The Edinburgh Investment Trust plc

ANNUAL FINANCIAL REPORT
YEAR ENDED 31 MARCH 2012

The Edinburgh Investment Trust plc is an investment trust whose investment objective is to invest 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.

At 31 March 2012, the Company had net assets of £982.2 million.

2012 Highlights

+15.2%	Net asset value (debt at par) total return (2011: +12.3%)
+1.4%	FTSE All-Share Index total return[1] (2011: +8.7%)
+5.8%	Dividend (2011: +1% excluding specials, +11.6% including specials)
+17.6%	Share price[1] (2011: +16.5%)

[1]Source: Thomson Reuters Datastream

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

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

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

Contents

The Company is a member of

aic

The Association of Investment Companies

The Company

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

Investment Objective and Policy

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.

The Company will generally invest only in companies quoted on a recognised stock exchange in the UK or in those which are about to enter the FTSE All-Share Index. The Company may invest up to 20% in securities listed on stock exchanges outside the UK. The portfolio is selected on the basis of assessment of fundamental value of individual securities and not structured on the basis of industry weightings.

Share Capital

The Company's share capital consisted of 195,116,734 ordinary shares of 25p each at 31 March 2012. No shares were bought back during the year.

Gearing

Gearing is provided by two debentures:

– £100 million 11½% 2014; and
– £100 million 7¾% 2022.

ISA Eligibility

The ordinary shares of the Company are qualifying investments under applicable ISA regulations.

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Performance Statistics

Terms marked † are defined in the Glossary of Terms on page 56

(1) Source: Thomson Reuters Datastream

	AT 31 MARCH 2012	AT 31 MARCH 2011	% CHANGE
Capital Return†			
Net asset value† ('NAV') per share:			
– debt at par	502.03p	456.66p	+9.9
– debt at market value	478.30p	434.02p	+10.2
FTSE All-Share Index(1)	3002.78	3067.73	–2.1
Share price(1)	497.6p	444.0p	+12.1
Discount/(premium)†:			
– debt at par	0.9%	2.8%	
– debt at market value	(4.0)%	(2.3)%	
Gearing† (at par):			
– gross gearing	20.4%	22.4%	
– net gearing	20.3%	22.4%	

FOR THE YEAR TO 31 MARCH	2012	2011	% CHANGE
Revenue Return			
Revenue return per share:			
– excluding VAT recovered on management fees and interest	22.1p	20.8p	+6.3
– VAT and interest recovered on management fees	—	2.2p	
– basic return	22.1p	23.0p	–3.9
Dividends:			
– first interim	5.0p	4.75p	
– second interim	5.0p	4.75p	
– third interim	5.0p	4.75p	
– final proposed	7.0p	6.55p	
	22.0p	20.80p	+5.8%
– first special	—	0.93p	
– second special	—	1.26p	
– total dividends	22.0p	22.99p	
Retail Price Index(1)	3.6%	5.3%	

The special dividends arose from refunds of VAT on management fees and related interest.

FOR THE YEAR TO 31 MARCH	2012 % CHANGE	2011 % CHANGE
Total Return† (capital growth with income reinvested)		
NAV per share:		
– debt at par	+15.2	+12.3
– debt at market value	+15.8	+13.3
FTSE All-Share Index(1)	+1.4	+8.7
Share price(1)	+17.6	+16.5
Ongoing Charges Ratio†:		
Excluding performance fee	0.72%	0.71%
Performance fee	0.41%	—

Historical Record – Last 10 Years

Year ended 31 March	Ordinary shareholders' funds £m	Shares bought back m	Per ordinary share at 31 March: Revenue return p	Dividend rate p	Net asset value p	Share price p	Discount (debt at par) %	Net gearing %	Gross gearing %
2003	681	4.0	11.1	13.15	278.6	231.0	17.1	19.0	29.4
2004	884	—	12.3	13.15	362.0	300.5	17.0	13.4	22.6
2005(1)	1,003	3.4	12.4	13.15	417.1	329.8	20.9	10.3	19.9
2006	1,215	5.5	15.3	15.25	517.4	429.5	17.0	11.4	16.5
2007	1,205	18.4	18.1	18.85	557.5	481.0	13.7	14.3	16.6
2008	945	17.2	21.4	19.90	474.7	403.3	15.1	12.9	21.2
2009	641	3.2	21.0	20.40	327.0	292.5	10.5	31.2	31.2
2010	827	—	19.8	20.60	422.4	396.3	6.2	24.1	24.2
2011	894	—	23.0	22.99(2)	456.7	444.0	2.8	22.4	22.4
2012	**982**	**—**	**22.1**	**22.00**	**502.0**	**497.6**	**0.9**	**20.3**	**20.4**

Notes: (1) 2005 numbers have been restated following the changes in the amount of equity shareholders' funds arising from changes to UK GAAP.

(2) The 2011 revenue return included 2.19p of income which arose from refunds of VAT on management fees and related interest. This was paid out in full as a special dividend of 2.19p. 'Normal' dividends for the year totalled 20.8p.

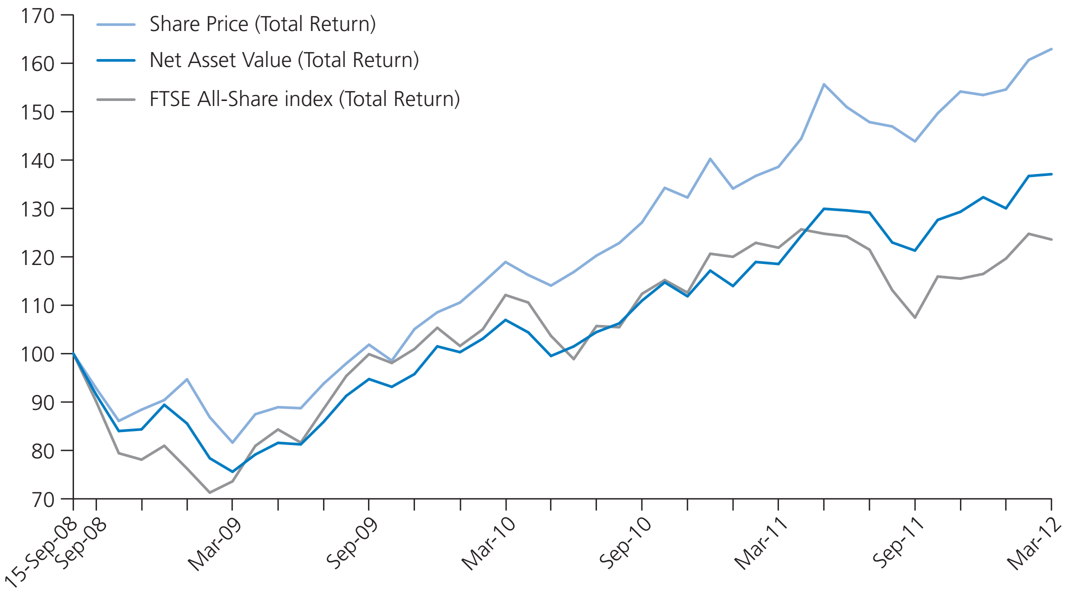
Total Returns to 31 March

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	FIVE YEARS	TEN YEARS
NAV per ordinary share (debt at par) (%)	–40.1	33.8	16.2	27.9	12.0	–11.7	–27.8	38.0	12.3	15.2	12.9	54.4
Share Price (%)	–43.1	36.2	14.7	35.3	17.4	–12.6	–23.5	45.7	16.5	17.6	33.4	89.5
FTSE All-Share (%)	–29.8	31.0	15.6	28.0	11.1	–7.7	–29.3	52.3	8.7	1.4	9.5	65.5

Source: Thomson Reuters Datastream, Fidelity and Invesco.

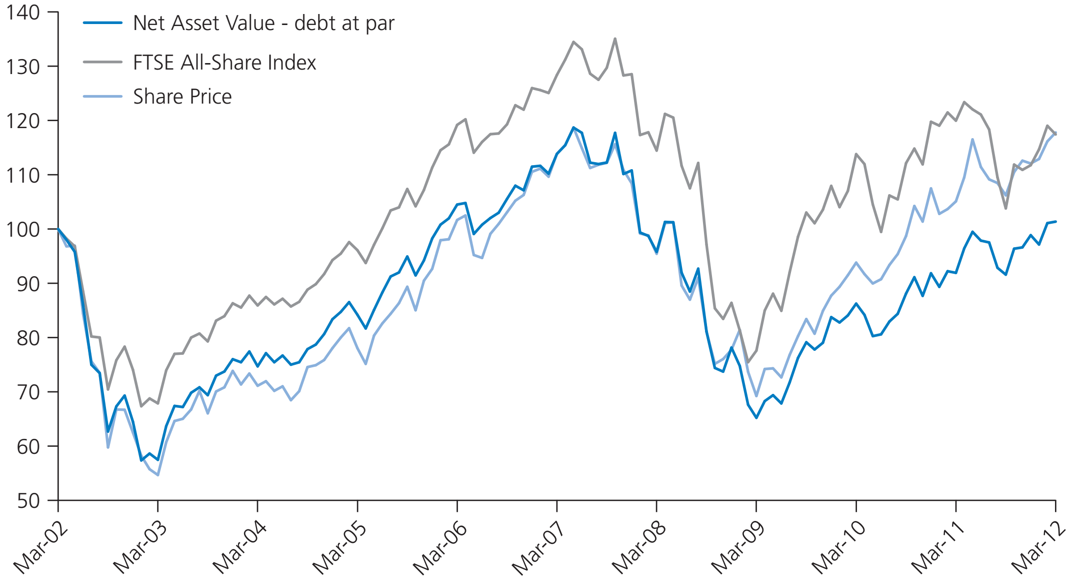
Total Returns Since Appointment of New Manager on 15 September 2008

Figures rebased to 100 at 15 September 2008.



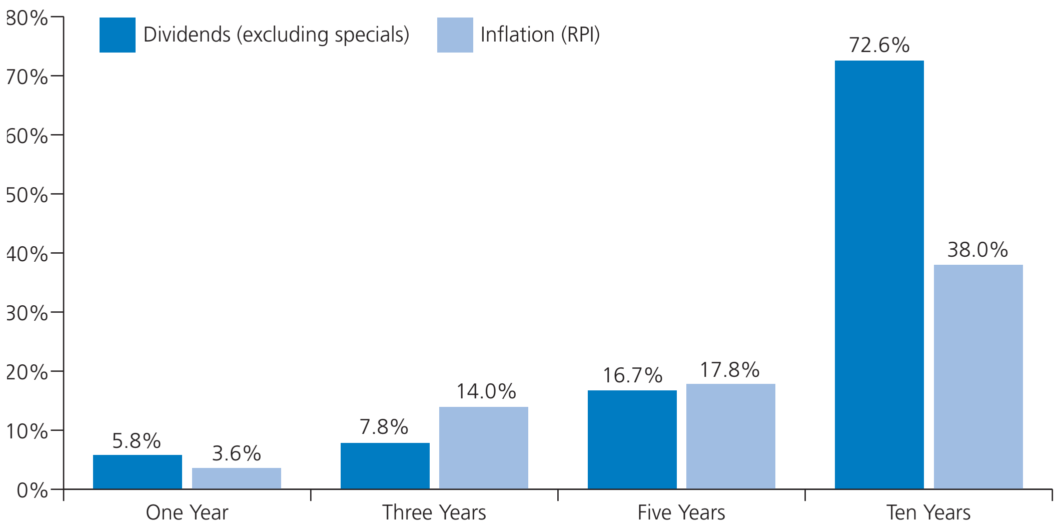
Capital Returns Over Ten Years

Figures rebased to 100 at 31 March 2002



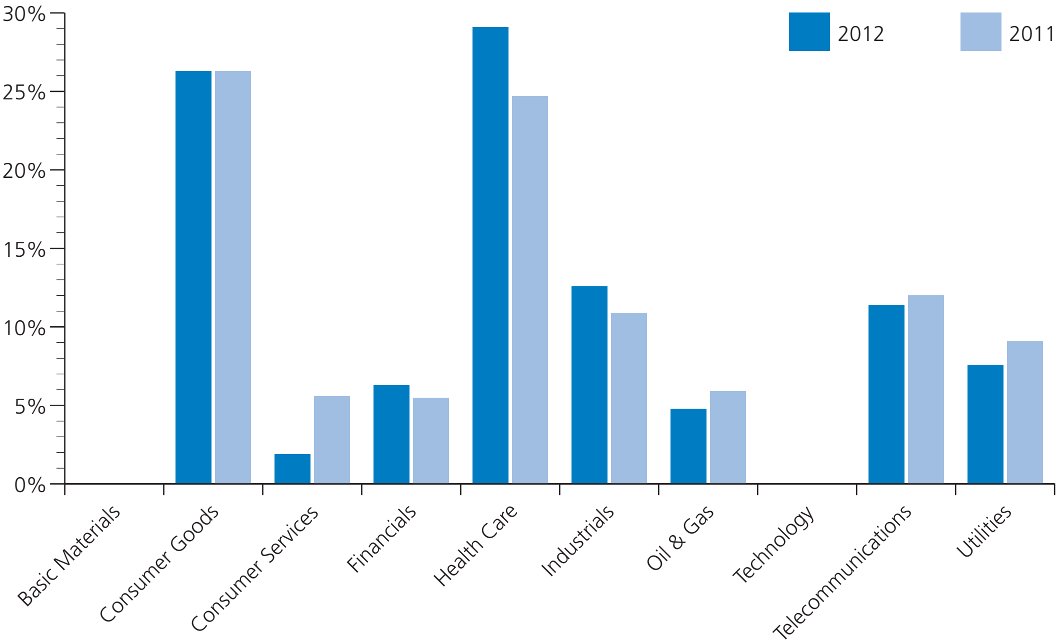
Cumulative Real Dividend Growth

Year to 31 March 2012



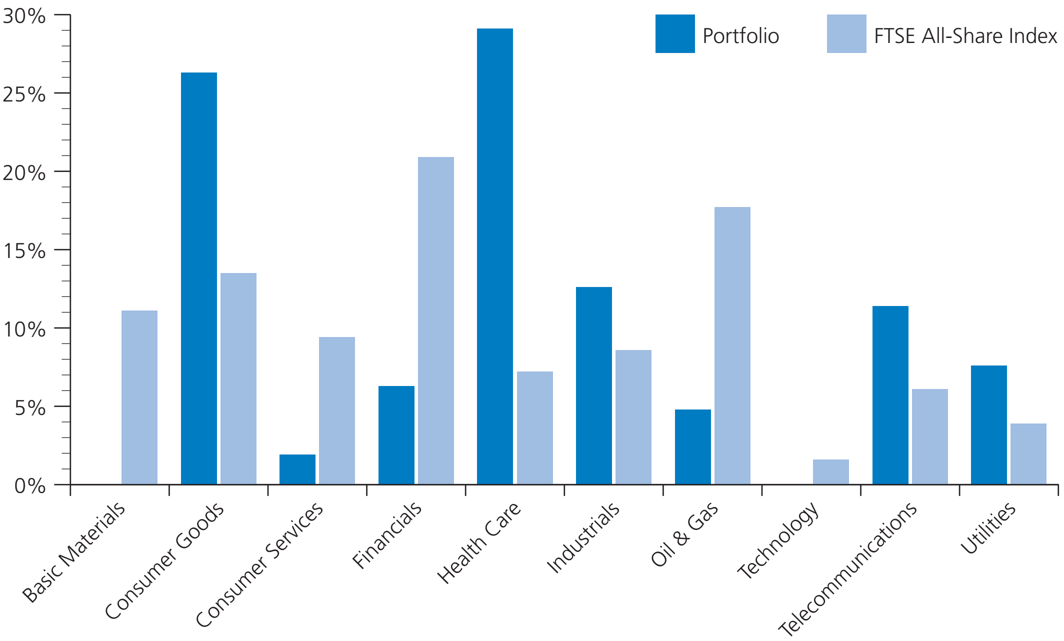
Analysis of Portfolio by Sector

As at 31 March 2012 and 2011



Comparison of Portfolio to FTSE All-Share Index by Sector

At 31 March 2012



CHAIRMAN'S STATEMENT

Jim Pettigrew

Economic and market conditions have remained challenging throughout the past 12 months. However, against this backdrop, the Company's defensively positioned investment portfolio delivered substantial out-performance against the broader market for the year ended 31 March 2012. More detail on the performance is set out below.

The income generation of the portfolio has continued in good shape and the Board is proposing, subject to shareholder approval, a final dividend of 7 pence per share for the 3 months to 31 March 2012 to make full year dividends of 22 pence per share, an increase of 5.8% over the prior year.

UK Equity Market

During the year concerns over austerity measures and the lack of economic growth stimuli in many western economies, oil price worries from political instability in the Middle East, and the ongoing eurozone debt and banking crisis have challenged the UK equity market and financial markets in general. This has resulted both in periods of high volatility during the year and a FTSE All-Share Index which ended slightly lower in the 12 month period.

A more detailed discussion on the UK equity market and the Company's portfolio is contained in the Manager's Report.

Investment Strategy

Since the 2008 financial crisis, Neil Woodford and his colleagues have been consistent in their view that the recovery of the global economy was likely to be slower than the markets had anticipated, with a lengthy period of lower growth in the developed world being a distinct possibility. Accordingly, a defensive portfolio was constructed by the Manager and this investment approach, supported by the Board, has remained in place during the last four years, and continues today.

The central theme behind the construction of our portfolio is the selection of individual stocks based upon fundamental value. This approach is designed to be resilient in the continuing difficult economic environment, whilst at the same time providing opportunity to participate in long term growth through rising earnings and dividends.

Performance

Capital: The Company's Net Asset Value ('NAV') increased by 9.9% (valuing debt at par) and 10.2% (with debt at market value) which represents a substantial out-performance against the Company's benchmark (the FTSE All-Share Index ('the Index')) which fell by 2.1%. Our portfolio is concentrated in a relatively small number of sectors and its overweight positions in the pharmaceutical and tobacco sectors and the underweight positions in the financials and mining sectors were the main drivers in the Company's investment out-performance in the year.

Total Return: The Company's NAV on a total return basis (capital growth with income reinvested) increased by 15.2% (debt at par) and 15.8% (debt at market value) compared to the Index which increased by 1.4%.

Shareholders' Return: The Company's share price (including income reinvested) increased over the 12 months to 31 March 2012 by 17.6% and this compares very favourably to the 1.4% increase in 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 0.9% at 31 March 2012; valuing debt at market the shares traded at a premium of 4.0%, an increase from 2.3% at 31 March 2011.

Against peer group: The Company's NAV (debt at par) performance relative to the 21 investment trusts in the UK Growth and Income sector was ranked 1st in the year to 31 March 2012. Over a longer time horizon, the Company ranked 10th over three years and 4th over five years.

Gearing

The Company continues to have long-term debt amounting to £200 million. This is all deployed in the market for investment purposes and contributed 1% to relative total return performance against the benchmark in the year. At 31 March 2012 the gross gearing level was 20.4% compared to 22.4% at 31 March 2011.

Dividend

Income from the portfolio for the year was £52.9 million (2011 £50 million, excluding one-off VAT related income).

The Board is recommending a final dividend of 7 pence per share which if approved at the AGM will be paid on 31 July 2012 to shareholders on the Company's register on 15 June 2012. This would result in a total dividend for the year to 31 March 2012 of 22 pence per share which compares to 20.8 pence per share in the prior year (excluding two VAT-related special dividends). This represents a 5.8% increase over prior year compared to a 3.6% increase in the Retail Prices Index for the same period and demonstrates the Company's commitment to meet its long term objective of providing income growth which exceeds the rate of inflation.

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 will be the larger Investment Trusts, such as 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.

With some key aspects of the RDR yet to emerge, the Board is monitoring 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.

Articles of Association

A review of the Company's Articles of Association has been undertaken in light of the full implementation of the Companies Act 2006. As a result of this review, approval for the updated Articles of Association will be sought from shareholders at the Annual General Meeting in July 2012.

Board

During the year there have been a number of changes to the Board. At last year's AGM in July 2011 our former Chairman Scott Dobbie retired from the Board. Scott joined the Company as a non-executive director in 1998 and became Chairman in 2003. We thank him for his enormous contribution as a director over these years and his guidance and leadership as Chairman. We wish Scott all the very best for the future.

Max Ward joined the Board on 8 August 2011. Max 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 will retire from the Board at the AGM in July 2012. Dick has played a major role in the development of the Company during his 10 years on the Board, and I particularly want to thank him for his wise council as Senior Independent Director in my first year as Chairman. We wish him well for the future.

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. 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 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

There appears to be no realistic end in sight to the ongoing difficult economic and market environment. Recent news around concerns over the pace of growth in the global economy, recapitalisation of Spanish banks, and increasing economic and political turmoil in Greece reinforce this viewpoint. As has been the case in recent years, the relatively concentrated nature of the portfolio may from time to time result in material short term performance deviations from the benchmark. However, the Board and the Manager continue to believe that in the present difficult market environment the current defensive investment approach provides resilience whilst still providing the opportunity for creating growth in shareholder value over the long term. Against this background, we see no reason to change the Company's current investment approach.

Jim Pettigrew
Chairman

31 May 2012

MANAGER'S REPORT

Neil Woodford

Market Review

A return of 1.4% by the FTSE All-Share index over the 12 months masks some major swings in sentiment and high stock market volatility. The optimistic mood in which markets had started 2011 soon waned as the year unfolded and global events, particularly the eurozone sovereign debt and banking crisis, dominated UK stock market sentiment. The third quarter of the calendar year witnessed the worst performance – a negative return of 13.5% – by the index since 2002, as forecasts for slower economic growth added to stock market concerns.

Mirroring the pattern of the previous year, the stock market saw a strong recovery into the end of 2011, this time driven by a significant shift in policy by the European Central Bank, which announced its long-term refinancing operation (LTRO). This was seen as removing the near term risk of a major banking crisis. The performance comparison with the previous year continued into 2012, as the UK stock market rose on the back of improved economic news coming out of the US along with a second round of LTRO from the ECB. The last month of the period, however, saw optimism waning and some profit taking as doubts re-emerged about the strength of the global economy and the longer term resolution of the eurozone debt crisis and investors struggled to find reasons to propel equities higher.

Portfolio Strategy and Review

The Company's net asset value, including reinvested dividends, rose by 15.2% during the period, compared to a rise of 1.4% (total return) by the FTSE All-Share Index.

Against such a turbulent stock market backdrop, there was inevitably volatility in the performance of the Company during the year. The positioning of the portfolio, however, mitigated this while also providing a healthy positive absolute return against a flat performance by the UK stock market. The significant outperformance of the index by the Company over the year indicates to the manager that market dynamics appear to have changed. In the previous two years, equity markets were largely driven by momentum, with fundamentals being ignored. During the last 12 months, however, fundamentals have started to reassert themselves, with valuation again starting to matter.

The portfolio has significant exposure to the tobacco sector and this had a positive impact on performance over the year. The holdings in British American Tobacco and Imperial Tobacco both delivered returns in excess of 30%, as investors were again reminded of the attractions of the sector's quality, dependable characteristics and cashflow. While the valuations in the sector may no longer be as low as they were a decade ago, in the manager's view they still look attractive given this dependability and the companies' focus on delivering returns to shareholders.

Over a quarter of the Company's assets are invested in the pharmaceutical sector, which also performed well over the year. This was particularly the case for the holding in GlaxoSmithKline, which announced a 15% increase in its share buy-back in November and that it may file as many as 10 new drugs for regulatory approval next year. This wrong-footed the stock market which appeared to have given up on the industry's ability to discover new drugs. The Company's holdings in Roche and Novartis gained additionally from the strength of the Swiss franc and, while the performance of AstraZeneca was pedestrian by comparison, the total return from the holding still exceeded that of the index over the 12 months. The manager remains convinced that, over the longer term, a significant exposure to this sector will prove rewarding.

The holding in BT again delivered positive returns over the year. As well as pleasing the stock market with news that its roll-out of high speed broadband is progressing faster than expected, the company announced that it had reached an agreement with its pension scheme trustees on a reduction plan for the scheme's deficit. This allows BT scope to increase future returns to shareholders and the stock market to focus on the value the manager sees within the shares.

Newsflow over the period from the Company's major holdings was mostly positive. This was not, however, the case for Tesco. The company's trading update and profit warning suggested that we had placed too much confidence in the business's ability to cope with the economic headwinds and also that some of the company's investment decisions of recent years have not created the value originally envisaged. For example, the building of much bigger stores to cope with an expanding product range has coincided with a boom in internet shopping.

There was also disappointing news from the investment in Chemring – the company announced that unexpected delays in customer orders would hit full year revenues and profits. A negative impact on performance came from the holding in Homeserve, the shares of which fell sharply on news last October that, following an independent review, the company had decided to suspend part of its sales operation pending a re-training of its telephone sales staff.

The manager disposed of the Company's holding in Tesco for the reasons outlined above. He also took some profits in the tobacco and telecommunications sectors following strong outperformance; these, however, remain core holdings. The proceeds were re-invested in positions across the pharmaceutical sector and new investments were made in Sanofi, Serco Group and Smith & Nephew. The manager took advantage of share price weakness to add to holdings in Chemring and Homeserve.

Outlook

The manager expects concerns about the eurozone debt crisis and the outlook for the global economy to remain a feature throughout the rest of 2012 and beyond, as the developed world continues to grapple with the aftermath of the 2008 banking crisis. His view remains that, following this crisis, the economies of the developed world face a period of inevitably lower growth, as the necessary de-leveraging takes place. Whilst low interest rates and innovative monetary policy can help offset the negative impact of this de-leveraging, the tools available to central banks and governments are not powerful enough to effect a strong and sustainable recovery.

This does not mean that equities will necessarily fall significantly – and neither does it alter the confidence that the manager has for the scope for an appropriately positioned portfolio to produce positive returns. His strategy remains unchanged – he continues to focus the portfolio on what he believes to be fundamentally cheap companies, many of which are defined as 'blue-chip' or the 'new sovereigns', and where he believes valuations continue to underestimate their ability to grow through a prolonged period of economic stagnation.

Neil Woodford
Investment Manager

31 May 2012

INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2012

UK listed and ordinary shares unless stated otherwise

AIM Alternative Investment Market

INVESTMENT	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
GlaxoSmithKline	Pharmaceuticals & Biotechnology	110,784	9.4
AstraZeneca	Pharmaceuticals & Biotechnology	98,424	8.4
British American Tobacco	Tobacco	87,942	7.5
BT	Fixed Line Telecommunications	74,819	6.4
Imperial Tobacco	Tobacco	65,682	5.6
Roche – *Swiss common stock*	Pharmaceuticals & Biotechnology	59,991	5.1
Vodafone	Mobile Telecommunications	59,730	5.1
BG	Oil & Gas Producers	55,862	4.7
Reynolds American – *US common stock*	Tobacco	55,662	4.7
Reckitt Benckiser	Household Goods	41,946	3.6
Ten Largest Holdings		**710,842**	**60.5**
Altria – *US common stock*	Tobacco	40,785	3.5
BAE Systems	Aerospace & Defence	40,755	3.5
Rolls Royce	Aerospace & Defence	37,108	3.2
Capita	Support Services	33,547	2.8
Novartis – *Swiss common stock*	Pharmaceuticals & Biotechnology	33,098	2.8
Centrica	Gas & Water Multiutilities	29,273	2.5
SSE	Electricity	22,810	1.9
Drax	Electricity	22,237	1.9
Wm Morrison Supermarkets	Food & Drug Retailers	21,011	1.8
Sanofi – *French common stock*	Pharmaceuticals & Biotechnology	19,244	1.6
Twenty Largest Holdings		**1,010,710**	**86.0**
Tate & Lyle	Food Producers	17,297	1.5
Provident Financial	General Financial	15,818	1.3
International Power	Electricity	14,531	1.3
Raven Russia – preference	Real Estate	6,134	
– ordinary		5,570	
		11,704	1.0
BTG	Pharmaceuticals & Biotechnology	10,999	0.9
Amlin	Non-life Insurance	10,960	0.9
Hiscox	Non-life Insurance	10,356	0.9
Catlin	Non-life Insurance	8,382	0.7
Chemring	Aerospace & Defence	6,706	0.6
Serco	Support Services	6,637	0.6
Thirty Largest Holdings		**1,124,100**	**95.7**
Rentokil Initial	Support Services	6,425	0.5
Smith & Nephew	Health Care Equipment & Services	6,330	0.5
Burford Capital AIM	Equity Investment Instruments	6,177	0.5
Stobart	Industrial Transportation	6,095	0.5
Paypoint	Support Services	5,543	0.5
Homeserve	Support Services	5,466	0.5
IP Group	Financial Services	5,319	0.5
Barclays Bank – Nuclear Power Notes 28 Feb 2019 (1)	Electricity	5,134	0.4
Proximagen AIM	Pharmaceuticals & Biotechnology	3,204	0.3
Yell	Media	850	0.1
Forty Largest Holdings		**1,174,643**	**100.0**
Eurovestech AIM	Financial Services	385	—
Helphire	Financial Services	47	—
Total Holdings (42)		**1,175,075**	**100.0**

(1) Contingent Value Rights ('CVRs') referred to as Nuclear Power Notes ('NPNs') were offered by EDF as a partial alternative to cash in its bid for British Energy ('BE'). The NPNs were issued by Barclays Bank. The CVRs participate in BE's existing business.

DIRECTORS

Jim Pettigrew[1]
Jim Pettigrew was appointed to the Board on 27 October 2005 and became the Chairman on 22 July 2011. He is a Chartered Accountant and he is also a member of the Association of Corporate Treasurers. Following a number of finance function positions in Scotland and in London including Group Treasurer of Sedgwick Group plc, he was Group Finance Director, ICAP plc, a FTSE 100 company and the world's largest specialist inter-dealer broker from January 1999 to June 2006. He was Chief Operating and Financial Officer of Ashmore Group plc from 2006 to 2007 and was Chief Executive Officer of CMC Markets plc from 2007 to 2009. He is a Non-Executive Director of Hermes Fund Managers Limited, Royal Bank of Canada Europe Limited, Aberdeen Asset Management plc and AON UK Limited.

Richard Barfield[2]
Richard Barfield was appointed to the Board in August 2001 and is the Senior Independent Director. He was previously Chief Investment Manager at Standard Life. He is Chairman of The Baillie Gifford Japan Trust and is a Director of the Standard Life Property Income Trust. He is a member of the Board of the Pension Protection Fund and a Director of Coal Staff Superannuation Scheme Trustees Limited.

Gordon McQueen[2]
Gordon McQueen was appointed to the Board on 31 May 2011. He is a Chartered Accountant and a Fellow of the Chartered Institute of Bankers of Scotland. He is a former Finance Director of Bank of Scotland and, until 2003, he was an Executive Director of HBOS plc, where his main role was Chief Executive, Treasury. He is a Director and Audit Committee Chairman of Shaftesbury PLC, Scottish Mortgage Investment Trust Plc and JPMorgan Midcap Investment Trust Plc.

Nicola Ralston[2]
Nicola Ralston was appointed to the Board in 2003. She started her financial career in 1977 moving to Schroders in 1979. During her time with the Schroder Group, Nicola undertook a variety of analytical, fund management and business management roles, becoming Head of Investment Management for the Schroder Group in 1999. After leaving Schroders in 2001, Nicola worked with a management consulting firm and was a Director of several hedge funds. From 2005 to 2006 she was Head of Global Investment Consulting at Hewitt. She is now a Director of PiRho Investment Consulting, which she co-founded in 2008. She is also a member of the FTSE Policy Committee.

William Samuel[2]
William Samuel was appointed to the Board in 2003. He is currently a senior advisor to Lazard in London having formerly been Vice Chairman of European Investment Banking at Citigroup, chairman of HP Bulmer Holdings and Group Managing Director – Investment Bank at Schroders and a director of Schroders PLC. He is also Chairman of Howden Joinery Group and Chairman of the Ecclesiastical Insurance Office and is Deputy Chairman and Senior Independent Director of Inchcape plc. He joined Schroders Investment Management Department in 1977 having qualified as a Chartered Accountant and was Head of Investment Banking when Schroders sold its investment banking business to Salomon, Smith, Barney, part of Citigroup in 2000.

Maxwell Ward[2]
Maxwell Ward was appointed to the Board on 8 August 2011. Mr Ward joined Baillie Gifford in 1971 becoming a partner in the firm in 1975 and was head of the UK Equity Department from 1981 until his retirement in April 2000. He was also a member of the firm's Management and Investment Policy Committees and Chairman of Baillie Gifford Overseas. From 1989 until 2000 he was manager of Scottish Mortgage and Trust plc. Following his retirement from Baillie Gifford, he floated The Independent Investment Trust plc and has been its managing director since. He is a former non-executive Director of Aegon UK plc and Foreign and Colonial Investment Trust plc.

Sir Nigel Wicks[2]
Sir Nigel Wicks, GCB, CVO, CBE was appointed to the Board in 2005. After working for The British Petroleum Company, Sir Nigel joined HM Treasury in 1968. He worked for Prime Ministers Harold Wilson, James Callaghan and Margaret Thatcher. He has been the United Kingdom's Executive Director at the International Monetary Fund and World Bank and the Prime Minister's representative ('Sherpa') for the Economic Summits of the Group of Seven Industrialised Nations. From 1989 to 2000, he was the Treasury's Second Permanent Secretary responsible for international financial matters. The Prime Minister appointed him as Chair of the Committee on Standards in Public Life for the period March 2001 to April 2004. He is Chairman of Euroclear plc and a Commissioner of the Jersey Financial Services Commission.

(1) Member of the Management Engagement and Nomination Committees.

(2) Member of the Audit, Management Engagement and Nomination Committees.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

All of the following were in place throughout the year.

Manager and Company Secretary

Invesco Asset Management Limited
30 Finsbury Square
London EC2A 1AG
☎ 020 7065 4000
Company Secretarial Contact: Kelly Nice

Registered Office

Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

Company Number

Registered in Scotland.
Number: SC1836

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team, available to you from 8.30 am to 6 pm, Monday to Friday (excluding Bank Holidays). Please feel free to take advantage of their expertise.
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www.invescoperpetual.co.uk/investmenttrusts

Banker and Custodian

The Bank of New York Mellon
160 Queen Victoria Street
London EC4V 4LA

Auditor

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

Broker

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Lawyer

Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

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 20 8639 3399.
Lines are open from 9.00 am to 5.30 pm,
Monday to Friday (excluding Bank Holidays).

Shareholders can also access their holding details via Capita's websites: *www.capitaregistrars.com* or *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* or
☎ 0871 664 0364.
Calls cost 10p per minute plus network charges.
From outside the UK: +44 20 3367 2691.
Lines are open from 8.00 am to 4.30 pm,
Monday to Friday (excluding Bank Holidays).

Savings Scheme and ISA Administration

For queries relating to both the Invesco Perpetual Investment Trust Savings Scheme and ISA, please contact:
Invesco Perpetual
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH
☎ 0800 085 8677.

SHAREHOLDER INFORMATION

The shares of The Edinburgh Investment Trust plc are quoted on the London Stock Exchange.

Savings Plan and ISA

The Edinburgh Investment Trust plc is a member of the Invesco Perpetual Investment Trust Savings Scheme and the Invesco Perpetual Investment Trust ISA. Shares in this Company can be purchased and sold via these two schemes.

Invesco Perpetual Investment Trust Savings Scheme

The Invesco Perpetual Investment Trust Savings Scheme allows an investor to make monthly purchases from as little as £20 per month or through lump sum investments of £500 or above in the shares of The Edinburgh Investment Trust plc in a straightforward and low cost way.

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to £11,280 in shares of The Edinburgh Investment Trust plc in the current tax year. Investors can also choose to make lump sum investments from £500, or regular investments from as little as £20 per month.

For full details of these Invesco Perpetual investment schemes please contact Invesco Perpetual's Investor Services Team free on ☎ 0800 085 8677.

NAV Publication

The net asset value ('NAV') of the Company's ordinary shares is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the next business day. It is published daily in the newspapers detailed below.

Share Price Listings

The price of your shares can be found in the following places:

Financial Times	Investment Companies
Daily Telegraph	Investment Trusts
The Times	Investment Companies
The Scotsman	Equity Inv Instruments
Reuters	
ordinary shares	EDIN.L
Bloomberg	
ordinary shares	EDIN LN
Internet addresses	
Interactive Investor	www.iii.co.uk
Invesco Perpetual	www.invescoperpetual.co.uk/investmenttrusts
Association of Investment Companies	www.theaic.co.uk

Manager's Website

Information relating to the Company can be found on the Manager's website, which can be located at www.invescoperpetual.co.uk/investmenttrusts.

The contents of websites referred to in this document, or accessible from links within those websites, are not incorporated in to, nor do they form part of this annual financial report.

Financial Calendar

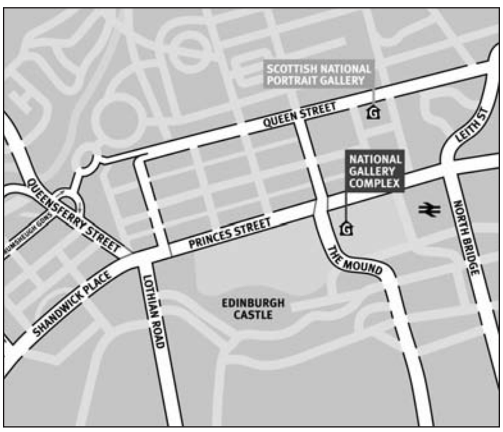
In addition, the Company publishes information according to the following calendar:

Announcements	
Half-yearly unaudited results	November
Interim Management Statements	July and January
Final results	May/June
Ordinary Share Dividends	
1st interim payable	November
2nd interim payable	February
3rd interim payable	May
Final payable	July
Debenture Stock	
Interest payable:	
11½% 2014	June and December
7¾% 2022	September and March
AGM	July
Year End	31 March

Location of AGM

The one hundred and twenty third Annual General Meeting of the Company will be held at the Weston Link, National Galleries of Scotland, Princes Street, Edinburgh on 20 July 2012 at 11 am.

The investment manager, Neil Woodford, will be making a presentation about the Company after the AGM.



REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2012

The Directors present their report, including the Business Review and the Corporate Governance Statement. together with the audited financial statements of The Edinburgh Investment Trust plc (the 'Company') for the year ended 31 March 2012.

BUSINESS REVIEW

Business and Status

The Company was incorporated and registered in Scotland as a public limited company on 1 March 1889, registered number SC1836. It is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust. It was approved as an investment trust under section 1158 of the Corporation Tax Act 2010 ('CTA') for the year ended 31 March 2011. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval.

The Board does not at present envisage any significant changes to the business of the Company. No important events affecting the Company have occurred since the end of its financial year. A review of the Company's business is provided in the Chairman's Statement on pages 6 to 7 and in the Manager's Report on pages 8 to 9.

Objective and Investment Policy

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.

The Company will generally invest only in companies quoted on a recognised stock exchange in the UK or in those which are about to enter the FTSE All-Share Index. The Company may invest up to 20% of the market value of the Company's investment portfolio, measured at the time of any acquisition, in securities listed on stock exchanges outside the UK. The portfolio is selected by the Manager on the basis of its assessment of the fundamental value available in individual securities. Whilst the Company's overall exposure to individual securities is monitored carefully by the Board, the portfolio is not primarily structured on the basis of industry weightings. The securities of no one company may as determined at the time of acquisition, represent more than 10% of the market value of the Company's equity portfolio. Similarly, the Company will not hold more than 5% of the issued share capital (or voting shares) in any one company. Investment in convertibles is subject to normal security limits. Should these or any other limit be exceeded by subsequent market movement, each resulting position is specifically reviewed by the Board.

The Company borrows money to provide gearing to the equity portfolio up to a maximum of £200 million.

Use of derivative instruments is monitored carefully by the Board and permitted within the following constraints. The writing of covered calls, to a maximum of 10% of the value of the portfolio and investment in FTSE 100 futures up to 15% of the value of the portfolio. Other derivative contracts may be employed within the aggregate of the above limits subject to the prior approval of the Board.

Results and Dividends

At the year end the mid-market price was 497.6p per ordinary share (2011: 444.0p). The net asset value (debt at par) and net asset value (debt at market value) per ordinary share were 502.03p and 478.30p respectively. The comparative figures on 31 March 2011 were 456.66p and 434.02p.

Subject to approval at the Annual General Meeting, the final proposed dividend for the year ended 31 March 2012 of 7p (2011: 6.55p) per ordinary share will be payable on 31 July 2012 to shareholders on the register on 15 June 2012. This will give total dividends for the year of 22p per share, an increase of 5.8% on the previous year's dividend of 20.8p, excluding special dividends. The revenue return per share for the year was 22.1p, the return on a like-for-like basis with 2011 was 20.8p, an increase of 6.3%.

Performance

The Board reviews the Company's performance by reference to a number of key performance indicators ('KPIs') which are set out below. Notwithstanding that some KPIs are beyond its control, they are measures of the Company's absolute and relative performance. The KPIs assist in managing performance and compliance and are regularly reviewed by the Board at each meeting.

YEAR TO 31 MARCH	2012	2011
Net asset value (per share debt at par)(1)	+15.2%	+12.3%
Net asset value (per share debt at market)(1)	+15.8%	+13.3%
FTSE All-Share Index(2)	+1.4%	+8.7%
Share price(2)	+17.6%	+16.5%
Discount to NAV (debt at par)(1)	0.9%	2.8%
(Premium)/discount to NAV (debt at market)(1)	(4.0)%	(2.3)%
Revenue return per share	22.1p	23.0p
Gross gearing	20.3%	22.4%
Net gearing	20.4%	22.4%
Ongoing charges – excluding performance fee impact of 0.4%	0.7%	0.7%

(1) Calculated in accordance with AIC guidelines
(2) Source: Thomson Reuters Datastream

All performance figures are calculated on a total return basis. Past performance is not a guide to future returns.

Expenses are reviewed at each Board meeting enabling the Board, amongst other things, to review costs and consider any expenditure outside that of its normal operations.

The Board also regularly reviews the performance of the Company in relation to the 21 investment trusts in the UK Growth and Income sector. As at 31 March 2012, the Company was ranked 1st by NAV performance in this sector over one year, 10th over three years and 4th over five years (source: JPMorgan Cazenove).

Analysis of Performance for the Year Ended

TOTAL RETURN BASIS	FOR YEAR ENDED 31 MARCH 2012 %
Net asset value total return	15.2
Benchmark total return	1.4
Relative performance	13.8
Analysis of Relative Performance	
Portfolio total return	15.6
Less Benchmark total return	1.4
Portfolio outperformance	14.2
Debenture borrowings:	
Net gearing effect	3.1
Interest	(2.1)
Base management fees	(0.7)
Performance fee	(0.4)
Other expenses	(0.1)
Tax	(0.2)
Total	13.8

CAPITAL RETURN BASIS	FOR YEAR ENDED 31 MARCH 2012 %
Net asset value capital return	10.3
Benchmark capital return	(2.1)
Relative performance	12.4

The capital return basis uses the capital net asset value at par, less dividends paid and proposed after the year end.

Performance attribution – analyses the Company's performance relative to its benchmark.

Portfolio (under)/outperformance – measures the relative effect of the Company's investment portfolio against that of its benchmark.

Net gearing effect – measures the impact of the debenture stocks and cash on the Company's relative performance.

Interest – arising from the debenture stocks reduces the assets available to invest, in a resulting negative impact on performance.

Management fees – including both the base fee and any performance fee, reduce the Company's net assets and decrease performance.

Other expenses – reduce the level of assets *and tax* and therefore result in a negative effect for relative performance.

Borrowings and Debt

The Company has £200 million of borrowings in the form of two £100 million nominal debentures. The 11½% debenture matures in 2014 and the 7¾% debenture in 2022. The weighted average interest rate is 9.625%. For details see note 18. The Company also has a bank overdraft facility of 10% of assets held by the Custodian which was undrawn at 31 March 2012; this facility is available to facilitate settlement of short-term cash timing differences and was largely unused during the year.

Future Trends

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Manager's Report on pages 8 to 9. Further details concerning the risks affecting the Company are set out under the 'Principal Risks and Uncertainties' section that follows.

Principal Risks and Uncertainties

The Company's key long-term investment objectives are an increase in the capital net asset value per share by more than the growth in the FTSE All-Share Index (the 'benchmark' or 'index') and an increase in dividends by more than the growth of RPI. The principal risks and uncertainties facing the Company are an integral consideration when assessing the operations in place to monitor these objectives, including the performance of the portfolio, share price and dividends. The Board is ultimately responsible for the risk control systems but the day-to-day operation and monitoring is delegated to the Manager.

Market Risk

The uncertainty over future equity market price movements is an inherent part of the rationale for the Company's existence. The Company's assets principally consist of quoted securities. The prices of these securities and the income derived from them are influenced by many factors such as general economic conditions, interest rates, inflation, political events, and government policies as well as by supply and demand reflecting investor sentiment. 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. Such factors are outside the control of the Board and Manager and may give rise to high levels of volatility in the prices of investments held by the Company. The asset value and price of the Company's shares and its earnings and dividends may consequently also experience volatility and may decline.

Investment Performance Risk

The Board sets performance objectives and delegates the investment management process to the Manager. The achievement of the Company's performance objectives relative to the market requires active management of the portfolio of assets and securities. The Manager's approach is to construct a portfolio which is compatible with the Manager's view of future trends in the UK and global economies. The Manager is a long term investor, prepared to take substantial positions in securities and sectors which may well be out of fashion, but which the Manager believes will have potential for material increases in earnings and, in due course, dividends and share prices. Strategy, asset allocation and stock selection decisions by the Manager can lead to underperformance of the benchmark index and/or income targets. The Manager's style may result in a concentrated portfolio with significant overweight or underweight positions in individual stocks or sectors compared to the index and consequently the Company's performance may deviate significantly, possibly for extended periods, from that of the benchmark index. However the Board and Manager believe that the investment process and policy outlined above should, over the long term, meet the Company's objectives of capital growth in excess of the benchmark index and real dividend growth.

Investment selection is delegated to the Manager. The Board does not specify asset allocations. Information on the Company's performance against the benchmark and peer group is provided to the Board on a quarterly basis. The Board uses this to review the performance of the Company, taking into account how performance relates to the Company's objectives. The Manager is responsible for monitoring the portfolio selected and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

Gearing Risk

The Company has the ability to invest up to £200 million from its Debenture Stocks in the equity market. The principal gearing risk is that the level of gearing may have an adverse impact on performance. Secondary risks relate to whether the cost of gearing is too high and whether the length of gearing is appropriate. The Manager has full discretion over the amount of cash from the Company's Debenture Stocks to be invested in the equity market whilst the issuance, repurchase or restructuring of debt are for the Board to decide. Information related to gearing is provided to the Directors as part of the Board papers. The Board regularly reviews the level of gearing. Additionally, the Board keeps under review the cost of buying back debt.

Income/Dividend Risk

The Company is subject to the risk that income generation from its investments fails to reach the level of income required to meet its objectives.

The Board monitors this risk through the review of detailed income forecasts and comparison against budget. These are contained within the Board papers. The Board considers the level of income at each meeting.

Share Price Risk

There is a risk that the Company's prospects and NAV may not be fully reflected in the share price from time to time.

The share price is monitored on a daily basis. The Board is empowered to repurchase shares within agreed parameters. The discount at which the shares trade to NAV can be influenced by share repurchases. The Company has not repurchased shares in the last year.

Control Systems Risk

The Board delegates a number of specific risk control activities to the Manager including:

- best practice standards in fund management operations;
- financial controls;
- meeting regulatory requirements;
- the management of the relationship with the Custodian in respect of the custody and security of the Company's assets; and
- the management of the relationship with the Registrar.

Consequently in respect of these activities the Company is dependent on the Manager's control systems and those of its Custodian and Registrars, both of which are monitored by the Manager in the context of safeguarding the Company's assets and interests. There is a risk that the Manager fails to ensure that these controls are performed in a satisfactory manner. In addition, the Company relies on the soundness and efficiency of the Custodian for good title and timeliness of receipt and delivery of securities.

A risk-based programme of internal audits is carried out by the Manager regularly to test the controls environment. An internal controls report providing an assessment of these risks is prepared by the Manager and considered by the Audit Committee, and is formally reported to and considered by the Board.

Reliance on Third Party Providers

The Company has no employees and the Directors are all appointed on a non-executive basis. The Company is reliant upon the performance of third party providers for its executive function. The Company's most significant contract is with the Manager, to whom responsibility both for the Company's portfolio and for the provision of company secretarial and administrative services are delegated. The Company has other contractual arrangements with third parties to act as Auditor, Registrar, Custodian and Broker. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy and expose the Company to risk of loss or to reputational risk.

In particular, the Manager performs services which are integral to the operation of the Company. The Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Manager could result in counterparties and third parties being unwilling to deal with the Manager and by extension the Company. This could have an adverse impact on the ability of the Company to pursue its investment policy.

The Board seeks to manage these risks in a number of ways:

- The Manager monitors the performance of all third party providers in relation to agreed service standards on a regular basis, and any issues and concerns are dealt with promptly and reported to the Board. The Manager formally reviews the performance of all third party providers and reports to the Board on an annual basis.
- The Board reviews the performance of the Manager at every board meeting and otherwise as appropriate. The Board has the power to replace the Manager and reviews the management contract formally once a year.
- The day-to-day management of the portfolio is the responsibility of Neil Woodford, Head of Investment at Invesco Perpetual, who has worked in equity markets since 1981 and has been the portfolio manager of the Company since Invesco's appointment in September 2008. The Board has adopted guidelines within which the portfolio manager is permitted wide discretion. Any proposed variation outside these guidelines is referred to the Board and the guidelines themselves are reviewed at every board meeting.
- The risk that the portfolio manager might be incapacitated or otherwise unavailable is mitigated by the fact that he works within, and is supported by, the wider Invesco Perpetual UK Equity team.

Other Risks

The Company may be exposed to other business and strategic risks in the future, including fiscal, legal or regulatory changes, and the perceived impact of the designated Investment Manager ceasing to be involved with the Company.

The instruments in which the Company's cash positions are invested are reviewed by the Board to ensure liquidity and concentration risks are adequately managed. Where an Invesco Group vehicle is utilised, it is assessed for suitability against other similar investment options.

The Company is subject to laws and regulations by virtue of its status as an investment trust and is required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies. The Company is subject to the continuing obligations imposed by the UK Listing Authority on all companies whose shares are listed on the Official List. A breach of the conditions for approval as an investment trust could lead to the Company being subject to capital gains tax on the sale of the investments in the Company's portfolio. A serious breach of other regulatory rules may lead to suspension from listing on the Stock Exchange or a qualified Audit Report.

The Manager reviews compliance with investment trust tax conditions and other financial and regulatory requirements on a daily basis.

There is an ongoing process for the Board to consider these other risks. In addition, the composition of the Board is regularly reviewed to ensure the membership offers sufficient knowledge and experience to assess and anticipate these risks, as far as possible.

Audit Information

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

Principles and Compliance

The Board is committed to maintaining the highest standards of Corporate Governance and is accountable to shareholders for the governance of the Company's affairs.

The Board of The Edinburgh Investment Trust plc has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to The Edinburgh Investment Trust plc.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of The Edinburgh Investment Trust plc, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The terms of reference for the Board and the Audit Committee are reviewed and updated periodically to bring them in line with latest best practice and to ensure compliance with the AIC Code. The Company's Corporate Governance procedures are considered regularly by the Board and amended as necessary.

The Board

The Board comprises seven non-executive Directors, each of whom the Board regards as wholly independent of the Company's Manager.

Some commentators have a view that length of service on a board can compromise independence from the manager. The AIC does not believe that this is the case for investment companies and therefore does not recommend that long serving directors be prevented from forming part of the independent majority.

Chairman

The Chairman of the Company is Jim Pettigrew, a non-executive and independent Director who has no conflicting relationships. He has been a member of the Board since 2005 and was the audit committee chairman up to 22 July 2011, when he was appointed as Chairman following the retirement of Scott Dobbie on the same day.

Senior Independent Director

The Company's Senior Independent Director is Richard Barfield.

Board Balance

The Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 11.

Appointment, Re-election and Tenure

Directors are appointed by ordinary resolution at a general meeting of ordinary shareholders and Directors have the power to appoint a Director. The Articles of Association require that a Director shall be subject to election at the first AGM after appointment and re-election at least every three years thereafter. All Directors served throughout the year, with the exception of Maxwell Ward who was appointed on 8 August 2011 and he will stand for election at the AGM on 20 July 2012.

In accordance with the UK Code of Corporate Governance, at every AGM all Directors shall retire and offer themselves for re-election at the forthcoming AGM.

Nomination Committee

All Directors are members of the Nomination Committee which is chaired by Jim Pettigrew. The Nomination Committee has written terms of reference which clearly define its duties and responsibilities. These include regularly evaluating the balance of skills, knowledge and experience on the Board and whether to recommend the re-election of Directors at each AGM to shareholders. The Committee is also responsible for identifying and nominating for approval of the Board, candidates to fill board vacancies as and when they arise. The terms of reference of the Nomination Committee are available for inspection at the AGM, at the registered office of the Company and are also available on the Manager's investment trust website.

As mentioned earlier, Richard Barfield will retire at the conclusion of this year's AGM. In order that the Board continues to have a balance of skills, experience and length of service and knowledge of the Company, it was decided that a new Director be appointed. The Board instructed the Nomination Committee to carry out this process taking into consideration the above requirements as well as diversity of the Board and the ability of a new Director to devote sufficient time to the Company to carry out his or her duties effectively. The Nomination Committee appointed an external search consultancy to identify potential candidates. The Board was pleased that this process successfully identified a number of strong candidates and, after due consideration, the Board appointed Maxwell Ward a Director of the Company with effect from 8 August 2011. The Board considers that, with his considerable knowledge and experience, Maxwell will make a valuable contribution to the Board and, therefore, recommends that shareholders support resolution 7 at the Company's AGM.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection at the Registered Office of the Company and will also be available at the AGM. A Director can be removed from office without notice or compensation upon being served with a written notice signed by all his co-Directors.

Board, Committee and Directors' Performance Appraisal

The Directors recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees and individual Directors.

During the year, the Directors undertook an extensive review of the Board structure, including an evaluation of the performance of the Board, the Committees and of individual Directors. This evaluation included intensive discussions between the Chairman, Senior Independent Director ('SID') and other Directors.

The result of this continuous evaluation process was that the performance of the Board as a whole, the Committees of the Board, the Chairman and individual Directors was deemed fully satisfactory.

Attendance at Board and Committee Meetings

All Directors are considered to have a good attendance record at Board and Committee meetings of the Company. The following table sets out the number of scheduled Directors' meetings held during the year and the number of meetings attended by each Director:

	BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	MANAGEMENT ENGAGEMENT COMMITTEE MEETINGS	STRATEGY MEETINGS
Jim Pettigrew(1)	4/4	3/3	1/1	1/1
Richard Barfield	4/4	3/3	1/1	1/1
Scott Dobbie(2)	2/2	1/1	1/1	n/a
Gordon McQueen(3)	3/3	2/2	n/a	1/1
Nicola Ralston	4/4	3/3	1/1	1/1
William Samuel	4/4	3/3	1/1	1/1
Maxwell Ward(4)	2/2	2/2	n/a	1/1
Sir Nigel Wicks	4/4	3/3	1/1	1/1

(1) The Chairman is not a member of the Audit Committee but was in attendance at the meetings.
(2) Retired 22 July 2011.
(3) Appointed 31 May 2011.
(4) Appointed 8 August 2011.

Board members attended a significant number of informal meetings to discuss other *ad hoc* items.

Directors' Remuneration

The Board as a whole reviews Directors' remuneration periodically. The Directors' Remuneration Report is set out on pages 29 and 30.

Board Responsibilities

The Directors are equally responsible under United Kingdom law for the proper conduct of the Company's affairs and for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that their policies and operations are in the interest of all of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered.

The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures for and on behalf of the Company that the Board considers adequate to prevent persons associated with it from engaging in bribery.

The Board has a schedule of matters reserved for its consideration, which clearly define the Directors' responsibilities. The main responsibilities include: setting the Company's objectives, policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; selecting an appropriate Manager, approving accounting policies and dividend policy; managing the capital structure; setting long-term objectives and strategy; reviewing investment performance; assessing risk; approving loans and borrowing; and controlling risks.

The Board ensures that shareholders are provided with sufficient information in order to understand the risk:reward balance to which they are exposed by holding their shares, through the portfolio details given in the half-yearly and annual financial reports, interim management statements, factsheets and daily NAV disclosures.

Finally, the Board as a whole undertakes the responsibilities which would otherwise be assumed by a remuneration committee, determining the Company's remuneration policy. The Board takes into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors' Remuneration Report.

Supply of Information

To enable the Directors of the Board to fulfil their roles, the Manager ensures that all Directors have timely access to all relevant management, financial and regulatory information.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term in office on industry and regulatory matters. The Manager and the Board have formulated a programme of induction training for newly appointed Directors. They have also put arrangements in place to address ongoing training requirements of Directors which include briefings from key members of the Manager's staff and which ensure that Directors can keep up to date with new legislation and changing risks.

The Board meets on a regular basis at least four times each year. Additional meetings are arranged as necessary. Regular contact is maintained by the Manager with the Board between formal meetings.

Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues.

There is an agreed procedure for the Directors, in the furtherance of their duties, to take legal advice at the Company's expense up to an initial cost of £10,000, having first consulted with the Chairman.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Invesco Asset Management Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. Finally, the Company Secretary is responsible for advising the Board through the Chairman on all governance matters.

Internal Controls and Risk Management

The Directors acknowledge that they are responsible for the Company's systems of internal financial and non-financial controls ('internal controls') which are designed to safeguard shareholders' investments and the Company's assets which have been in place throughout the year and up to the date of this report.

The Company's internal controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board.

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal controls is designed to manage rather than eliminate risk of failure to achieve the Company's investment objective and/or adhere to the Company's investment policy and/or investment limits. This system can therefore provide only reasonable and not absolute assurance against material misstatement or loss. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from their review. There are no significant failings or weaknesses that have occurred throughout the year ended 31 March 2012 and up to the date of this annual financial report.

The Board reviews financial reports and performance against forecasts, relevant stock market criteria and the Company's peer group. In addition, the Manager and Custodian maintain their own systems of internal controls and the Board and the Audit Committee receive regular reports from the Internal Audit and Compliance Departments of the Manager. Formal reports are also produced annually on the internal controls and procedures in place for the operation of secretarial and administrative, custodial, investment management and accounting activities. The programme of reviews is set up by the Manager and the reports are not necessarily directed to the affairs of any one client of the Manager.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 31 and the Independent Auditor's Report is set out on page 32.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the signing of the balance sheet. 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 of its liabilities and ongoing expenses from its assets. The Directors also considered the revenue forecasts for the forthcoming year and future dividend payments in concluding on the going concern basis.

Audit Committee

The Board is supported by an Audit Committee consisting of all non-executive Directors with the exception of Jim Pettigrew. Gordon McQueen was appointed Chairman of the Audit Committee on 22 July 2011 when Jim Pettigrew became Chairman of the Board. The Committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference of the Audit Committee, including its role and authority, were updated during the year to ensure best practice and compliance with the AIC Code. They will be available for inspection at the AGM and can be inspected at the Registered Office of the Company or on the Manager's website.

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process, systems of internal control and the management of financial risks, the audit process, relationships with external auditors, the Company's processes for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board. The Committee is responsible for making recommendations to the Board in respect of the appointment, re-appointment and removal of the auditor and for the terms of their audit engagement. It is also responsible for reviewing the Manager's whistleblowing arrangements.

Duties of the Audit Committee include discussing with the external auditor the nature and scope of the audit and reviewing the external auditor's quality control procedures; considering the scope of work undertaken by the Manager's internal audit and compliance departments; monitoring and reviewing the effectiveness of the Manager's internal audit; reviewing the Company's procedures for detecting fraud; monitoring the integrity of the financial statements of the Company; reviewing the half-yearly and annual financial reports of the Company prior to their submission to the Board; and reviewing the effectiveness of the internal control systems (including financial, operational and compliance controls and risk management). They also include responsibility for reviewing and monitoring the effectiveness of the audit process and the external auditor's independence and objectivity with particular regard to the provision of non-audit services. The Audit Committee of the Board meets the external auditor in the absence of representatives from the Manager at least once a year to review these and other appropriate matters. Shareholders have the opportunity at each Annual General Meeting to vote on the re-appointment of the external auditor for the forthcoming year and to authorise the Directors to determine the level of auditor's remuneration.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including compliance with the conditions for approval as an investment trust), the relationship with and the performance of third party service providers.

The Audit Committee meets at least three times a year in the performance of their duties. In addition, the Audit Committee Chairman meets with the Manager on a regular basis, and from time to time with the external Auditor. The Committee has received satisfactory reports on the Manager's internal operations from the Manager's Compliance and Internal Audit departments.

The Committee has reviewed the financial statements for the year ended 31 March 2012 with the Manager and the auditor at the conclusion of the audit process. The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the accounts.

The Committee has recommended approval by the Board of an audit fee of £23,000, exclusive of expenses and VAT. The Committee has considered and is satisfied with the objectivity and the independence of the auditor. Non-audit fees for the year to 31 March 2012 were £7,000 and related to the review of the half-yearly financial report and the annual certificates of compliance to the trustee of the debenture stocks. The Committee does not believe that this has impaired the auditor's independence and objectivity. Non-audit services up to £5,000 do not require approval in advance of the Audit Committee; amounts in excess of this require the approval of the Audit Committee.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the net asset value of the Company's ordinary shares, interim management statements and by monthly and daily fact sheets produced by the Manager. This information can be accessed at the Manager's investment trust website at *www.invescoperpetual.co.uk/investmenttrusts*. At each AGM, a presentation is made by the investment manager following the formal business of the Meeting and shareholders have the opportunity to attend, vote and most importantly to communicate directly with the whole Board.

There is a regular dialogue between the Manager and major institutional shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. General presentations to both institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board. During the year, the Chairman, the Senior Independent Director and the other Directors also met representatives of those major shareholders who accepted an invitation from the Chairman to meet.

Stewardship

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of Corporate Governance are maintained in the companies in which it invests. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company's voting rights are exercised on an informed and independent basis.

The Company's stewardship functions have been delegated to the Manager. The Manager has adopted a clear and considered policy towards its responsibility as a shareholder on behalf of the Company. As part of this policy, the Manager takes steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value and comply with local recommendations and practices, such as the UK Corporate Governance Code. A copy of the Manager's policy on Corporate Governance and stewardship can be found at *www.invescoperpetual.co.uk*.

Conflicts of Interest

A Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or has the potential to conflict with the company's interests. The Articles of Association of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards which apply when Directors decide whether to do so. Firstly, only Directors who have no interest in the matter being considered are able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors can impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. The Register of Potential Conflicts of Interests is kept at the Registered Office of the Company. It is reviewed regularly by the Board and the Directors will advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

The Manager

Investment Management Agreement ('IMA')

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. IAML is also entitled to a performance fee in respect of each rolling three year period in which the Company outperforms its benchmark, the FTSE All-Share Index, plus a hurdle rate, this being the equivalent of 1.25% per annum, as adjusted for shorter periods.

Any performance fee earned will be the lower of 15% of the outperformance based on the average quarterly net asset value (with debt at par) of the Company over the relevant performance period and

1% of net asset value, as adjusted for shorter periods where required. A performance fee of £3,584,000 is due for the year ended 31 March 2012 (2011: none).

VAT on Management fees

As previously reported, management fees paid by the Company are no longer subject to VAT. During the year, Aberdeen Asset Management, a former manager of the Company, received a supplementary interest payment from HM Revenue & Customs, of which the proportion paid to the Company was £18,090.

The Manager's Responsibilities

The Directors have delegated to Invesco Asset Management Limited (the 'Manager') the responsibility for the day-to-day investment management activities of the Company. The Manager has full discretion to manage the assets of the Company in accordance with the Company's stated objectives and policies. The Manager has discretion to make purchases and sales, make and withdraw cash deposits, enter into underwriting commitments and exercise all rights over the investment portfolio. The Manager also advises on borrowings.

The Manager provides full administration and company secretarial services to the Company, ensuring that the Company complies with all legal and regulatory requirements and officiating at Board meetings and shareholders' meetings. The Manager additionally maintains complete and accurate records of the Company's investment transactions and portfolio and all monetary transactions from which the Manager prepares half-yearly and annual financial statements on behalf of the Company as well as interim management statements.

The Board has reviewed and accepted the Manager's 'whistleblowing' policy under which staff of Invesco Asset Management Limited can, in confidence, raise concerns about possible improprieties or irregularities in matters affecting the Company.

The Manager's Investment Process and Performance

At the core of Invesco Perpetual's investment philosophy is a belief in active investment management. Fundamental principles drive a genuinely unconstrained investment approach, which aims to deliver attractive total returns over the long term. These fundamental principles place an emphasis on sound balance sheets, good cash flows, the ability to pay and sustain dividends, strong asset bases and on market conditions. The investment manager and the UK Equities team employ a pragmatic, valuation-orientated approach that allows investment freedom, such that the investment manager can select stocks free from the constraint of the weighting within the benchmark. The investment manager's focus is on absolute rather than relative returns, as he chooses to take a long term view in the companies he invests in and to invest where he sees value and opportunity.

The aim of the investment process is to identify companies whose outlook or growth prospects are not reflected in their valuations. To identify these companies the investment manager combines bottom-up research with a top-down macro-economic view. Stocks are then subjected to detailed fundamental analysis augmented by a qualitative assessment of the company. The output from this analysis is then used to construct and review the portfolio with the aim of maximising exposure to the most attractive opportunities within its risk parameters.

Assessment of the Investment Manager

The Management Engagement Committee meets annually to review the investment management and secretarial arrangements. The Committee considers, among other matters investment performance, marketing activity, secretarial and administrative services, the finance and control environments, compliance, audit and terms of the Investment Management Agreement.

The Board, based on its recent review of activities, considers that the continuing appointment of Invesco Asset Management Limited is in the interests of shareholders as a whole.

Social and Environmental Policies

As an investment trust with no employees, property or activities outside investment, environmental policy has limited application.

The Manager considers various factors when evaluating potential investments. Some are financial ratios and measures, such as free cash flow, earnings per share and price-to-book value. Others are more subjective indicators which rely on first hand research; for example quality of management, innovation and product strength.

The Company's policy is that, subject to an overriding requirement to pursue the best financial interests of the Company, the Manager should take account of social, environmental and ethical factors in making and holding investments and in the use of voting powers conferred by such investments.

The Company is able to supply documents or information to shareholders in electronic form (e.g. by email or by means of a website). This will deliver environmental benefits through reduced use of paper and the energy required for its production and distribution.

Directors

Directors' Disclosable Interests

The beneficial interests of the Directors in the ordinary share capital of the Company are set out below:

	31 MARCH 2012	31 MARCH 2011
Jim Pettigrew	20,000	20,000
Richard Barfield	13,984	13,984
Gordon McQueen (appointed 31 May 2011)	2,000	–
Nicola Ralston	15,000	15,000
William Samuel	23,170	23,170
Maxwell Ward (appointed 8 August 2011)	20,000	–
Sir Nigel Wicks	3,500	3,500

Save as aforesaid, no Director had any interests, beneficial or otherwise, in the shares of the Company during the year. No Director held any of the Company's debenture stocks at either date. No changes to these holdings had been notified up to the date of this report.

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end. The Company has entered into a Deed of Indemnity with Directors individually.

Director Indemnification and Insurance

A Deed of Indemnity was executed between the Company and each Director.

Under the terms of the indemnities, a Director may be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which the Director may sustain or incur in the execution or purported execution or discharge of his or her duties or the exercise of his powers or discretions as a Director of the Company. This includes any liability incurred by the Director in disputing, defending, investigating or providing evidence in connection with any actual or threatened or alleged claims, demands, investigations or proceedings whether civil or criminal, and any settlement in respect thereof. Directors will continue to be indemnified under the terms of the indemnities notwithstanding that they may have ceased to be Directors of the Company.

However, Directors will not be entitled to be indemnified for any liability to the Company for fines payable to regulatory authorities, for defending any criminal proceedings in which they are convicted or in defending any civil proceedings brought by the Company in which judgment is given against a Director. In these circumstances, the Director will repay to the Company any amount received from the Company under his indemnity. The indemnity does not apply to the extent that a liability is recoverable from any insurers, if it is prohibited by the Companies Act 2006 or otherwise prohibited by law or if a liability arises from an act or omission of the Director which is shown to have been in bad faith or arising from gross negligence.

Share Capital

Capital Structure

At the year end, the Company's issued share capital consisted of 195,116,734 ordinary shares of 25p each. To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders every year to buy back and issue shares, however, no shares were bought back or issued in the year.

Restrictions

There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company, and no agreements to which the Company is party that might affect its control following a successful takeover bid.

Voting

At a general meeting of the Company, every shareholder has one vote on a show of hands and, on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.

Substantial Shareholders

Details of the substantial shareholders of the Company are disclosed below.

Repurchase Powers

The Board's current powers to repurchase shares and proposals for their renewal are disclosed below.

Substantial Holdings in the Company

The Company has been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	AS AT 30 APRIL 2012		AS AT 31 MARCH 2012	
	HOLDING	%	HOLDING	%
Brewin Dolphin, Stockbrokers	14,734,601	7.5	14,613,385	7.4
Charles Stanley, Stockbrokers	9,707,944	4.9	9,587,269	4.9
Rathbones	9,369,302	4.8	9,289,574	4.7
Aberdeen Retail Plans	9,334,485	4.7	9,404,369	4.8
Alliance Trust Savings	7,569,766	3.8	7,424,738	3.8
Legal & General Investment Management	6,594,903	3.3	6,787,365	3.4
Hargreaves Lansdown, Stockbrokers (ND)	6,215,182	3.1	5,866,747	3.0
AXA Investment Managers	6,120,821	3.1	6,232,821	3.1

Special Business at the Annual General Meeting

The notice of the Annual General Meeting ('AGM') of the Company to be held on 20 July 2012 at 11 am is on pages 49 to 55. In addition to the ordinary business, five resolutions are proposed as special business, one as an ordinary resolution and four as special resolutions.

Ordinary Resolution 12 and Special Resolution 13: Authority to Allot Shares

Resolution 12 is an Ordinary Resolution seeking renewal of the current authority for the Directors' to allot up to 10% of the issued ordinary share capital, this being an aggregate nominal amount of £4,877,918 as at 31 May 2012. Resolution 13 is a Special Resolution which seeks renewal of the current authority to issue up to 10% of the issued ordinary share capital pursuant to a rights issue or otherwise than in connection with a rights issue, dis-applying preemption rights. This will allow shares to be issued to new shareholders, within the prescribed limits, without having to be offered to existing shareholders first, thus broadening the shareholder base of the Company. The Directors will not dilute the interests of existing shareholders by using the authority to issue shares at a price which is less than the Net Asset Value of the existing shares in issue at that time. These authorities will expire at the next AGM of the Company or fifteen months after the passing of the resolutions, whichever is the earlier.

Special Resolution 14: Authority to Buy Back Shares

Resolution 14 seeks to renew the Directors' authority to purchase up to 14.99% of the Company's issued share capital, this being 29,247,998 ordinary shares as at 31 May 2012. The authority will expire at the Company's next AGM or fifteen months following the passing of this resolution, if earlier. The principal purpose of share buy backs is to enhance the net asset value for remaining shareholders and purchases will only be made if they enhance the net asset value for the remaining shareholders.

In accordance with the Financial Services Authority UK Listing Rules, the maximum price which can be paid is 5% above the average of the middle market values of the ordinary shares for the five business days before the purchase is made. The minimum price which may be paid will be 25p per share, this being the nominal value of a share. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

The Company will finance the purchase of ordinary shares by using its existing cash balance or by selling securities in the Company's portfolio.

The Directors might consider holding repurchased shares as treasury shares with a view to possible resale.

Special Resolution 15: Notice Period for General Meetings

The EU Shareholder Rights Directive, which was implemented in 2009, increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice. A shareholders' resolution is required to ensure that the Company's general meetings (other than Annual General Meetings) may be held on 14 days' notice. Accordingly, Special Resolution 15 will propose that the period of notice for general meetings of the Company (other than AGMs) shall not be less than 14 days' notice.

Special Resolution 16: Update of Articles of Association

We have reviewed our Articles of Association in light of the full implementation of the Companies Act 2006. As a result of that review we have decided to adopt a new set of Articles of Association. An explanation of the main changes between the proposed and existing Articles of Association is set out in the Appendix on pages 53 to 55 of this document. Other changes, which are of a technical or clarifying nature and also some minor changes which will merely reflect changes made by the Companies Act 2006 and other legislation have not been noted in the Appendix. The proposed Articles of Association showing all the changes to the existing Articles of Association are available for inspection at the registered office and will be available at the AGM.

The Directors recommend that shareholders vote in favour of all the resolutions.

Independent Auditor

The Audit Committee has considered the independence of the auditors and the objectivity of the audit process and is satisfied that KPMG Audit Plc has fulfilled its obligations to shareholders as independent auditor to the Company.

Resolutions proposing the re-appointment of KPMG Audit Plc as the Company's Auditors and authorising the Directors to determine their remuneration will be put to the forthcoming AGM.

Individual Savings Account ('ISA')

The ordinary shares of the Company are qualifying investments under applicable ISA regulations.

Supplier Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. The Company had no trade creditors at 31 March 2012 (2011: nil).

Donations

The Company made no political or charitable donations during the year (2011: nil).

Invesco Asset Management Limited
Company Secretary
30 Finsbury Square
London EC2A 1AG

31 May 2012

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2012

The Board presents this Report which has been prepared under the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and in accordance with the Listing Rules of the Financial Services Authority. An ordinary resolution for the approval of this Report will be put to shareholders at the Annual General Meeting ('AGM').

The Company's Auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The Auditor's opinion is included in the Audit Report on page 32.

Remuneration

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly.

All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. The Board seeks advice, *inter alia*, from the Company Secretary when considering the level of Directors' fees.

Since 1 April 2007, Directors' remuneration has been as follows:

– Chairman	£44,000 pa;
– Chairman of the Audit Committee	£27,000 pa;
– Senior Independent Director	£27,500 pa; and
– Other Directors	£24,200 pa.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to that of other investment trusts and to the time incurred and responsibility undertaken.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum currently dictated by the Company's Articles of Association is £250,000 in aggregate per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

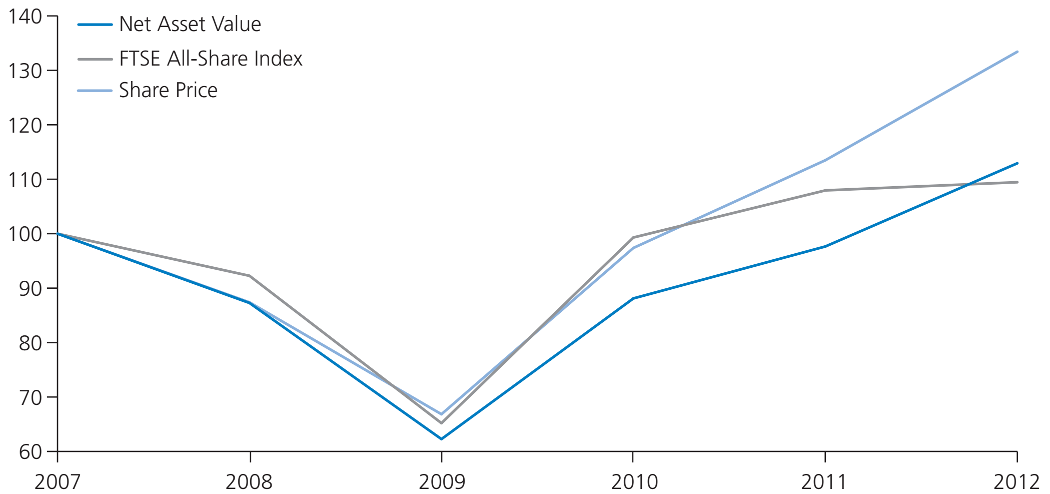
It is intended that this policy will continue for the year ending 31 March 2013 and subsequent years.

Letters of Appointment

As non-executive directors, the Directors do not have service contracts, but have letters of appointment which are available for inspection at the Registered Office of the Company. Under the Articles of Association of the Company, the terms of the Directors' appointment provide that a Director shall be subject to election at the first AGM after appointment and that, at every AGM, one third of the Directors shall retire by rotation and no Director shall hold office for more than three consecutive years without retiring by rotation. The terms of the appointment letters also provide that a Director may be removed from office by notice in writing.

The Company's Performance

The graph plots the net asset value total return and share price total return to ordinary shareholders compared to the total return of the FTSE All-Share index over the 5 years to 31 March 2012. This index is the benchmark adopted by the Company for comparison purposes. Figures have been rebased to 100 at 31 March 2007. A table showing the performance over each of the last 10 years and a graph showing the performance since the appointment of the present Manager are shown on page 3.



Directors' Emoluments for the Year (Audited)

The Directors who served during the year received the following emoluments in the form of fees:

	2012 £	2011 £
Scott Dobbie (retired 22 July 2011)	13,652	44,000
Jim Pettigrew (Chairman)	38,725	27,000
Richard Barfield (Senior Non-Executive Director)	27,500	27,500
Gordon McQueen (Chairman of the Audit Committee)	22,164	—
Nicola Ralston	24,200	24,200
William Samuel	24,200	24,200
Max Ward (appointed 8 August 2011)	15,708	—
Sir Nigel Wicks	24,200	24,200
Total	190,349	171,100

On 22 July 2011, Jim Pettigrew resigned as Chairman of the Audit Committee and was appointed Chairman of the Company. On the same day Gordon McQueen, who joined as a Director on 31 May 2011, was appointed Chairman of the Audit Committee.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 31 May 2012.

Jim Pettigrew
Chairman

Signed on behalf of the Board of Directors

DIRECTORS' RESPONSIBILITY STATEMENT
IN RESPECT OF THE PREPARATION OF THE ANNUAL FINANCIAL REPORT

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare financial statements in accordance with applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law, the Directors must not approve the accounts 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors of the Company each confirm to the best of their knowledge, that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- this annual financial report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

Jim Pettigrew
Chairman

Signed on behalf of the Board of Directors

31 May 2012

Electronic Publication

The annual financial report is published on *www.invescoperpetual.co.uk/investmenttrusts* which is the Manager's website maintained by the Company's Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE EDINBURGH INVESTMENT TRUST PLC

We have audited the financial statements of The Edinburgh Investment Trust plc for the year ended 31 March 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

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

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code 2010 specified for our review.
- certain elements of the report to shareholders by the Board on directors' remuneration.

Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh

31 May 2012

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000
Gains on investments	9(c)	—	109,922	109,922	—	70,285	70,285
Foreign exchange profits/(losses)		—	6	6	—	(131)	(131)
Income	2	52,857	398	53,255	52,460	—	52,460
Investment management fee	3	(1,662)	(7,461)	(9,123)	(1,464)	(3,417)	(4,881)
VAT recovered on management fees	3	—	—	—	1,809	1,367	3,176
Other expenses	4	(776)	(1)	(777)	(775)	(1)	(776)
Net return before finance costs and taxation		50,419	102,864	153,283	52,030	68,103	120,133
Finance costs	5	(5,850)	(13,653)	(19,503)	(5,851)	(13,655)	(19,506)
Return on ordinary activities before tax		44,569	89,211	133,780	46,179	54,448	100,627
Tax on ordinary activities	6	(1,490)	—	(1,490)	(1,305)	—	(1,305)
Return on ordinary activities after tax for the financial year		43,079	89,211	132,290	44,874	54,448	99,322
Return per ordinary share							
Basic	7	22.1p	45.7p	67.8p	23.0p	27.9p	50.9p

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.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
Balance at 31 March 2010	48,779	6,639	24,676	698,000	49,231	827,325
Dividends paid – note 8	—	—	—	—	(32,741)	(32,741)
Net return on ordinary activities	—	—	—	54,448	44,874	99,322
Balance at 31 March 2011	48,779	6,639	24,676	752,448	61,364	893,906
Dividends paid – note 8	—	—	—	—	(44,018)	(44,018)
Net return on ordinary activities	—	—	—	89,211	43,079	132,290
Balance at 31 March 2012	48,779	6,639	24,676	841,659	60,425	982,178

The accompanying notes are an integral part of these statements.

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH

	NOTES	2012 £'000	2011 £'000
Fixed assets			
Investments held at fair value through profit or loss	9(a)	1,175,075	1,088,478
Current assets			
Debtors	10	11,399	7,506
Cash and cash funds		207	184
		11,606	7,690
Creditors: amounts falling due within one year	11	(7,139)	(3,439)
Net current assets		4,467	4,251
Total assets less current liabilities		1,179,542	1,092,729
Creditors: amounts falling due after more than one year	12	(197,364)	(197,112)
Provision	13	—	(1,711)
Net assets		982,178	893,906
Capital and reserves			
Share capital	14	48,779	48,779
Share premium	15	6,639	6,639
Capital redemption reserve	15	24,676	24,676
Capital reserve	15	841,659	752,448
Revenue reserve	15	60,425	61,364
Shareholders' funds		982,178	893,906
Net asset value per ordinary share			
Basic	16	502.03p	456.66p

These financial statements were approved and authorised for issue by the Board of Directors on 31 May 2012.

Signed on behalf of the Board of Directors

Jim Pettigrew
Chairman

The accompanying notes are an integral part of this statement.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2012 £'000	2011 £'000
Cash inflow from operating activities	17(a)	42,082	47,725
Servicing of finance	17(b)	(19,251)	(19,253)
Capital expenditure and financial investment	17(b)	21,204	4,353
Equity dividends paid	8	(44,018)	(32,741)
Net cash inflow before management of liquid resources and financing		17	84
Management of liquid resources	17(b)	(160)	—
(Decrease)/increase in cash		(143)	84
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash		(143)	84
Cashflow from movement in liquid resources		160	—
Exchange movements		6	(131)
Debenture stock non-cash movement		(252)	(253)
Movement in net debt in the year		(229)	(300)
Net debt at beginning of year		(196,928)	(196,628)
Net debt at end of year	17(c)	(197,157)	(196,928)

The accompanying notes are an integral part of this statement.

1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year and the preceding year, unless otherwise stated.

(a) Basis of preparation

Accounting Standards Applied

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice ('SORP') 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies in January 2009. The financial statements are also prepared on a going concern basis.

(b) Foreign Currency and Segmental Reporting

(i) *Functional and presentational currency*

The financial statements are presented in sterling, which is the Company's functional and presentational currency and the currency in which the Company's share capital and expenses, as well as its assets and liabilities, are denominated.

(ii) *Transactions and balances*

Transactions in foreign currency, whether of a revenue or capital nature, are translated to sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated to sterling at the rates of exchange ruling at the balance sheet date. Any gains or losses, whether realised or unrealised, are taken to the capital reserve or to the revenue account, depending on whether the gain or loss is of a capital or revenue nature. All gains and losses are recognised in the income statement.

(iii) *Segmental reporting*

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity and debt securities, issued by companies quoted mainly on the UK or other recognised stock exchanges.

(c) Financial Instruments

(i) *Recognition of financial assets and financial liabilities*

The Company recognises financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument. The Company will offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

(ii) *Derecognition of financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as an asset.

(iii) *Derecognition of financial liabilities*

The Company derecognises financial liabilities when its obligations are discharged, cancelled or expired.

(iv) *Trade date accounting*

Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

(v) *Classification and measurement of financial assets and financial liabilities*

Financial assets

The Company's investments are classified as held at fair value through profit or loss.

Financial assets held at fair value through profit or loss are initially recognised at fair value, which is taken to be their cost, with transaction costs expensed in the income statement, and are subsequently valued at fair value.

Fair value for investments that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. Fair value for investments that are actively traded but where active stock exchange quoted bid prices are not available is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Unquoted, unlisted or illiquid investments are valued by the Directors at fair value using a variety of valuation techniques including earnings multiples, recent transactions and other market indicators, cash flows and net assets.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

(d) Hedging and Derivatives

Forward currency contracts entered into for hedging purposes are valued at the appropriate forward exchange rate ruling at the balance sheet date. Profits or losses on the closure or revaluation of positions are included in capital reserves.

Futures contracts may be entered into for hedging purposes and any profits and losses on the closure or revaluation of positions are included in capital reserves.

Derivative instruments are valued at fair value in the balance sheet. Derivative instruments may be capital or revenue in nature and, accordingly, changes in their fair value are recognised in capital or revenue in the income statement as appropriate.

(e) Income

Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'. Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

(f) Expenses and Finance Costs

Expenses are recognised on an accruals basis and finance costs are recognised using the effective interest method in the income statement.

The investment management fee and finance costs are allocated 70% to capital and 30% to revenue. This is in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the portfolio.

The performance fee is allocated wholly to capital as it arises principally from capital returns on the portfolio.

Transaction costs are recognised as capital in the income statement. All other expenses are allocated to revenue in the income statement.

(g) Taxation

The liability to corporation tax is based on net revenue for the year, excluding non-taxable dividends. The tax charge is allocated between the revenue and capital account on the marginal basis whereby revenue expenses are matched first against taxable income in the revenue account.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred taxation assets are recognised where, in the opinion of the directors, it is more likely than not that these amounts will be realised in future periods.

A deferred tax asset is only recognised in respect of surplus management expenses, losses on loan relationships and eligible unrelieved foreign tax to the extent that the Company is likely to have sufficient future taxable revenue to offset against these.

(h) Dividends Payable

Dividends are not recognised in the accounts unless there is an obligation to pay at the balance sheet date. Proposed dividends are recognised in the year in which they are paid to shareholders.

NOTES TO THE FINANCIAL STATEMENTS
continued

2. Income

	2012 £'000	2011 £'000
Income from listed investments		
UK dividends	41,547	39,841
Scrip dividends	743	689
Overseas dividends	10,527	9,314
Income from money market funds	9	9
	52,826	49,853
Other income		
Interest on VAT recovered on management fees (note 3)	18	2,459
Underwriting commission	13	148
Total income	52,857	52,460

A GlaxoSmithKline special dividend of £398,000 (2011: nil) has been recognised in capital.

3. Investment Management Fees

	2012			2011		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee	1,662	3,877	5,539	1,464	3,417	4,881
Performance fee	—	3,584	3,584	—	—	—
	1,662	7,461	9,123	1,464	3,417	4,881

Details of the investment management agreement are disclosed on page 24 in the Report of the Directors. At 31 March 2012 investment management fees of £485,000 (2011: £435,000) were accrued. At 31 March 2012, a performance fee of £3,584,000 (2011: none) was due.

During the year, no amounts in respect of VAT recovered on management fees has been recognised (2011: £3,176,000). Interest of £18,000 (2011: £2,459,000) was received during the year in respect of VAT recovered in previous periods and is credited wholly to revenue.

4. Other Expenses

	2012			2011		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Other expenses	776	1	777	775	1	776
Other expenses include the following:						
Directors' fees	190	—	190	171	—	171
Fees payable to the Company's auditor in relation to:						
– the audit of the financial statements	23	—	23	22	—	22
– for other services	7	—	7	7	—	7

The maximum Directors' fees authorised by the Articles of Association are £250,000 per annum. The Directors' Remuneration Report provides further information on Directors' fees for the year.

Fees payable to the Company's auditor for other services relate to fees and expenses payable to the auditor for their review in connection with the half-yearly financial statements and the annual certificate to the trustee of the debenture stocks, which are recognised in revenue. Fees payable to the Company's auditor are shown excluding VAT, which is included in other expenses.

5. Finance Costs

	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000
Interest payable on borrowings repayable not by instalments:						
Overdraft interest	—	1	1	1	2	3
Debenture stocks repayable within 5 years	3,450	8,050	11,500	3,450	8,050	11,500
Debenture stocks repayable after 5 years	2,325	5,425	7,750	2,325	5,425	7,750
Amortised debenture stock discount and issue costs	75	177	252	75	178	253
	5,850	13,653	19,503	5,851	13,655	19,506

6. Taxation

(a) Current tax charge

	2012 £'000	2011 £'000
Overseas tax	1,490	1,305

(b) Reconciliation of current tax charge

	2012 £'000	2011 £'000
Total return on ordinary activities before taxation	133,780	100,627
UK Corporation Tax rate of 26% (2011: 28%)	34,783	28,175
Effect of:		
– non-taxable gains on investments	(28,580)	(19,680)
– non-taxable losses on foreign exchange movements	(2)	37
– non-taxable UK dividends	(11,098)	(11,349)
– non-taxable overseas dividends	(2,737)	(2,607)
– expenses and finance costs in excess of taxable income for the year carried forward	7,618	5,418
– disallowed expenses	16	6
– overseas tax	1,490	1,305
Current tax charge for the year	1,490	1,305

(c) Deferred tax

Owing to the Company's status as an investment company, and its 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.

(d) Factors that may affect future tax changes

The Company has surplus management expenses and losses on loan relationships of £320,346,000 (2011: £291,026,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of these expenses since the Directors believe that there will be no taxable profits in the future against which the deferred tax assets can be offset.

7. Return per Ordinary Share

The basic, capital and total returns per ordinary share are based on each return on ordinary shares after tax and on 195,116,734 (2011: 195,116,734) ordinary shares, being the weighted average number of shares in issue during the year.

8. Dividends

	2012 pence	2012 £'000	2011 pence	2011 £'000
Dividends paid and recognised in the year:				
Third interim paid in respect of previous year	4.75	9,268	—	—
Special paid in respect of previous year	1.26	2,458	—	—
Final paid in respect of previous year	6.55	12,780	6.35	12,390
First interim paid	5.00	9,756	4.75	9,268
Special paid	—	—	0.93	1,815
Second interim paid	5.00	9,756	4.75	9,268
	22.56	44,018	16.78	32,741
Dividends on shares payable in respect of the year:				
First interim	5.00	9,756	4.75	9,268
First special	—	—	0.93	1,815
Second interim	5.00	9,756	4.75	9,268
Third interim	5.00	9,756	4.75	9,268
Second special	—	—	1.26	2,458
Proposed final	7.00	13,658	6.55	12,780
	22.00	42,926	22.99	44,857

The proposed final dividend is subject to approval by Ordinary Shareholders at the AGM.

9. Investments

(a) Analysis of investments by listing status

	2012 £'000	2011 £'000
Investments listed on recognised stock exchange	1,169,941	1,083,344
Unlisted investments at Directors' valuation	5,134	5,134
	1,175,075	1,088,478

(b) Analysis of investments gains

	2012 £'000	2011 £'000
Opening book cost	957,704	950,170
Opening investment holding gains	130,774	71,687
Opening valuation	1,088,478	1,021,857
Movements in year:		
Purchases at cost	112,053	168,681
Sales – proceeds	(135,378)	(172,345)
– net realised gains on sales	19,644	11,198
Movement in investment holding gains	90,278	59,087
Closing valuation	1,175,075	1,088,478
Closing book cost	954,023	957,704
Closing investment holding gains	221,052	130,774
Closing valuation	1,175,075	1,088,478

There were no purchases or sales of unlisted investments during the year (2011: £nil).

(c) Gains on investments

	2012 £'000	2011 £'000
Realised gains on sales	19,644	11,198
Movement in investment holding gains	90,278	59,087
Gains on investments	109,922	70,285

(d) Transaction costs

Transaction costs on purchases of £518,000 (2011: £859,000) and on sales of £143,000 (2011: £193,000) are included within gains and losses on investments.

(e) Significant holdings

At 31 March 2012 the Company had holdings of 3% or more of the number in issue of the following investments:

Name of undertaking	*Country of Incorporation*	*Instrument*	*% held*
Barclays Bank	England & Wales	Nuclear Power Notes 28 February 2019	4.4
Proximagen	England & Wales	Ordinary shares	3.0
Raven Russia	Guernsey	Preference shares	3.0

10. Debtors

	2012 £'000	2011 £'000
Amounts due from brokers	2,888	—
Prepayments and accrued income	6,912	6,843
Unrealised profit on forward currency contracts	103	—
Tax recoverable	1,496	663
	11,399	7,506

11. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts due to brokers	24	—
Interest due on debenture stocks	2,836	2,836
Accruals	695	603
Performance fee	3,584	—
	7,139	3,439

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

	2012 £'000	2011 £'000
Debenture Stock:		
11½% redeemable 30 June 2014	100,000	100,000
7¾% redeemable 30 September 2022	100,000	100,000
	200,000	200,000
Unamortised discount and issue expenses on debenture stocks	(2,636)	(2,888)
	197,364	197,112

Both debentures are secured by a floating charge on the Company. The interest on the debentures is payable in half-yearly installments. The interest on the 11½% debenture is payable in June and December, and the interest on the 7¾% debenture is payable in March and September, each year.

The effect on the net asset value of deducting the debenture stocks at market value, rather than at par, is disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS
continued

13. Provisions

	2012 £'000	2011 £'000
Performance fee:		
Opening provision	1,711	1,711
Paid in the year	(1,711)	—
Closing provision	—	1,711

Details of the performance fee are given in the Report of the Directors on page 24. The provision for performance fee was set up under the transitional arrangements of the investment management agreement with Invesco Asset Management Ltd.

14. Share Capital

	2012		2011	
	NUMBER	£'000	NUMBER	£'000
Authorised				
Ordinary shares of 25p each	316,099,929	79,025	316,099,929	79,025
Allotted, called-up and fully paid				
Ordinary shares of 25p each	195,116,734	48,779	195,116,734	48,779

15. Reserves

The capital redemption reserve maintains the equity share capital arising from the buy back and cancellation of shares; it, and the share premium, are non-distributable.

The capital reserve includes the investment holding gains, being the difference between cost and market value at the balance sheet date, totalling a gain of £221,052,000 (2011: £130,774,000). The capital reserve is currently non-distributable, however, it can be used to fund share buy backs.

The revenue reserve is the only reserve that is distributable by way of dividend.

16. Net Asset Value ('NAV') per Ordinary Share

(a) NAV – 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. A reconciliation between the two sets of figures follows:

	2012		2011	
	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000
Shareholders' funds	503.38	982,178	458.14	893,906
Less: Unamortised discount and expenses arising from debenture issue	(1.35)	(2,636)	(1.48)	(2,888)
NAV – debt at par	502.03	979,542	456.66	891,018

(b) NAV – debt at market value

The market value of the debenture stocks is determined by reference to the daily closing price, and is subject to review against various data providers to ensure consistency between data providers and against the reference gilts.

The net asset value per share adjusted to include the debenture stocks at market value rather than at par is as follows:

	2012 NAV PER SHARE PENCE	2012 SHAREHOLDERS' FUNDS £'000	2011 NAV PER SHARE PENCE	2011 SHAREHOLDERS' FUNDS £'000
NAV – debt at par	502.03	979,542	456.66	891,018
Debt at par	102.50	200,000	102.50	200,000
Debt at market value				
– 11½% Debenture Stock 2014	(61.67)	(120,341)	(63.59)	(124,081)
– 7¾% Debenture Stock 2022	(64.56)	(125,965)	(61.55)	(120,102)
NAV – debt at market value	478.30	933,236	434.02	846,835

The number of ordinary shares in issue at the year end was 195,116,734 (2011: 195,116,734).

17. Notes to the Cash Flow Statement

(a) Reconciliation of operating return to operating cash flows

	2012 £'000	2011 £'000
Total return before finance costs and taxation	153,283	120,133
Scrip dividends received as income	(743)	(689)
Adjustment for gains on investments	(109,922)	(70,285)
Adjustment for exchange losses	(6)	131
Increase in debtors	(1,005)	(273)
Increase in creditors and provisions	1,965	13
Tax on overseas investment income	(1,490)	(1,305)
Net cash inflow from operating activities	42,082	47,725

(b) Analysis of cash flow for headings netted in the cash flow statement

	2012 £'000	2011 £'000
Servicing of finance		
Overdraft interest	(1)	(3)
Interest paid on debenture stocks	(19,250)	(19,250)
Net cash outflow from servicing of finance	(19,251)	(19,253)
Capital expenditure and financial investment		
Purchase of investments, excluding scrip dividends received as income	(111,286)	(167,992)
Sale of investments	132,490	172,345
Net cash inflow from capital expenditure and financial investments	21,204	4,353
Management of liquid resources		
Cash movement on cash funds and short term deposits	(160)	—
Net cash outflow from management of liquid resources	(160)	—

17. Notes to the Cash Flow Statement (continued)

(c) Analysis of changes in net debt

	31 MARCH 2011 £'000	CASH FLOW £'000	EXCHANGE MOVEMENTS £'000	DEBENTURE STOCK NON-CASH MOVEMENT £'000	31 MARCH 2012 £'000
Cash at bank	184	(143)	6	—	47
Cash fund short term deposits	—	160	—	—	160
Debentures	(197,112)	—	—	(252)	(197,364)
Net debt	(196,928)	17	6	(252)	(197,157)

18. Risk Management and Financial Instruments

Financial instruments

The Company's financial instruments mainly comprise its investment portfolio (as shown on page 10) and debentures as well as its cash, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The principal risks that an investment company faces in its portfolio management activities are set out below:

Market risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

> *Currency risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;
>
> *Interest rate risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and
>
> *Other price risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.

Liquidity risk – arising from any difficulty in meeting obligations associated with financial liabilities.

Credit risk – arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

Risk Management Policies and Procedures

The Directors have delegated to the Manager the responsibility for the day-to-day investment activities and management of gearing of the Company as more fully described in the Report of the Directors.

As an investment trust the Company invests in equities and other investments for the long-term so as to fulfil its investment policy (incorporating the Company's investment objective). In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. These policies are summarised below and have remained substantially unchanged for the two years under review.

Market Risk

The Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk for the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance, as disclosed in the Board Responsibilities on page 21. The debentures provide structural gearing, which is used to enhance returns but also increases the Company's exposure to market risk and volatility.

Currency risk

The majority of the Company's assets and all of its liabilities are denominated in sterling. There is some exposure to Euro, US dollar and Swiss franc.

Management of the currency risk

The Manager monitors the Company's direct exposure to foreign currencies on a daily basis and reports to the board on a regular basis.

Forward currency contracts can be used to reduce the Company's exposure to foreign currencies arising naturally from the Manager's choice of securities. All contracts are limited to currencies and amounts commensurate with the assets denominated in currencies.

Income denominated in foreign currencies is converted to sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

The Company may invest up to 20% of the portfolio in securities listed on non-UK stock exchanges. At the year end holdings of non-UK securities total £208.8 million (2011: £162.0 million) representing 17.8% (2011: 14.9%) of the portfolio.

Currency exposure

The fair values of the Company's monetary items that have currency exposure at 31 March are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2012			2011		
	EURO £'000	USD £'000	CHF £'000	EURO £'000	USD £'000	CHF £'000
Forward currency sales	(19,012)	—	—	—	—	—
Foreign currency exposure on net monetary items	(19,012)	—	—	—	—	—
Investments at fair value through profit or loss that are equities	19,244	96,447	93,089	—	103,203	58,791
Total net foreign currency exposure	232	96,447	93,089	—	103,203	58,791

The above may not be representative of the exposure to risk during the year, because the levels of foreign currency exposure may change significantly throughout the year.

Currency sensitivity

In respect of the Company's direct foreign currency exposure to investments denominated in currencies, if sterling had weakened by 2.1% for the US dollar, 4.3% for the Swiss franc and 2.5% for the Euro during the year, the income statement capital return and net assets of the Company would have increased by £6.5 million (2011: £5.6 million). Conversely, if sterling had strengthened by the same percentage for the currencies mentioned above, the capital return and net assets of the Company would have decreased by the same amount. The exchange rate variances of ±2.1% for US dollar, ±4.3% for Swiss francs and ±2.5% for Euro (2011: US dollar ±3.2% and Swiss Franc ±4.0) have been determined based on market volatility in the year, using the standard deviation of sterling's fluctuation to the applicable currency. This sensitivity takes no account of any impact on the market values of the Company's investments arising from the foreign currency mix of their respective revenues, expenses, assets and liabilities.

Interest rate risk

Interest rate movements will affect the level of income receivable on cash deposits and money market funds, and the interest payable on variable rate borrowings. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate determined by the Custodian, The Bank of New York Mellon.

The Company has an uncommitted bank overdraft facility which it uses for settlement purposes. This facility has not been used during the year.

All of the Company's long term debt of £200 million of debenture stocks is fixed which exposes the Company to changes in market value in the event that the debt is repaid before maturity. Details of the debenture stock interest is shown in note 12, with details of its market value and the affect on net asset value in note 16.

The Company can invest in fixed income securities although at the year end none were held (2011: £nil).

18. Risk Management and Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Interest rate exposure

At 31 March the exposure of financial assets and financial liabilities to interest rate risk is shown by reference to:

– floating interest rates (giving cash flow interest rate risk) – when the interest rate is due to be re-set; and

– fixed interest rates (giving fair value interest rate risk) – when the financial instrument is due for repayment.

	2012				2011			
	WITHIN ONE YEAR £'000	BETWEEN ONE AND FIVE YEARS £'000	MORE THAN FIVE YEARS £'000	TOTAL £'000	WITHIN ONE YEAR £'000	BETWEEN ONE AND FIVE YEARS £'000	MORE THAN FIVE YEARS £'000	TOTAL £'000
Exposure to floating interest rates:								
Cash and money market funds	207	—	—	207	184	—	—	184
Exposure to fixed interest rates:								
Debentures, excluding unamortised discount and issue expenses	—	(100,000)	(100,000)	(200,000)	—	(100,000)	(100,000)	(200,000)
Total exposure to interest rates	207	(100,000)	(100,000)	(199,793)	184	(100,000)	(100,000)	(199,816)

No fixed interest investments were held at the year end.

Other price risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the equity investments, but it is the business of the Manager to manage the portfolio to achieve the best return that he can.

Management of the other price risk

The Directors manage the market price risks inherent in the investment portfolio by meeting regularly to monitor on a formal basis the Manager's compliance with the Company's stated objectives and policies, and to review investment performance.

The Company's portfolio is the result of the Manager's investment process and need not be highly correlated with the Company's benchmark or the market in which the Company invests. The value of the portfolio will not move in line with the market but will move as a result of the performance of the company shares within the portfolio.

If the value of the portfolio fell by 10% at the balance sheet date, the profit after tax for the year and the net assets of the Company would decrease by £118 million (2011: £109 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax and the net assets of the Company would increase by the £118 million (2011: £109 million).

Liquidity risk is minimised as the majority of the Company's investments constitute a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the Company has an overdraft facility which it can use to provide short-term funding flexibility.

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered, and cash balances. Counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of £5 million with any one depository, with only approved depositories being used, and a maximum deposit of £75 million with AIM Short-Term Investments Company (Global Series) plc, a triple-A rated money market fund.

Values of Financial Assets and Financial Liabilities

The values of the financial assets and financial liabilities are carried in the balance sheet at their fair value (investments), or the balance sheet amount is a reasonable approximation of fair value (amounts due from brokers, dividends receivable, accrued income, amounts due to brokers, accruals and cash) or at amortised cost (debentures). The book cost and fair value of the debentures, based on the mid-market value at the balance sheet date, are as follows:

	BOOK VALUE 2012 NUMBER	FAIR VALUE 2012 £'000	BOOK VALUE 2011 NUMBER	FAIR VALUE 2011 £'000
Debentures repayable between one and five years:				
11½% Debenture Stock 2014	100,000	120,341	100,000	124,081
Debentures repayable in more than five years:				
7¾% Debenture Stock 2022	100,000	125,965	100,000	120,102
Discount on issue of debentures	(2,636)	—	(2,888)	—
	197,364	246,306	197,112	244,183

Incorporating the fair value of the debentures result in the reduction of the net asset value per ordinary share to 478.30p (2011: 434.02p).

Fair Value of Hierarchy Disclosures

All except one of the Company's portfolio of investments are in the Level 1 category as defined in FRS 29 'Financial Instruments: Disclosures'. The three levels set out in FRS 29 follow.

Level 1 – fair value based on quoted prices in active markets for identical assets.

Level 2 – fair values based on valuation techniques using observable inputs other than quoted prices within Level 1.

Level 3 – fair values based on valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

The valuation techniques used by the Company are explained in the accounting policies note. All except one of the Company's investments are Level 1 with one investment in Level 2. There were no transfers between the levels during the year.

The sole investment in Level 2 comprised the Company's holding of Barclays Bank – Nuclear Power Notes, which was valued at £5.1 million (2011: £5.1 million).

Maturity Analysis of Contractual Liability Cash Flows

The financial liabilities of the Company are shown in notes 11 and 12. The major liabilities are the two debenture stocks with £100 million payable on 30 June 2014, the other £100 million payable on 30 September 2022 and interest payments totalling £11.5 million and £7.75 million per annum respectively. Other liabilities comprise amounts due to brokers and accruals. All are paid under contractual terms. For amounts due to brokers, this is usually the purchase date of the investment plus three business days. For accruals, this is normally within 30 business days of invoice or, in the case of management fees, in accordance with the management agreement.

Capital Management

The Company does not have any externally imposed capital requirements. The Company's capital is disclosed in the balance sheet and is managed on a basis consistent with its investment objective and policies, as disclosed in the Report of the Directors' on page 14. The principal risks and their management are discussed above.

NOTES TO THE FINANCIAL STATEMENTS
continued

19. Contingencies, Guarantees and Financial Commitments
There were no contingencies, guarantees or financial commitments of the Company at the year end.

20. Related Party Transactions
Invesco Asset Management Limited ('IAML'), a wholly owned subsidiary of Invesco Limited, is Manager, Company Secretary and Administrator to the Company. Details of management fees payable to IAML, together with details of Directors' interests, are disclosed in the Report of the Directors. There are no other related party transactions.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in The Edinburgh Investment Trust plc, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and twenty third Annual General Meeting of The Edinburgh Investment Trust plc will be held at The Weston Link, National Galleries of Scotland, Princes Street, Edinburgh on Friday, 20 July 2012 at 11.00 am, for the following purposes:

Ordinary Business

1. To receive the Report of the Directors and Auditors and the Financial Statements for the year ended 31 March 2012;
2. To declare a final dividend on the ordinary shares;
3. To re-elect Jim Pettigrew as a Director of the Company;
4. To re-elect Gordon McQueen as a Director of the Company;
5. To re-elect Nicola Ralston as a Director of the Company;
6. To re-elect William Samuel as a Director of the Company;
7. To elect Maxwell Ward as a Director of the Company;
8. To re-elect Sir Nigel Wicks as a Director of the Company;
9. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2012;
10. To reappoint KPMG Audit Plc as Auditors of the Company;
11. To authorise the Directors to determine the remuneration of the Auditors.

Special Business

To consider and, if thought fit, to pass the following resolutions of which 12 will be proposed as an Ordinary Resolution and resolutions 13, 14, 15 and 16 as Special Resolutions:

12. THAT:

    in substitution for any existing authority under section 551 of the Companies Act 2006 (the 'Act') the Directors be generally and unconditionally authorised in accordance with section 551 of the Act as amended from time to time prior to the date of the passing of this resolution, to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £4,877,918, this being 10% of the Company's issued ordinary share capital as at 31 May 2012, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.

13. THAT:

    subject to the passing of resolution number 12 and in substitution for any existing authority under sections 570 and 573 of the Act but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby empowered, in accordance with sections 570 and 573 of the Act as amended from time to time prior to the date of the passing of this resolution to allot equity securities (within the meaning of section 560(1), (2) and (3) of the Act) for cash, either pursuant to the authority given by resolution 12 set out above or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

    (a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and

(b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £4,877,918, this being 10% of the Company's issued ordinary share capital as at 31 May 2012

and this power shall expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this power shall allow the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry as if the power conferred by this resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this resolution.

14. THAT:
the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 163 of the Act) of the issued ordinary shares of 25p each in the capital of the Company ('Shares')

PROVIDED ALWAYS THAT:

(a) the maximum number of Shares hereby authorised to be purchased shall be 29,247,998 ordinary shares (being 14.99% of the issued ordinary share capital of the Company as at 31 May 2012);

(b) the minimum price which may be paid for a Share shall be 25p;

(c) the maximum price which may be paid for a Share shall be an amount equal to 105% of the average of the middle market quotations for a Share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased;

(d) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);

(e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, or fifteen months following the passing of this resolution if earlier, unless the authority is renewed at any other general meeting prior to such time; and

(f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

15. THAT:
the period of notice required for general meetings of the Company (other than AGMs) shall be not less than 14 days.

16. THAT:
the Articles of Association produced to the meeting and initialled by the Chairman for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association (including those provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are treated as provisions of the Company's Articles of Association).

For an explanation of all Special Business please refer to page 27 of the Report of the Directors.

Dated this 31st May 2012

By order of the Board

Invesco Asset Management Limited
Secretary

Following the Annual General Meeting, shareholders will have the opportunity to meet the Board and representatives from the Manager informally. Refreshments will be served.

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:

   - via Capital Registrar's website *www.capitashareportal.com*; or
   - in hard copy form by post, by courier or by hand to the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

   and in each case, to be received by the Company not less than 48 hours before the time of the meeting.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. 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. In order for a proxy appointment made by means of CREST 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 instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to 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 issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any changes of instructions to proxies through CREST should be communicated to the appointee through other means. 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. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com/CREST.

3. A form of appointment of proxy is enclosed. Appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction) does not prevent a member from attending and voting at this meeting.

   To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's Registrars, Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 11.00 am on 18 July 2012.

4. A person entered on the Register of Members at close of business on 18 July 2012 (a 'member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.

5. The Terms of Reference of the Audit, Management Engagement and Nominations Committees and the Letters of Appointment for Directors will be available for inspection at the Company's AGM.

6. A copy of the Articles of Association is available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the Annual General Meeting and will also be available at the Annual General Meeting for at least 15 minutes prior and during the meeting.

7. Any 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 have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, 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 have a right, under such an agreement, to give instructions to the shareholder as to the exercise of voting rights.

The statement of the above rights of the shareholders in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.

8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

11. As at 31 May 2012 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 195,116,734 ordinary shares of 25p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 195,116,734 .

12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at *www.invescoperpetual.co.uk/investmenttrusts*.

13. Shareholders 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 '2006 Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) 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 Annual General Meeting for the financial year beginning on 1 April 2011; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 April 2010 ceasing to hold office since the previous meeting at which the annual financial report was laid in accordance with section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant Annual General Meeting.

    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 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

APPENDIX

Explanatory Notes of Principal Changes to the Company's Articles of Association

1. The Company's objects

The provisions regulating the operations of the Company were until 1 October 2009 set out in the Company's memorandum and articles of association.

The Companies Act 2006 ('**CA 2006**') significantly reduces the constitutional significance of a company's memorandum. The CA 2006 provides that the memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the CA 2006 the majority of the previous provisions of the memorandum, most notably the objects clause, are deemed to be part of the company's articles of association with effect from 1 October 2009.

Further the CA 2006 states that, unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause (together with all other provisions of its memorandum which, by virtue of the CA 2006, are treated as forming part of the Company's articles of association as of 1 October 2009). This will be achieved by the adoption of new articles of association ('**New Articles**') which contain no such provisions other than a statement regarding the limited liability of shareholders.

2. Change of name (Article 3)

Under the Companies Act 1985 ('**CA 1985**'), a company could only change its name by special resolution. Under the CA 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name. The directors currently have no intention of using this power.

3. Authorised share capital and unissued shares (Former Article 3)

The CA 2006 removes the concept of authorised share capital. As with the objects clause (see paragraph 1), the statement of authorised share capital previously contained in a company's memorandum of association is deemed with effect from 1 October 2009 to be a provision of the company's articles of association (and takes effect as setting out the maximum number of shares that may be allotted by the company). The adoption of the New Articles will have the effect of removing this provision.

The directors will still be limited as to the number of shares they can at any time allot because an allotment authority continues to be required under the CA 2006, save in respect of employee share schemes.

4. Redeemable shares (Article 5)

Under the CA 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The CA 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

5. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Former Articles 7, 8 and 9)

Under the CA 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The current articles of association ('**Current Articles**') include these enabling provisions. Under the CA 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for the articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

6. Suspension of registration of share transfers (Article 34 and Former Article 35)

The Current Articles permit the directors to suspend the registration of transfers for up to 30 days in any year, reflecting a provision of the CA 1985. Under the CA 2006 share transfers must be registered as soon as practicable. The provision relating to registration of share transfers has been updated accordingly and the provision which allowed the Company to suspend the registration of transfers has been removed in the New Articles.

7. Notice of general meetings (Article 44)

Under the CA 2006 as amended by the Shareholders' Rights Regulations, general meetings cannot be held on shorter notice than the statutory minimum period (21 days or 14 days depending on the nature of the meeting and the business to be conducted at it). The New Articles therefore remove this provision.

8. Adjournments for lack of quorum (Article 52)

Under the CA 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles reflect this requirement.

9. Electronic conduct of meetings (Article 58)

Amendments made to the CA 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current Articles have been amended to reflect more closely the relevant provisions.

10. Chairman's casting vote (Former Article 59)

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the CA 2006.

11. Voting by proxies on a show of hands (Article 68)

Under the CA 2006 as amended by the Shareholders' Rights Regulations, each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles reflect these changes and contain a provision clarifying how the provision of the CA 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.

12. Timing for submission of proxy appointments (Article 70)

Article 70 has been amended to permit the directors to specify, in a notice of meeting, that in determining the time for delivery of proxy appointments, no account shall be taken of non-working days. This brings the provisions relating to timing for proxy appointments into line with the provisions of Article 130 (see paragraph 18 below) regarding determining which persons may attend and vote at a general meeting.

13. Validity of votes by proxies and corporate representatives (Article 72)

Under the CA 2006 as amended by the Shareholders' Rights Regulations, proxies have an obligation to vote in accordance with the instructions given to them by the member appointing them. The New Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with these instructions.

The New Articles also provide that any objection to the qualification of a person voting must be made at the meeting at which the vote objected to is tendered or at the time any poll is taken and that the chairman's decision is final and binding. The New Articles require a member to provide reasonable evidence of his and his proxy's identity and also specify what a member must provide by way of evidence if a proxy is appointed by a person acting in behalf of a member.

14. Directors' interests (Articles 78-86)

The provisions in the Current Articles dealing with directors' conflicts of interest have been amended in line with market practice. Under the New Articles certain conflicts of interest do not need to be authorised, for example an interest as a director of a group company. Generally the nature and extent of any conflict of interest must be disclosed before it can be authorised or before it is permitted without being authorised; but the New Articles provide for some situations in which disclosure is not required where knowledge can be presumed and disclosure is unlikely to be necessary. The New Articles also allow the board to exercise voting rights in group companies without restriction e.g. so as to appoint a director to the board of a group company without this counting as a conflict requiring authorisation

15. Use of seals (Former Article 110)

Under the CA 1985, a company required authority in its articles to have an official seal for use abroad. Under the CA 2006, such authority is no longer required. Accordingly, the relevant authorisation has been removed in the New Articles.

16. Execution of documents (Article 113)

Under the New Articles the Company will be able to execute a document as a deed in the presence of one director whose signature is witnessed.

17. Application of sums standing to credit of capital reserve (Article 118)

The Companies Act 2006 (Amendment of Part 23) (Investment Companies) Regulations 2012 removed the requirement that the articles of association of an investment company must prohibit the distribution of capital profits. The New Articles reflect this change and no longer prohibit the distribution of capital profits by way of dividend.

18. Record date for right to attend and vote at meetings (Article 130)

The New Articles include a new provision, not in the Current Articles, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company must specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This reflects a new provision introduced by the Shareholders' Rights Regulations.

19. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the CA 2006 are in the main removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

Benchmark

A market index, which averages the performance of companies in any sector, giving a good indication of any rises or falls in the market.

Discount/(Premium)

The amount by which the mid-market price per share of an investment trust is lower/(higher) than the net asset value per share. The discount/premium is normally expressed as a percentage of the net asset value of the share.

Dividend Yield

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

Gearing

The gearing percentage reflects the amount of borrowings that a company has invested, with debt at par. This figure indicates the extra amount by which shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which shareholders' funds are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested.

There are several methods of calculating gearing and the following has been used in this report:

Gross Gearing

This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of shareholders' funds.

Net Gearing

This reflects the amount of net borrowings invested, ie borrowings less cash and investments in money market funds. It is based on net borrowings as a percentage of shareholders' funds.

Net Asset Value ('NAV')

Also described as shareholders' funds, the net asset value is the value of total assets less liabilities. Liabilities include current and long-term liabilities. The net asset value per share is calculated by dividing the net asset value by the number of ordinary shares in issue.

Ongoing Charges Ratio

The annualised ongoing charges, including those charged to capital but excluding interest, incurred by the Company, expressed as a percentage of the average undiluted net asset value (at fair value) in the period reported.

Return

The return generated in the period from the investments.

Capital Return reflects the return on capital, excluding any income returns.

Total Return reflects the aggregate of capital and income returns in the period. The NAV total return reflects capital changes in the NAV and dividends paid in the period.

The Manager of The Edinburgh Investment Trust plc is Invesco Asset Management Limited.

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

Invesco Perpetual is a business name of Invesco Asset Management Limited.

Invesco is one of the largest independent global investment management firms, with funds under management in excess of $668.4 billion.*

We aim to provide the highest returns available from markets, through active management, but in a controlled manner, conscious of the risks involved and within our clients' objectives.

** Funds under Management as at 30 April 2012.*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust Limited

A Jersey incorporated closed-ended Company that aims to generate a high level of income from a variety of fixed income instruments combined with a degree of security. The Company is geared by bank debt.

Invesco Income Growth Trust plc

Aims to provide shareholders with a long-term growth in capital and real, long-term growth in dividends from an above-average yielding portfolio comprising mainly UK equities and equity-related securities. Seeks to achieve a total return in excess of the FTSE All-Share Index. The Company is geared by bank debt.

Invesco Leveraged High Yield Fund Limited

A Jersey-incorporated closed-ended Company that aims to provide a high level of income, paid gross to UK investors, whilst seeking to maximise total return through investing, primarily in a diversified portfolio of high-yielding corporate and government bonds. The Company seeks to balance the attraction of high-yield securities with the need for protection of capital and to manage volatility. The Company is highly geared.

Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio

Aims to generate a high level of income from a variety of fixed income instruments combined with a high degree of security.

Invesco Perpetual Select Trust plc – UK Equity Share Portfolio

Portfolio Aims to generate long-term capital and income growth with real growth in dividends from investment, primarily in the UK equity market. The portfolio is geared by bank debt.

Invesco Property Income Trust Limited

The Company is a closed-ended investment company with limited liability incorporated in Jersey. The objective is to provide ordinary shareholders with an attractive level of income together with the prospect of income and capital growth from investing in commercial properties in the UK and Continental Europe. The Company is geared by bank debt.

Keystone Investment Trust plc

Aims to provide shareholders with long-term growth of capital mainly from UK investments. The Company is geared by way of debenture stocks.

Perpetual Income and Growth Investment Trust plc

Aims to generate capital growth with a higher than average income from investment, primarily in the UK equity market. It is intended that the Company will provide shareholders with real dividend growth over the medium-term by investing mainly in above-average yield equities. However, investments are also made in companies with lower initial yields which are considered to have good potential for income growth. The Company is geared by a debenture stock and bank debt.

The Edinburgh Investment Trust plc

Invests in UK securities with long term objective of achieving:

1. an increase in 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.

The Company is geared by way of two debenture stocks.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

Aims to achieve long-term total returns for the Company's shareholders from investment in a broad cross-section of small to medium size UK-quoted companies. The Company may gear by bank debt.

Investing Internationally

Invesco Asia Trust plc

Aims to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian securities. The Company aims to achieve growth in its net asset value in excess of the Morgan Stanley Capital International (All Country) Far East Free (ex Japan) Index, measured in sterling. The Company is geared by bank debt.

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

Aims to provide an attractive and growing level of income return and capital appreciation over the long term, predominately through investment in a diversified portfolio of equities worldwide. The portfolio is geared by bank debt.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

Aims to provide shareholders with an attractive total return in differing economic and inflationary environments and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

The portfolio is constructed so as to balance risk, is long-only, using transparently-priced exchange-traded futures contracts and other derivative instruments to gain such exposure and to provide gearing.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Share Portfolio
- Global Equity Share Portfolio
- Managed Liquidity Share Portfolio
- Balanced Risk Portfolio

A choice of asset classes within one investment trust with the freedom to switch between them, twice a year, free from capital gains tax liability.

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.

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