



---

The Edinburgh Investment Trust plc  
**HALF-YEARLY FINANCIAL REPORT**  
**SIX MONTHS TO 30 SEPTEMBER 2012**

---



## 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 fracture in a distinctive way.*

The Company  
is a member of

**aic**

The Association of  
Investment Companies

# FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

The Edinburgh Investment Trust plc (the 'Company') is a UK 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 2012	AT 31 MARCH 2012	% CHANGE
<b>Capital Return</b>			
Net asset value ('NAV'):			
– debt at par	506.36p	502.03p	+0.9
– debt at market value	480.11p	478.30p	+0.4
FTSE All-Share Index	2998.86	3002.78	–0.1
Share price	517.0p	497.6p	+3.9
(Premium)/discount:			
– debt at par	(2.1)%	0.9%	
– debt at market value	(7.7)%	(4.0)%	
Gearing at par:			
– gross gearing <sup>(1)</sup>	20.2%	20.4%	
– net gearing <sup>(2)</sup>	20.0%	20.3%	

	2012	2011	% CHANGE
<b>FOR THE SIX MONTHS TO 30 SEPTEMBER</b>			
Revenue return per share	11.3p	11.0p	+2.7
First interim dividend <sup>(3)</sup>	5.0p	5.0p	—
Retail Price Index – increase over period	1.4%	2.3%	

## Total Return (capital growth with income reinvested)

NAV – debt at par	+3.4
– debt at market value	+3.0
FTSE All-Share Index	+1.9
Share price	+6.5

Notes:

1. Gross gearing: borrowings ÷ shareholders' funds.
2. Net gearing: borrowings less cash and investments in money market funds ÷ shareholders' funds.
3. Dividends declared in respect of the financial year.

# INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

## Chairman's Statement

Dear Shareholder,

The ongoing difficult macroeconomic environment continued to present challenges for financial markets during the period. There have been no changes to the Company's investment approach and its portfolio has delivered investment out-performance against benchmark in the six month period to 30 September 2012. An unchanged first interim dividend of 5.0p will be paid on 30 November 2012 (2011: 5.0p).

### Performance over the Six Month Period to 30 September 2012

**Capital:** The Company's Net Asset Value ('NAV') increased by 0.9% (debt at par) and 0.4% (debt at market), the latter being impacted primarily by contracting bond market yields. NAV (debt at par) remains the better indicator of the underlying performance of the equity portfolio and represents out-performance in the period compared to the Company's benchmark, the FTSE All-Share Index (the 'Index'), which fell by 0.1%. The key drivers of this out-performance have been the portfolio's overweight positions in pharmaceuticals and the lack of exposure to the banking and mining sectors. More details are contained in the Manager's Report.

**Total Return:** On a total return basis (capital growth with income reinvested), the Company's NAV (debt at par) increased by 3.4% compared to the Index, which rose 1.9%. In addition, based on the out-performance of the relevant three year performance period, a performance fee of £10,005,000 has been recognised in the half-yearly financial report.

**Shareholders' Return:** The Company's share price (including income reinvested) increased over the six months by 6.5% and this compares very favourably to the Index total return of 1.9% over the same period. The 2.1% premium of the share price to NAV (debt at par) at 30 September 2012 was an improvement on the 0.9% discount at 31 March 2012; with debt at market value, the shares ended the period at a premium of 7.7%, an increase from 4.0% at 31 March 2012.

### 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 net gearing level was 20.0% compared to 20.3% at 31st March 2012.

### Dividend

Income from the portfolio for the six months to 30 September 2012 was £26.8 million (2011: £26.0 million), with a corresponding increase in return per share from 11p to 11.3p.

The Board has declared an unchanged first interim dividend of 5.0 pence per share and this will be paid on 30 November 2012 to shareholders on the register on the 16 November 2012.

## Retail Distribution Review ('RDR')

RDR comes into effect on 31 December 2012 and will have significant implications in respect of how financial advice is provided, retail fund platforms operate and financial products are distributed. Many commentators have suggested that the abolition of commission under RDR should result in more retail demand for investment trusts. The likely beneficiaries of this demand, should it materialise, would be the larger investment trusts, such as The Edinburgh Investment Trust plc, which have good levels of liquidity in their own shares and can demonstrate a strong investment track record, a clear investment strategy and a compelling brand.

The Board continues to monitor developments on RDR closely as they evolve to ensure that the Company is positioned appropriately to benefit in the new environment of 2013 and thereafter.

## Board

As flagged in last year's annual financial report, there will be further Board changes over the next few years as a number of Directors reach their nine year mark of service. On 31 December 2012 Will Samuel retires from the Board, and I should like to take this opportunity of thanking Will for his valuable contribution and sound advice during his tenure on the Board. A search is underway for Will's replacement.

When appointing a new Director, the Board takes into account the diversity of the board, balance of skills, knowledge and experience on the Board as well as the ability of a new Director to devote sufficient time to the Company to carry out his or her duties effectively. The Board has appointed an external search consultant to ensure that candidates are drawn from the widest pool of talent on the basis of a set of objective criteria.

## Outlook

Economic growth in the western world remains anaemic at best. Furthermore, growth in China showed signs of further slowdown in quarter 3. Although there has been a recent rally in European Bond markets following the President of the European Central Bank Mario Draghi's pledge to 'do whatever it takes' to preserve the Euro, this in itself does not resolve the fundamental issues facing Europe. Against this backdrop, the Company's investment strategy remains unaltered. As the Board has emphasised in the past, the concentrated nature of the portfolio may from time to time give rise to material short term under-performance against benchmark. However, from a medium to longer term perspective, the Company's investment portfolio has been constructed with stocks which should be resilient in difficult times, whilst still providing potential upside in more positive market environments.

**Jim Pettigrew**

*Chairman*

13 November 2012

## Market Review

Global growth concerns continued to dominate UK stock market sentiment over the six months. Despite this, global stock markets have made positive progress during the period, buoyed by developments in Europe and the promise of substantial further monetary stimulus. European leaders committed themselves to the idea of a single supervisor of Eurozone banks and a mechanism to inject capital into troubled banks directly. A further boost came as the European Central Bank announced a new bond buying plan – Outright Monetary Transactions – and the US Federal Reserve announced additional and unlimited quantitative easing in an effort to boost the US economy and employment levels. The end of the period, however, saw a warning from the International Monetary Fund that it would cut its forecast for global economic growth, while civil unrest in Spain and Greece highlighted the challenges facing governments intent on imposing further austerity.

The period was also noteworthy for the number of profit downgrades from companies. These included Caterpillar, the world's largest construction equipment manufacturer and a traditional bellwether of the global corporate outlook, which cut its earnings forecasts as far ahead as 2015, citing weak demand from the mining industry.

## Portfolio Strategy and Review

The Company's net asset value, including reinvested dividends, rose by 3.4% during the period, compared with a rise of 1.9% (total return) by the FTSE All-Share Index.

The portfolio has no exposure to the mining sector and this provided a positive impact on performance over the six months. The sector underperformed as results confirmed the impact that falling commodity prices and rising costs are having on earnings and future projects in the sector.

The Company is very heavily exposed to the pharmaceutical sector, and this too provided a positive impact on performance. AstraZeneca in particular saw a welcome return to favour by its shares, as the company announced the appointment of a new Chief Executive and further pleased investors with the news that it had signed a deal with Pfizer for the US company to market AstraZeneca's heartburn drug, Nexium, for approved over-the-counter use.

The portfolio also has a significant weighting in the tobacco sector, which underperformed over the period. News that the Australian Government had been successful in defending a challenge from the tobacco industry against the introduction of plain packaging had largely been expected, but appeared to act as a catalyst for profit taking in a sector which has performed very strongly over the past few years. The investment manager remains of the view that the companies held in the sector represent exactly the sort of quality stocks that can deliver attractive profit and dividend growth through a low economic growth environment – and does not believe that this potential is yet valued appropriately.

Shares in BAE Systems had performed strongly in the months before the company confirmed that it was in early stage talks with EADS regarding a merger. The deal did not look particularly beneficial to shareholders and, after an initial spike higher,

BAE Systems shares retreated to the level they stood at immediately before the announcement. Since the half year end, the two companies have confirmed that merger negotiations have been terminated. The investment manager is of the opinion that this holding will be a valuable future contributor to the portfolio.

Other news to impact the Company came from GDF Suez, which had announced in March its intention to buy the remaining 30% of International Power which it does not already own. The shares quickly moved to trade at a price above the initial bid price which was rejected, but an improved offer was agreed upon shortly afterwards. The position has subsequently been sold.

The Company took advantage of a placing of shares to increase its investment in Capita. Capita issued this additional share capital to allow the company headroom to make further bolt-on acquisitions, commenting that 'the current acquisitions environment continues to offer a rare opportunity to broaden the business.' Later in the period, Capita announced a very positive update with its results, claiming that it is confident of growing revenue this year and beyond as it takes advantage of a buoyant outsourcing market in the UK public sector.

In terms of trading activity within the portfolio, in addition to the disposal of International Power and purchase of Capita noted above, the Company disposed of its holding in Hibu (formerly Yell Group) and reduced its exposure to BG and Tate & Lyle. The Company's exposure to the healthcare sector was increased via a new holding in Elan and an increase in the holding in Smith & Nephew while new investments were also made in G4S, Lancashire Holdings and Revolymer.

## Outlook

The investment manager has remained cautious on the global economic outlook throughout this year. As 2012 has progressed it has become clear that the economic headwinds that others were confident would recede at the start of the year have instead become more intense. This is consistent with the investment manager's message of the past four years – sustainable economic progress remains elusive. Meanwhile the crisis in the Eurozone is no nearer a final resolution. While there has been greater co-operation and commitment from Europe's political elite and the ECB, much of the recent progress has dealt with the symptoms of the European crisis rather than its underlying causes. It is hard to predict how the Eurozone crisis will be resolved, but it is likely to be coincident with a prolonged period of poor economic performance.

However, the manager maintains his view that there is a population of stocks that can grow consistently through this difficult period. Companies that have been delivering growth before, during and after the financial crisis will be able to continue to do so, and the investment manager does not believe that their current valuations reflect that potential.

### **Neil Woodford**

*Investment Manager*

13 November 2012

## Related Parties and Transactions with the Manager

Under United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), the Company has identified no related parties and there have been no related party transactions during the period. Invesco Asset Management Limited, 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.

## Principal Risks and Uncertainties

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

- Market Risks – 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 effect on shareholders' funds of portfolio losses;
- Income/Dividend Risk – investment income may fail to reach the level required to meet the Company's income objective;
- Share 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 16 to 18 of the 2012 annual financial report, which is available on the Manager's website at [www.invescooperpetual.co.uk/investmenttrusts](http://www.invescooperpetual.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. As highlighted in the annual financial report, the Manager's style may result in a concentrated portfolio. In addition, the Manager manages other portfolios holding many of the same stocks as the Company which reflects the Manager's high conviction style of investment management. This could potentially increase liquidity risk under certain scenarios and market conditions.

## 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*

13 November 2012

## TOP TWENTY HOLDINGS

AT 30 SEPTEMBER 2012

UK listed and ordinary shares unless otherwise stated

INVESTMENT	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
GlaxoSmithKline	Pharmaceuticals & Biotechnology	108,102	9.0
AstraZeneca	Pharmaceuticals & Biotechnology	105,960	8.9
British American Tobacco	Tobacco	85,080	7.1
BT	Fixed Line Telecommunications	73,753	6.2
Roche – <i>Swiss Common Stock</i>	Pharmaceuticals & Biotechnology	63,564	5.3
Imperial Tobacco	Tobacco	56,832	4.8
Reynolds American – <i>US Common Stock</i>	Tobacco	55,771	4.7
BAE Systems	Aerospace & Defence	52,388	4.4
Reckitt Benckiser	Household Goods & Home Construction	50,557	4.2
Capita	Support Services	44,446	3.7
Top ten holdings		696,453	58.3
Vodafone	Mobile Telecommunications	44,348	3.7
Altria – <i>US Common Stock</i>	Tobacco	41,556	3.5
Rolls Royce	Aerospace & Defence	36,756	3.1
BG	Oil & Gas Producers	35,946	3.0
Novartis – <i>Swiss Common Stock</i>	Pharmaceuticals & Biotechnology	35,198	3.0
Centrica	Gas & Water Multiutilities	33,348	2.8
SSE	Electricity	22,737	1.9
Drax	Electricity	20,831	1.7
Sanofi – <i>French Common Stock</i>	Pharmaceuticals & Biotechnology	20,308	1.7
Wm Morrison Supermarkets	Food & Drug Retailers	19,589	1.6
Top twenty holdings		1,007,070	84.3
Aggregate value of other investments		187,760	15.7
<b>Total investments</b>		<b>1,194,830</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 2012 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 2012 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

13 November 2012

## CONDENSED INCOME STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2012 (UNAUDITED)		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments	—	27,646	27,646
Foreign exchange profits	—	866	866
Income			
UK dividends	22,667	—	22,667
Scrip dividends	484	—	484
Overseas dividends	3,605	—	3,605
Income from money market funds	6	—	6
Interest on VAT recovered on management fees	—	—	—
Underwriting and other income	—	—	—
	26,762	28,512	55,274
<b>Operating costs</b>			
Investment management fee – note 2	(874)	(2,040)	(2,914)
Performance fee – note 3	—	(10,005)	(10,005)
Other expenses	(361)	(2)	(363)
<b>Net return before finance costs and taxation</b>	25,527	16,465	41,992
Finance costs – note 2	(2,925)	(6,826)	(9,751)
<b>Return on ordinary activities before tax</b>	22,602	9,639	32,241
Tax on ordinary activities – note 4	(523)	—	(523)
<b>Return on ordinary activities after tax</b>	22,079	9,639	31,718
<b>Return per ordinary share – note 5</b>	11.3p	4.9p	16.2p

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 period.

	SIX MONTHS TO 30 SEPTEMBER 2011 (UNAUDITED)			YEAR ENDED 31 MARCH 2012 (AUDITED)
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000
Gains on investments	—	11,598	11,598	109,922
Foreign exchange (losses)/profits	—	(4)	(4)	6
Income				
UK dividends	22,363	—	22,363	41,945
Scrip dividends	423	—	423	743
Overseas dividends	3,191	—	3,191	10,527
Income from money market funds	5	—	5	9
Interest on VAT recovered on management fees	18	—	18	18
Underwriting and other income	13	—	13	13
	26,013	11,594	37,607	163,183
<b>Operating costs</b>				
Investment management fee – note 2	(818)	(1,908)	(2,726)	(5,539)
Performance fee – note 3	—	(6,010)	(6,010)	(3,584)
Other expenses	(406)	—	(406)	(777)
<b>Net return before finance costs and taxation</b>	24,789	3,676	28,465	153,283
Finance costs – note 2	(2,944)	(6,871)	(9,815)	(19,503)
<b>Return on ordinary activities before tax</b>	21,845	(3,195)	18,650	133,780
Tax on ordinary activities – note 4	(446)	—	(446)	(1,490)
<b>Return on ordinary activities after tax</b>	21,399	(3,195)	18,204	132,290
<b>Return per ordinary share – note 5</b>	11.0p	(1.7)p	9.3p	67.8p

## 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 2012 (UNAUDITED)</b>						
<b>At 31 March 2012</b>	48,779	6,639	24,676	841,659	60,425	982,178
Dividends paid – note 6	—	—	—	—	(23,378)	(23,378)
Net return on ordinary activities	—	—	—	9,639	22,079	31,718
<b>At 30 September 2012</b>	<b>48,779</b>	<b>6,639</b>	<b>24,676</b>	<b>851,298</b>	<b>59,126</b>	<b>990,518</b>
<b>FOR THE YEAR ENDED 31 MARCH 2012 (AUDITED)</b>						
<b>At 31 March 2011</b>	48,779	6,639	24,676	752,448	61,364	893,906
Dividends paid – note 6	—	—	—	—	(44,018)	(44,018)
Net return on ordinary activities	—	—	—	89,211	43,079	132,290
<b>At 31 March 2012</b>	<b>48,779</b>	<b>6,639</b>	<b>24,676</b>	<b>841,659</b>	<b>60,425</b>	<b>982,178</b>
<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 – note 6	—	—	—	—	(24,506)	(24,506)
Net return on ordinary activities	—	—	—	(3,195)	21,399	18,204
<b>At 30 September 2011</b>	<b>48,779</b>	<b>6,639</b>	<b>24,676</b>	<b>749,253</b>	<b>58,257</b>	<b>887,604</b>

# CONDENSED BALANCE SHEET

Registered number SC1836

	AT 30 SEPTEMBER 2012 (UNAUDITED) £'000	AT 30 SEPTEMBER 2011 (UNAUDITED) £'000	AT 31 MARCH 2012 (AUDITED) £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	1,194,830	1,088,236	1,175,075
<b>Current assets</b>			
Amounts due from brokers	713	—	2,888
Unrealised profit on forward currency contracts	128	—	103
Prepayments and accrued income	4,888	4,973	6,912
Tax recoverable	1,424	689	1,496
Cash and cash funds	1,527	1,296	207
	8,680	6,958	11,606
<b>Creditors: amounts falling due within one year</b>			
Amounts due to brokers	(1,977)	(830)	(24)
Accruals	(3,520)	(3,512)	(3,531)
Performance fee payable	—	—	(3,584)
	(5,497)	(4,342)	(7,139)
<b>Net current assets</b>	3,183	2,616	4,467
<b>Total assets less current liabilities</b>	1,198,013	1,090,852	1,179,542
<b>Creditors: amounts falling due after more than one year</b>			
Debenture stock	(197,490)	(197,238)	(197,364)
<b>Provision for performance fee</b>	(10,005)	(6,010)	—
<b>Net assets</b>	990,518	887,604	982,178
<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	851,298	749,253	841,659
Revenue reserve	59,126	58,257	60,425
<b>Shareholders' funds</b>	990,518	887,604	982,178
<b>Net asset value per ordinary share</b>			
Basic – note 7	506.36p	453.49p	502.03p

## CONDENSED CASH FLOW STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2012 (UNAUDITED) £'000	SIX MONTHS TO 30 SEPTEMBER 2011 (UNAUDITED) £'000	YEAR ENDED 31 MARCH 2012 (AUDITED) £'000
Net return before finance costs and taxation	41,992	28,465	153,283
Scrip dividends	(484)	(423)	(743)
Gains on investments	(27,646)	(11,598)	(109,922)
Foreign exchange (gains)/losses	(866)	4	(6)
Decrease/(increase) in debtors	2,096	1,844	(1,005)
Increase in creditors and provisions	6,410	4,309	1,965
Overseas tax paid	(523)	(446)	(1,490)
<b>Net cash inflow from operating activities</b>	<b>20,979</b>	<b>22,155</b>	<b>42,082</b>
<b>Servicing of finance</b>	<b>(9,625)</b>	<b>(9,626)</b>	<b>(19,251)</b>
<b>Financial investment</b>			
Purchase of investments	(84,586)	(40,290)	(111,286)
Sale of investments	97,089	53,383	132,490
<b>Net equity dividends paid – note 6</b>	<b>(23,378)</b>	<b>(24,506)</b>	<b>(44,018)</b>
<b>Net cash inflow before management of liquid resources and financing</b>	<b>479</b>	<b>1,116</b>	<b>17</b>
<b>Net cash outflow from management of liquid resources</b>	<b>(1,330)</b>	<b>(1,275)</b>	<b>(160)</b>
<b>Decrease in cash</b>	<b>(851)</b>	<b>(159)</b>	<b>(143)</b>
Cashflow from movement in liquid resources	1,330	1,275	160
Exchange movements	841	(4)	6
Debenture stock non-cash movement	(126)	(126)	(252)
<b>Net debt at beginning of period</b>	<b>(197,157)</b>	<b>(196,928)</b>	<b>(196,928)</b>
<b>Net debt at end of period</b>	<b>(195,963)</b>	<b>(195,942)</b>	<b>(197,157)</b>
<b>Analysis of changes in net debt:</b>			
Brought forward:			
Cash and cash funds	207	184	184
Debenture stock	(197,364)	(197,112)	(197,112)
<b>Net debt brought forward</b>	<b>(197,157)</b>	<b>(196,928)</b>	<b>(196,928)</b>
Movements in the period:			
Cash inflow from cash and cash funds	479	1,116	17
Exchange movements	841	(4)	6
Debenture stock non-cash movement	(126)	(126)	(252)
<b>Net debt carried forward</b>	<b>(195,963)</b>	<b>(195,942)</b>	<b>(197,157)</b>

# NOTES TO THE 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 2012 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 three 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 (prior to the deduction of the performance fee) 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.

A performance fee provision of £10,005,000 (30 September 2011: £6,010,000) is provided for in these accounts. A performance fee of £3,584,000 was accrued for the year ended 31 March 2012. Performance fees are allocated wholly to capital.

## 4. Tax

Owing to the Company's status as an investment company no tax liability arises on capital gains. The tax charge represents withholding tax suffered on overseas income.

A deferred tax asset is not recognised in respect of surplus management expenses since the Directors believe that there will be no taxable profits in the future against which these can be offset.

## 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 2012 (UNAUDITED) £'000	SIX MONTHS TO 30 SEPTEMBER 2011 (UNAUDITED) £'000	YEAR ENDED 31 MARCH 2012 (AUDITED) £'000
Returns after tax:			
Revenue	22,079	21,399	43,079
Capital	9,639	(3,195)	89,211
Total return after tax	31,718	18,204	132,290
Weighted average number of shares in issue during the period	195,116,734	195,116,734	195,116,734

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

CONTINUED

## 6. Dividends

	SIX MONTHS TO 30 SEPTEMBER 2012 (UNAUDITED)		SIX MONTHS TO 30 SEPTEMBER 2011 (UNAUDITED)		YEAR ENDED 31 MARCH 2012 (AUDITED)	
	PENCE	£'000	PENCE	£'000	PENCE	£'000
Dividends paid:						
Third interim	5.00	9,756	5.00	9,268	4.75	9,268
Special interim	—	—	1.26	2,458	1.26	2,458
Final	7.00	13,658	6.55	12,780	6.55	12,780
First interim	—	—	—	—	5.00	9,756
Second interim	—	—	—	—	5.00	9,756
Return of unclaimed dividends from previous years	—	(36)	—	—	—	—
	12.00	23,378	12.81	24,506	22.56	44,018

A first interim dividend of 5p (2012: 5p) for the year ended 31 March 2013, will be paid on 30 November 2012 to shareholders on the register on 16 November 2012.

## 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 2012 (UNAUDITED) PENCE	30 SEPTEMBER 2011 (UNAUDITED) PENCE	31 MARCH 2012 (AUDITED) PENCE
NAV per ordinary share	507.65	454.91	503.38
Less: unamortised discount and expenses arising from debenture issue	(1.29)	(1.42)	(1.35)
NAV – debt at par	506.36	453.49	502.03

## (b) Debt at market value

	30 SEPTEMBER 2012 (UNAUDITED) PENCE	30 SEPTEMBER 2011 (UNAUDITED) PENCE	31 MARCH 2012 (AUDITED) PENCE
NAV – debt at par	506.36	453.49	502.03
Debt at par	102.50	102.50	102.50
Debt at market value	(128.75)	(127.88)	(126.23)
NAV – debt at market value	480.11	428.11	478.30

## 8. Share capital

	30 SEPTEMBER 2012 (UNAUDITED)	30 SEPTEMBER 2011 (UNAUDITED)	31 MARCH 2012 (AUDITED)
<b>Allotted, called-up and fully paid</b>			
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 within the meaning of 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 2012 and 2011 has not been audited. The figures and financial information for the year ended 31 March 2012 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*

13 November 2012

## DIRECTORS, MANAGER AND ADMINISTRATION

### Directors

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

### Manager and Company Secretary

Invesco Asset Management Limited  
 30 Finsbury Square  
 London EC2A 1AG

Company Secretarial contact: Kelly Nice

### Registered Office

Quatermile 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 Monday to Friday (excluding Bank Holidays). Please feel free to take advantage of their expertise.

 0800 085 8677

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

You can now invest in the shares of the Company through an Invesco Perpetual Savings Scheme 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. From outside the UK: +44 (0)20 8639 3399. Lines are open from 9 am to 5.30 pm Monday to Friday (excluding Bank Holidays).

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).

The 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 0364.

Calls cost 10p per minute plus network charges. From outside the UK +44 (0)20 3367 2691. Lines are open from 8 am to 4.30 pm Monday to Friday (excluding Bank Holidays).

## Specialist Funds managed by Invesco Perpetual

---

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

The Edinburgh Investment Trust plc  
City Merchants High Yield Trust Limited  
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

---

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

---

Investing Internationally

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

---

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Share Portfolio

---

Investing in Multiple Asset Classes

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

---

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



**Invesco Asset Management Limited**

30 Finsbury Square  
London EC2A 1AG  
☎ 020 7065 4000

Invesco Asset Management Limited  
is a wholly owned subsidiary of Invesco Limited  
and is authorised and regulated by the  
Financial Services Authority