1.54)	(1.48)
NAV - debt at par	453.49	437.86	456.66

#### (b) Debt at market value

	30 SEPTEMBER 2011 (PENCE)	30 SEPTEMBER 2010 (PENCE)	31 MARCH 2011 (PENCE)
NAV - debt at par	453.49	437.86	456.66
Debt at par	102.50	102.50	102.50
Debt at market value	(127.88)	(131.70)	(125.14)
NAV - debt at market value	428.11	408.66	434.02

## 8. Share capital

	30 SEPTEMBER 2011	30 SEPTEMBER 2010	31 MARCH 2011
Allotted, called-up and fully paid Number of ordinary shares of 25p each	195,116,734	195,116,734	195,116,734

9. It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company set out in the section 1158 of the Corporation Tax Act 2010.
10. The financial information contained in this half-yearly financial report, which has not been audited, does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2011 and 2010 has not been audited. The figures and financial information for the year ended 31 March 2011 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Register of Companies and included the Report of the Independent Auditors, which was unqualified.

By order of the Board  
Invesco Asset Management Limited  
Company Secretary

9 November 2011

## DIRECTORS, MANAGER AND ADMINISTRATION

### Directors

Jim Pettigrew, Chairman  
 Gordon McQueen, Audit Committee  
 Chairman  
 Richard Barfield, Senior Independent Director  
 Nicola Ralston  
 William Samuel  
 Max Ward  
 Sir Nigel Wicks

Jim Pettigrew was appointed as Chairman on 22 July 2011 (previously Audit Committee Chairman).

Gordon McQueen joined as a Director on 31 May 2011 and was appointed Audit Committee Chairman on 22 July 2011.

Max Ward joined as a Director on 8 August 2011.

### Manager and Company Secretary

Invesco Asset Management Limited  
 30 Finsbury Square  
 London EC2A 1AG  
 ☎ 020 7065 4000

Company Secretarial contact: Kelly Nice and Carolyn Ladd

### Registered Office

Quartermile One  
 15 Lauriston Place  
 Edinburgh EH3 9EP

Registered in Scotland: No. SC1836

### Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team, available to assist you from 8.30 am to 6 pm each working day. Please feel free to take advantage of their expertise.

☎ 0800 085 8677

You can invest in the shares of the Company through an Invesco Perpetual savings plan and ISA.

### Invesco Perpetual Investment Trust ISA and Savings Scheme

Invesco Perpetual  
 Perpetual Park  
 Perpetual Park Drive Henley-on-Thames  
 Oxfordshire RG9 1HH  
 ☎ 0800 085 8677

Textphone: 01491 576104  
 Fax: 01491 416000

### Registrars

Capita Registrars  
 The Registry  
 34 Beckenham Road  
 Beckenham  
 Kent BR3 4TU

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding you should contact the Registrars on:

☎ 0871 664 0300.

Calls cost 10p per minute plus network charges. Lines are open from 8.30 am to 5.30 pm every working day.

Shareholders can also access their holding details via Capita's website [www.capitaregistrars.com](http://www.capitaregistrars.com) or [www.capitashareportal.com](http://www.capitashareportal.com).

Capita Registrars provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at [www.capitadeal.com](http://www.capitadeal.com) or

☎ 0871 664 0454.

Calls cost 10p per minute plus network charges. Lines are open from 8 am to 4.30 pm every working day.

## Specialist Funds managed by Invesco Perpetual

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Investing for Income, Income Growth and Capital Growth (from equities, fixed interest securities or property)

City Merchants High Yield Trust plc  
Invesco Income Growth Trust plc  
Invesco Leveraged High Yield Fund Limited  
Invesco Perpetual Select Trust plc – UK Equity Share Portfolio  
Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio  
Invesco Property Income Trust Limited  
Keystone Investment Trust plc  
Perpetual Income and Growth Investment Trust plc  
The Edinburgh Investment Trust plc

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Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

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Investing Internationally

Invesco Asia Trust plc  
Invesco Perpetual Select Trust plc – Global Equity Share Portfolio

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Investing for Absolute Returns

Invesco Perpetual Select Trust plc – Hedge Fund Share Portfolio

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Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc – see above for various investment classes

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Please contact our Investor Services Team on 0800 085 8677 if you would like more information about the investment trusts or other specialist funds listed above. Further details are also available on the following website: [www.invesco.perpetual.co.uk/investmenttrusts](http://www.invesco.perpetual.co.uk/investmenttrusts)



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