The Edinburgh Investment Trust plc

Annual Financial Report

Year ended 31 March 2013

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 2013, the Company had net assets of £1,137.7 million.

2013 Highlights

+21.1%	Net asset value (debt at par) total return (2012: +15.2%)
+16.8%	FTSE All-Share Index total return[1] (2012: +1.4%)
+3.6%	Dividend (2012: +5.8%)
+20.1%	Share price total return[1] (2012: +17.6%)

[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 also 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 2013. 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

The Company's Benchmark is the FTSE All-Share Index

Terms marked † are defined in the Glossary of Terms on page 55

(1) Source: Thomson Reuters Datastream

FOR THE YEAR TO 31 MARCH	2013 % CHANGE	2012 % CHANGE
Total Return† (capital growth with income reinvested)		
Net asset value† (NAV) total return:		
– debt at par	+21.1	+15.2
– debt at market value	+22.4	+15.8
FTSE All-Share Index total return(1)	+16.8	+1.4
Share price total return(1)	+20.1	+17.6

Capital Return†	AT 31 MARCH 2013	AT 31 MARCH 2012	% CHANGE
NAV:			
– debt at par	581.89p	502.03p	+15.9
– debt at market value	559.01p	478.30p	+16.9
FTSE All-Share Index(1)	3380.64	3002.78	+12.6
Share price(1)	572.0p	497.6p	+15.0
Discount/(premium)†:			
– debt at par	1.7%	0.9%	
– debt at market value	(2.3)%	(4.0)%	
Gearing† (at par):			
– gross gearing	17.6%	20.4%	
– net gearing	17.6%	20.3%	

FOR THE YEAR TO 31 MARCH	2013	2012	% CHANGE
Revenue Return			
Revenue return per share	22.0p	22.1p	–0.5
Dividends:			
– first interim	5.0p	5.0p	
– second interim	5.0p	5.0p	
– third interim	5.0p	5.0p	
– final proposed	7.8p	7.0p	
– total dividends	22.8p	22.0p	+3.6
Retail Price Index(1)			+3.3

FOR THE YEAR TO 31 MARCH	2013	2012
Ongoing Charges Ratio†:		
Excluding performance fee	0.71	0.72
Performance fee(2)	1.21	0.41

(2) The ongoing charges ratio (OC ratio) is calculated in accordance with recent guidance issued by the AIC of: total ongoing expenses ÷ average NAV (debt at market value). Note that since the Company's performance fee is based on average NAV (debt at par) of up to 1% of period end net assets, the OC ratio can result in a figure that is higher or lower than 1% of period end net assets which is the basis used in these accounts. For a full explanation of the Company's performance fee, see page 24.

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 %
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
2013	**1,138**	**—**	**22.0**	**22.80**	**581.9**	**572.0**	**1.7**	**17.6**	**17.6**

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.

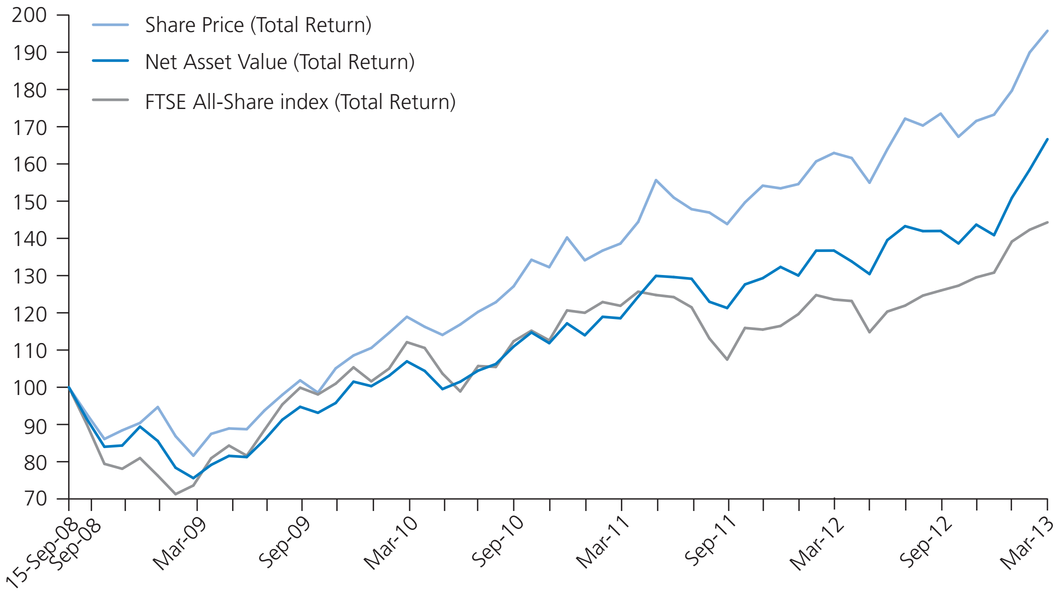
Total Returns to 31 March

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	THREE YEARS	FIVE YEARS	TEN YEARS
NAV (debt at par) (%)	33.8	16.2	27.9	12.0	–11.7	–27.8	38.0	12.3	15.2	21.1	56.7	57.3	215.3
Share Price (%)	36.2	14.7	35.3	17.4	–12.6	–23.5	45.7	16.5	17.6	20.1	64.6	83.4	299.7
FTSE All-Share (%)	31.0	15.6	28.0	11.1	–7.7	–29.3	52.3	8.7	1.4	16.8	28.7	38.5	175.3

Source: Thomson Reuters Datastream, Fidelity and Invesco.

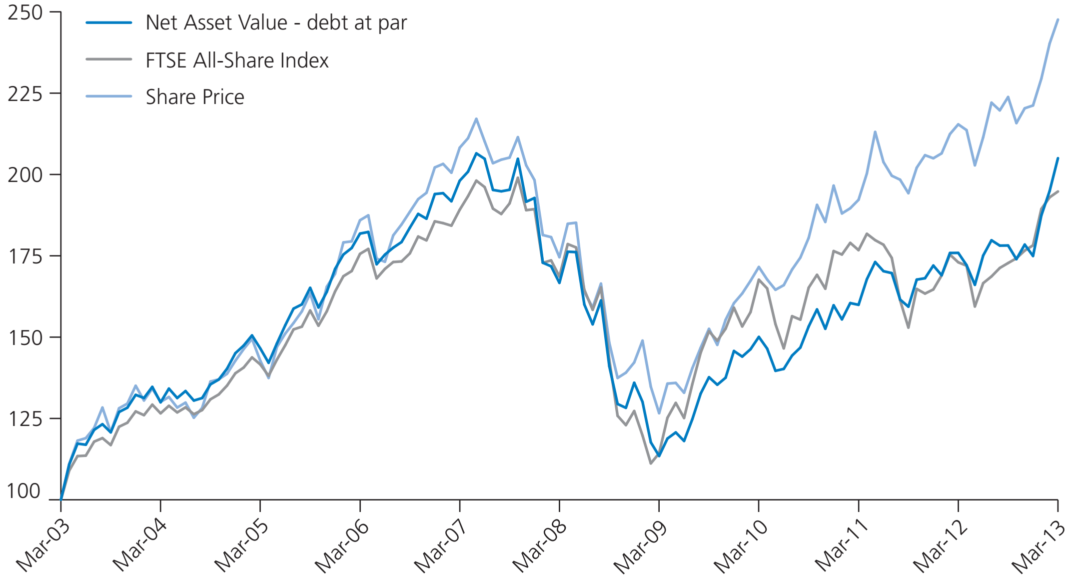
Total Returns Since Appointment of Invesco Perpetual on 15 September 2008

Figures rebased to 100 at 15 September 2008.



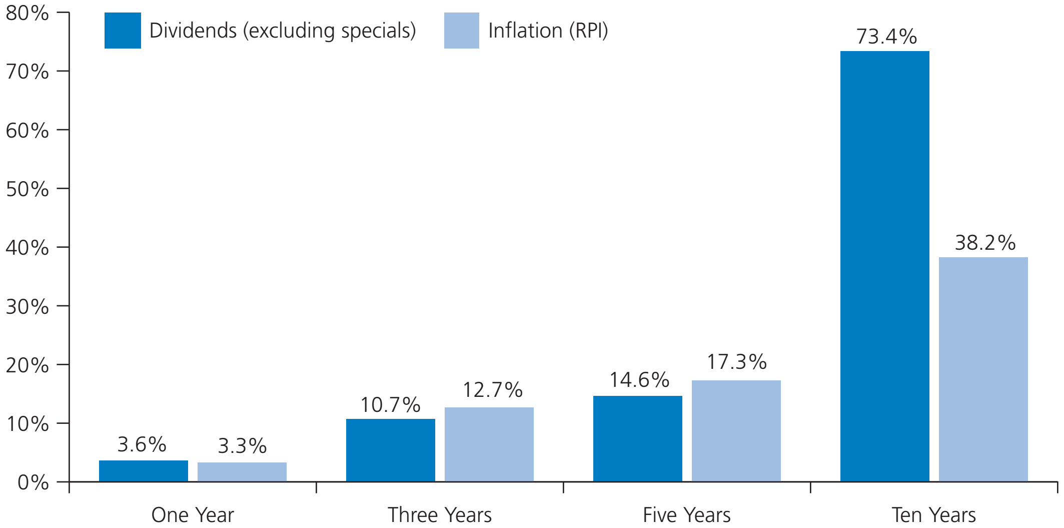
Capital Returns Over Ten Years

Figures rebased to 100 at 31 March 2003



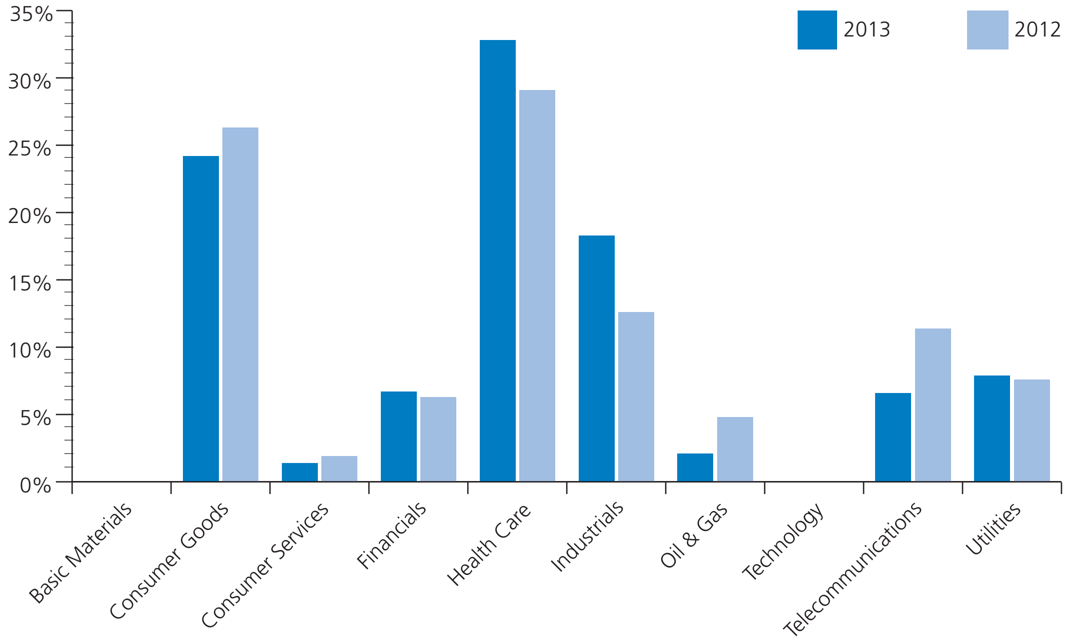
Cumulative Real Dividend Growth

Year to 31 March 2013



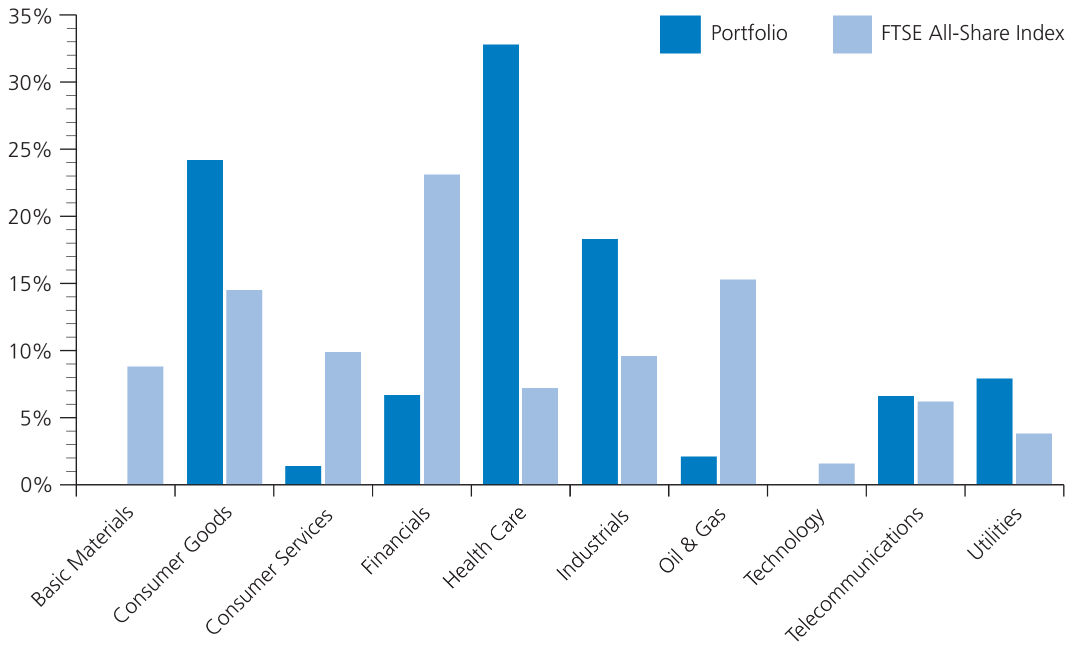
Analysis of Portfolio by Industry

As at 31 March 2013 and 2012



Comparison of Portfolio to FTSE All-Share Index by Industry

At 31 March 2013



CHAIRMAN'S STATEMENT

Jim Pettigrew

Notwithstanding the cautious tone of my last letter to shareholders, the last year has seen a major recovery in global equity markets, although against a backdrop of continuing uncertainty around economic recovery in many western economies and ongoing challenges around public debt levels, particularly in Europe.

At the same time there has been no change in the investment strategy which has been in place since the appointment of Invesco as Manager in September 2008, and which has delivered strong investment out-performance against benchmark in the 12 month period to 31 March 2013. More detail on performance is given below.

The income generation of the portfolio remains good and the Board is proposing a final dividend of 7.8 pence per share for the three months to 31 March 2013 which would result in a full year dividend of 22.8 pence per share, an increase of 3.6% year-on-year.

UK Equity Market

Since June 2012 the UK equity market has performed very strongly, in part due to continuing monetary stimuli, but also as a consequence of a low interest rate environment reducing the attractiveness of many other investment assets. Some fundamental challenges remain in place for financial markets in general, including concerns over austerity measures and the lack of economic growth stimuli in many western economies, oil price worries around political instability in the Middle East, and the ongoing Eurozone debt and banking crisis.

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, the Board and the Manager 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 longer period of lower growth rates in the developed world being a distinct possibility.

The central theme behind the construction of the Company's investment 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 by offering fundamental value through earnings and dividend growth. This investment approach has remained in place for nearly five years, including the current year.

Performance for the Year

The Company produced a NAV total return for the year to 31 March 2013 of 21.1% (debt at par) and of 22.4% (debt at market value), which compares with a total return of 16.8% for the FTSE All-Share Index (the 'Index'), the Company's benchmark. The portfolio is concentrated in a relatively small number of sectors and its overweight position in the pharmaceutical sector and the underweight position in the mining sector have been material drivers of the Company's investment out-performance in the year.

The Company produced a share price total return (share price with dividends reinvested) of 20.1%, which compares to the Index's total return of 16.8%. The discount of the share price to NAV (debt at par) increased from 0.9% at 31 March 2012 to 1.7% at 31 March 2013; valuing debt at market, the shares traded at a premium of 2.3%, a decrease from 4.0% at 31 March 2012.

Performance Fee

A performance fee is payable in respect of each three year rolling period in which the Company outperforms its benchmark index plus a hurdle of 1.25% pa. This fee is capped at 1% of the period end net assets, before deduction of any performance fee.

As a result of the Company's very strong performance over three years producing a total return of 56.7% against the Index total return of 28.7%, a capped performance fee of £11.5 million is due.

Gearing

The Company continues to have long-term debt amounting to £200 million in the form of two £100 million debentures. This debt is fully deployed for investment purposes. As a result of the appreciation in NAV over the year, at 31 March 2013 the gross gearing level was 17.6% compared to 20.4% at 31 March 2012.

One of the debentures, the 11.5% £100 million debenture, matures in June 2014. The Board continues to keep this position under review, both in terms of whether and how best to replace the financing represented by that debenture.

Dividend

Income from the portfolio during the year was £52.9 million (2012 £52.9 million).

The Board is recommending a final dividend of 7.8 pence per share which, if approved at the AGM, will be paid on 31 July 2013 to shareholders on the Company's register on 14 June 2013. This would result in a total dividend for the year to 31 March 2013 of 22.8 pence compared to 22.0 pence in the prior year, an increase of 3.6% compared to a rise in the Retail Prices Index of 3.3%, and demonstrates the Company's commitment to its long term objective of providing income growth which exceeds the rate of inflation.

Retail Distribution Review (RDR)

RDR came into effect on 31 December 2012 and has significant implications for the way financial advice is provided, retail fund platforms operate and financial products are distributed. It remains too early to draw final conclusions about how RDR will play out for Investment Trusts. Many commentators continue to suggest that the abolition of commission under RDR should result in more demand by individual investors for Investment Trusts, with the likely beneficiaries of this demand being the larger Investment Trusts – such as The Edinburgh Investment Trust – which have good levels of liquidity in their own shares and can demonstrate a strong investment track record, a clear investment strategy and a compelling brand.

The Board is continuing to monitor external developments in the market for financial investments as they evolve to ensure that the Company is positioned appropriately to benefit in the new environment.

Board

Following Will Samuel's retirement from the Board in December 2012 and Nicola Ralston's forthcoming retirement after the AGM in July, I am pleased to be able to announce two new appointments to the Board; Vicky Hastings and Glen Suarez.

Vicky has nearly 25 years' experience in the investment management industry and is a non-executive director of Henderson Global Trust plc and Impax Environmental Markets plc. Her roles have included investment director at JO Hambro Capital Management; chief investment officer, private clients at Merrill Lynch Investment Managers (London); a fund manager in the Merrill Lynch European Equity team; and non-executive director of Charter European Trust.

Glen is Deputy CEO of Knight Vinke Asset Management. Prior to joining Knight Vinke, he was a Partner in Soditic Limited and before that he was Head of European Utilities at Morgan Stanley. He is a specialist in the banking and energy sectors and is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Royal Society of Arts.

I should like to take this opportunity of thanking Will and Nicola for their very valuable contribution to the Board over many years. We wish them well for the future.

Outlook

With markets having risen against a cautious backdrop, there is always the potential for a disconnect between the equity markets and economic fundamentals. Against this background, the Board and the Manager see no reason to change the Company's current investment approach of focussing on stock selection based on fundamental value. 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 benchmark. However, the Board and the Manager continue to believe that in the present market environment our current investment approach should give some resilience whilst still providing the opportunity for creating growth in shareholder value over the longer term.

Jim Pettigrew
Chairman

28 May 2013

Neil Woodford

Market Review

After a nervous start to the period, UK equities shrugged off concerns over the outlook for global economic growth and the on-going Eurozone crisis. The statement last June by Mario Draghi, President of the European Central Bank, that he would do "whatever it takes" to save the euro marked the turning point as, fuelled by ever increasing amounts of monetary stimulus, both the FTSE 100 and FTSE All-Share indices delivered positive returns for 10 straight months – the first time this had been witnessed in over 50 years. This occurred despite some very mixed news from the global economy, further bail outs of Eurozone banking systems, profit downgrades from companies and further reductions in forecasts for UK economic growth.

Portfolio Strategy and Review

The Company produced a net asset value total return (with debt at market value) of 22.4% during the year, compared to total return from the FTSE All-Share Index of 16.8%.

A strong performance was delivered by the pharmaceutical sector, where over a quarter of the Company's assets are invested. The holding in Roche again delivered exceptional returns, as the company confirmed its ability to lead the industry in terms of drug discovery and innovation. The holding in AstraZeneca, which had delivered a relatively disappointing performance the previous year, also contributed strongly as the appointment of a new chief executive, Pascal Soriot, and his subsequent outline of a strategy to return the company to growth, has been very well received. The Manager remains convinced that, over the longer term, a significant exposure to this sector will continue to prove rewarding.

There were positive performances from a range of the Company's other major holdings. Shares in BAE Systems had performed strongly in the months before the company confirmed that it was in early stage talks with EADS regarding a merger. The deal did not look particularly beneficial to shareholders and the two companies subsequently confirmed that merger negotiations had been terminated. Waning concerns over the possible impact of US defence spending cuts saw BAE Systems shares continue to outperform through to the end of the period.

Reckitt Benckiser pleased the stock market with a very good operational performance and news that it had trumped Bayer to the purchase of Schiff Nutrition, a deal which gives it access to the $30 billion vitamins and nutrition supplements market. Reckitt Benckiser has an excellent track record of creating value through acquisitions and this is a highly fragmented but well regulated market, with scope for growth in both emerging and developed markets.

BT continued to deliver very strong share price performance. Results from the company underlined why the Manager expects this stock to continue to deliver good profit and dividend growth. While headline profits came in just slightly ahead of expectations, the stock market warmed to the prospect of further cost-savings. The current management team has very effectively reduced the cost-base in recent years and the announcement of a new group-wide restructuring in February opens a path for the next wave of efficiencies.

The Company's zero weighting in the mining sector provided another positive impact on performance. This is a sector which has tended to do well in previous market rallies, but the Manager is increasingly seeing evidence that the "risk-on" crowd is slowly falling out of love with it. News from Rio Tinto highlighted the scale of the value destroyed by the sector's acquisition spree of recent years. Rio announced a further write down of assets – since acquiring Alcan for $38 billion in 2007, the company is estimated to have written down $25 billion of the price paid.

Imperial Tobacco fell during the year following confirmation of tough trading conditions in southern Europe and growing concerns that the UK may follow Australia in introducing plain packaging for cigarettes. The Manager believes the low valuation of the shares of Imperial Tobacco compared with its peers more than discounts these concerns and that the tobacco sector as a whole continues to offer attractive and dependable growth opportunities.

BG saw its shares fall sharply on the news last October that it had reduced production growth forecasts. The Manager had reduced the position earlier in the year at higher share price levels but the remaining holding weighed on performance over the year. There was also disappointing news from

Chemring. Carlyle called off its discussions about a possible takeover of the company while Chemring also issued a significant profit warning and a decline in its order book. With a new management team now in place, the Manager is confident that long-term value can be realised from the high quality businesses within the company.

There was disappointing news from Vodafone as the company reduced its forecasts for revenue growth on the back of on-going weakness in its core southern European markets and announced a share buy-back rather than the hoped for special dividend with its dividend from Verizon. The Manager has reservations about the company's ability to generate profits from data services while the cash flow cover of the dividend has fallen to what he views as uncomfortably low levels, and hence has disposed of the Company's holdings in the shares.

In terms of portfolio activity, as outlined above the holding in Vodafone was sold and the holding in BG was reduced. The holding in International Power was sold following a bid for the company while the holdings in Hibu (formerly Yell) and Tate & Lyle were also disposed of. The holdings in Capita, Centrica, Rentokil, Serco and Smith & Nephew were added to while new investments were made in Elan, G4S, Lancashire Holdings, Revolymer and Smiths.

Outlook

The UK stock market's rise of the past year, fuelled by monetary stimulus and central bank policy initiatives, has occurred despite cuts in forecasts to economic growth and associated reductions in the forecasts of company earnings – most notably in the mining sector but also across the a range of companies most exposed to the economic cycle. Equity valuations on the whole, therefore, are no longer as compellingly cheap as they were a year ago.

At a time when the UK market appears more relaxed about the risks facing the world economy and financial markets, the Manager has become a bit more cautious. The environment is still very challenging in a real sense, but financial markets have been propped up by symptomatic treatment rather than by a cure of the world's economic problems

However, while the Manager has concerns over the economic environment and believes the stock market may be vulnerable to some near term volatility, he has very strong levels of conviction in the attractiveness of the businesses in which the Company is invested. The overall market is no longer as cheap as it was, but some high quality, dependable growth companies remain significantly undervalued. The Manager remains convinced by their potential to deliver attractive positive returns over the medium/long term, regardless of the economic headwinds we expect to prevail.

Neil Woodford
Investment Manager

28 May 2013

INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2013

UK listed and ordinary shares unless stated otherwise

AIM Investments quoted on AIM (formerly Alternative Investment Market)

INVESTMENT	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
AstraZeneca	Pharmaceuticals & Biotechnology	123,603	9.2
GlaxoSmithKline	Pharmaceuticals & Biotechnology	121,637	9.1
British American Tobacco	Tobacco	93,412	7.0
BT	Fixed Line Telecommunications	87,923	6.6
Roche – *Swiss Common Stock*	Pharmaceuticals & Biotechnology	79,615	5.9
Reckitt Benckiser	Household Goods & Home Construction	66,211	4.9
Imperial Tobacco	Tobacco	64,083	4.8
BAE Systems	Aerospace & Defence	63,444	4.7
Reynolds American – *US Common Stock*	Tobacco	60,024	4.5
Rolls-Royce	Aerospace & Defence	54,332	4.1
Ten Largest Holdings		**814,284**	**60.8**
Capita	Support Services	51,262	3.8
Centrica	Gas, Water & Multiutilities	47,559	3.6
Novartis – *Swiss Common Stock*	Pharmaceuticals & Biotechnology	42,708	3.2
Altria – *US Common Stock*	Tobacco	40,862	3.1
BG	Oil & Gas Producers	28,097	2.1
Drax	Electricity	27,442	2.0
SSE	Electricity	26,947	2.0
Sanofi – *French Common Stock*	Pharmaceuticals & Biotechnology	25,532	1.9
Smith & Nephew	Health Care Equipment & Services	24,233	1.8
G4S	Support Services	22,807	1.7
Twenty Largest Holdings		**1,151,733**	**86.0**
Provident Financial	Financial Services	20,920	1.6
Wm Morrison Supermarkets	Food & Drug Retailers	19,247	1.4
Raven Russia – Preference	Real Estate Investment & Services	8,573	
– Ordinary		6,961	
		15,534	1.1
Serco	Support Services	15,142	1.1
Hiscox	Non-life Insurance	13,925	1.0
Amlin	Non-life Insurance	13,603	1.0
Rentokil Initial	Support Services	13,562	1.0
BTG	Pharmaceuticals & Biotechnology	12,819	1.0
Catlin	Non-life Insurance	10,391	0.8
PayPoint	Support Services	7,727	0.6
Thirty Largest Holdings		**1,294,603**	**96.6**
IP Group	Financial Services	7,416	0.6
Elan ADR	Pharmaceuticals & Biotechnology	7,049	0.5
HomeServe	Support Services	6,789	0.5
Chemring	Aerospace & Defence	4,300	0.3
Burford Capital[AIM]	Equity Investment Instruments	4,247	0.3
Barclays Bank – *Nuclear Power Notes 28 Feb 2019*[(1)]	Electricity	3,851	0.3
Stobart	Industrial Transportation	3,810	0.3
Lancashire	Non-life Insurance	2,985	0.2
Smiths	General Industrials	2,503	0.2
Oxford Pharmascience[AIM]	Pharmaceuticals & Biotechnology	1,481	0.1
Forty Largest Holdings		**1,339,034**	**99.9**
Proximagen – Rights – *Unquoted*	Pharmaceuticals & Biotechnology	815	0.1
Revolymer[AIM]	Chemicals	414	—
Helphire	Financial Services	349	—
Eurovestech – *Unquoted*	Financial Services	241	—
Prothena – *US Common Stock*	Pharmaceuticals & Biotechnology	95	—
Total Holdings (45)		**1,340,948**	**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 of 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, AON UK Limited, Clydesdale Bank plc and Crest Nicholson Holdings plc.

Gordon McQueen[2]
Gordon McQueen was appointed to the Board on 31 May 2011 and is Chairman of the Audit Committee. 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.

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 and is the Senior Independent Director. 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 was formerly the Chairman of Euroclear plc and a Commissioner of the Jersey Financial Services Commission. He is Chairman of British Bankers Association.

Directors Appointed After the Year End

Victoria Hastings[2]
Victoria Hastings was appointed to the Board on 23 May 2013. She has nearly 25 years' experience in the investment management industry and is a non-executive director of Henderson Global Trust plc and Impax Environmental Markets plc. Her roles have included investment director at JO Hambro Capital Management; chief investment officer, private clients at Merrill Lynch Investment Managers (London); a fund manager in the Merrill Lynch European Equity team; and non-executive director of Charter European Trust.

Glen Suarez[2]
Glen Suarez was appointed to the Board on 24 May 2013. Glen is Deputy CEO of Knight Vinke Asset Management. Prior to joining Knight Vinke, he was a Partner in Soditic Limited and before that he was Head of European Utilities at Morgan Stanley. He is a specialist in the banking and energy sectors, and is a Fellow of the Institute of Chartered Accountants in England and Wales and the Royal Society of Arts.

(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.
☎ 0800 085 8677
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
P.O. Box 11150
Chelmsford
CM99 2DL
☎ 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 Company in a straightforward and low cost way.

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to £11,520 in shares of the Company in the 2013/14 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.

Net Asset Value (NAV) Publication

The 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 Financial Times, Daily Telegraph, The Times and The Scotsman. In addition, share price information can be found using the EDIN ticker code.

Internet addresses:

Invesco Perpetual	www.invescoperpetual.co.uk/investmenttrusts
The 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

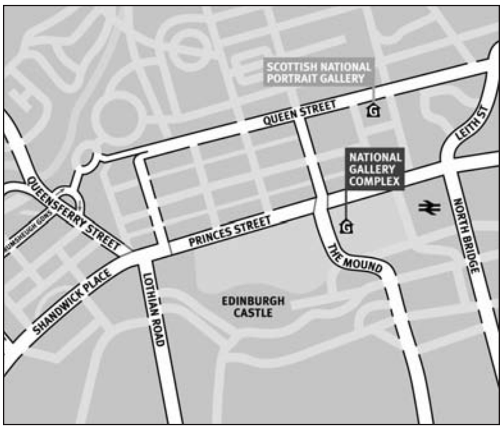
In addition, the Company publishes information according to the following calendar:

Announcements	
Annual Financial Report	May/June
Half-yearly Financial Report	November
Interim Management Statements	July and January
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
Annual General Meeting	July
Year End	31 March

Location of Annual General Meeting

The one hundred and twenty fourth Annual General Meeting of the Company will be held at the Weston Link, National Galleries of Scotland, Princes Street, Edinburgh on 19 July 2013 at 11.00 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 2013

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 2013.

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 2012 and has also received upfront approval for the year ended 31 March 2013 and thereafter. 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 and 7 and in the Manager's Report on pages 8 and 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 also 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 instruments may be employed, subject to prior Board approval, provided that the cost (and potential liability) of exercise of all outstanding derivative positions at any time should not exceed 25% of the value of the portfolio at that time. The Company may hedge exposure to changes in foreign currency rates in respect of its overseas investments.

Results and Dividends

At the year end the mid-market price was 572p per ordinary share (2012: 497.6p). The net asset value (debt at par) and net asset value (debt at market value) per ordinary share were 581.89p and 559.01p respectively. The comparative figures on 31 March 2012 were 502.03p and 478.30p.

Subject to approval at the Annual General Meeting, the final proposed dividend for the year ended 31 March 2013 of 7.8p (2012: 7p) per ordinary share will be payable on 31 July 2013 to shareholders on the register on 14 June 2013. The shares will be quoted ex-dividend on 12 June 2013. This will give total dividends for the year of 22.8p per share, an increase of 3.6% on the previous year's dividend of 22p. The revenue return per share for the year was 22p, which was a small decrease on the 2012 return of 22.1p.

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 reviewed by the Board at each meeting.

YEAR TO 31 MARCH	2013	2012
Total Return:		
Net asset value (per share debt at par)[(1)]	21.1%	15.2%
Net asset value (per share debt at market)[(1)]	22.4%	15.8%
FTSE All-Share Index[(2)]	16.8%	1.4%
Share price[(2)]	20.1%	17.6%
Discount to NAV (debt at par)[(1)]	1.7%	0.9%
(Premium)/discount to NAV (debt at market)[(1)]	(2.3)%	(4.0)%
Revenue return per share	22.0p	22.1p
Gross gearing	17.6%	20.4%
Net gearing	17.6%	20.3%
Ongoing charges ratio – excluding performance fee	0.7%	0.7%
Performance fee[(1)(3)]	1.2%	0.4%

(1) Calculated in accordance with AIC Guidelines
(2) Source: Thomson Reuters Datastream
(3) Calculated as total ongoing expenses ÷ average NAV (debt at market value). Note that since the Company's performance fee is based on average NAV (debt at par) of up to 1% of period end net assets, the ongoing charges ratio can result in a figure that is higher or lower than 1% of period end net assets which is the basis used in these accounts. For a full explanation of the Company's performance fee, see page 24.

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 2013, the Company was ranked 16th by NAV performance in this sector over one year, 4th over three years and 5th over five years (source: JPMorgan Cazenove).

Analysis of Performance

TOTAL RETURN BASIS	FOR YEAR ENDED 31 MARCH 2013 %
Net asset value total return	21.1
Benchmark total return	16.8
Relative performance	4.3
Analysis of Relative Performance	
Portfolio total return	20.6
Less Benchmark total return	16.8
Portfolio outperformance	3.8
Debenture borrowings:	
Net gearing effect	4.6
Interest	(2.0)
Base management fees	(0.6)
Performance fee	(1.2)
Other expenses	(0.1)
Tax	(0.2)
Total	4.3

Analysis of Performance – analyses the relative performance of the Company to its benchmark index.

Portfolio 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 and tax and therefore result in a negative effect for relative performance.

REPORT OF THE DIRECTORS
continued

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 2013; 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 and 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. In addition, there continues to be a risk that European policy makers fail to implement an effective and lasting solution to the Eurozone crisis. 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. In a similar way, the Manager manages other portfolios holding many of the same stocks as the Company which reflects the Manager's high conviction style of investment management. This could significantly increase the liquidity and price risk of certain stocks under certain scenarios and market conditions. 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 term of gearing is appropriate. The Company also has a new secondary risk concerning its ability to replace, if it so chooses, the £100 million debenture stock which matures in June 2014 with a form of gearing that is acceptable, both in type and cost, to the Company and the Manager. The Company's performance could be adversely affected if the debenture stock were not replaced.

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 operated 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 pursue successfully 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 Alternative Investment Fund Managers Directive will impose obligations on the Company and the Manager which may have significant consequences for the Company and may increase its compliance and regulatory costs. Failure to meet these obligations may impair the Manager's ability to manage the investments of the Company, which may materially adversely affect the Company's ability to implement its investment strategy and achieve its investment objective.

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 2010 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 2010), 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 2010, except as set out below.

The UK Corporate Governance Code 2010 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 2010, 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

At the year end the Board comprised five non-executive Directors. Since the year end Victoria Hastings and Glen Suarez have been appointed to the Board. The Board regards all Directors 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. He has been a member of the Board since 2005 and was the audit committee chairman until 22 July 2011, when he was appointed as Chairman.

Senior Independent Director

The Company's Senior Independent Director is Sir Nigel Wicks.

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 Victoria Hastings and Glen Suarez who were appointed on 23 May and 24 May 2013, respectively, and will stand for election at the AGM on 19 July 2013.

In accordance with the UK Code of Corporate Governance 2010, 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 website.

As mentioned earlier, Nicola Ralston 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 two new Directors 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 any 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 subsequent to the year end, the Board appointed Victoria Hastings and Glen Suarez as Directors of the Company with effect from 23 May and 24 May 2013, respectively. The Board considers that, with Victoria's and Glen's considerable knowledge and experience, they will make a valuable contribution to the Board and, therefore, recommends that shareholders support resolutions 3 and 4 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. Since the year end, an external evaluation by Lintstock Limited was completed.

The conclusion of the 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
Meetings held	4	3	1
Meetings attended:			
Jim Pettigrew(1)	4	3	1
Richard Barfield(2)	1	1	1
Gordon McQueen	4	3	1
Nicola Ralston	4	3	1
William Samuel(3)	3	2	1
Maxwell Ward	4	3	1
Sir Nigel Wicks	4	3	1

(1) The Chairman is not a member of the Audit Committee but was in attendance at the meetings.
(2) Retired 20 July 2012.
(3) Retired 31 December 2012.

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 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 2013 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 maturity of the debentures, 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 chaired by Gordon McQueen, consisting of all non-executive Directors with the exception of Jim Pettigrew. 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 2010 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, reappointment 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 2013 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 (including expenses), exclusive of 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 2013 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.

The Committee has reviewed the recent changes to the UK Corporate Governance and AIC Codes including the provision for FTSE 350 companies to put the external audit contract out to tender at least every ten years. Having considered the FRC's guidance on aligning the timing of such tenders with the audit engagement partner five year rotation cycle and following the satisfactory outcome to the Committee's regular review of auditor effectiveness, performance and independence, the Committee recommends to the Board a resolution proposing the reappointment of KPMG Audit LLP at the forthcoming AGM. The Committee also intends to initiate a tender process in time for the 2014 annual audit appointment.

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.

In addition, the Manager is entitled to a performance fee not greater than 1% of the period end net asset value, prior to deduction of the current period's performance fee. This performance fee is calculated at 15% of the outperformance of the Company's net assets over its benchmark, the FTSE All-Share Index, once a hurdle rate of 1.25% per annum has been achieved. This fee is calculated on average quarterly net asset values (debt at par) of the Company over a period of the previous three accounting years ended at the balance sheet date.

A performance fee of £11,492,000 is due for the year ended 31 March 2013 (2012: £3,584,000). Note that since the performance fee calculation is based on average NAV (debt at par) at up to 1% of period end net assets, the ongoing charges ratio – calculated as total ongoing expenses ÷ average NAV (debt at market value) – can result in a figure that is higher or lower than 1% of period end net assets which is the basis used in these accounts.

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 2013	31 MARCH 2012
Jim Pettigrew	20,000	20,000
Victoria Hastings (appointed 23 May 2013)	—	—
Gordon McQueen	2,000	2,000
Nicola Ralston	15,000	15,000
Glen Suarez (appointed 24 May 2013)	2,000	—
Maxwell Ward	20,000	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 2013		AS AT 31 MARCH 2013	
	HOLDING	%	HOLDING	%
Brewin Dolphin, Stockbrokers	14,252,897	7.3	14,285,029	7.3
Charles Stanley, Stockbrokers	10,037,700	5.1	10,061,967	5.2
Hargreaves Lansdown, Stockbrokers (Non-discretionary)	9,180,541	4.7	8,822,044	4.5
Aberdeen Retail Plans	9,076,280	4.7	9,129,537	4.7
Rathbones	8,854,675	4.5	8,910,615	4.6
Alliance Trust Savings	8,479,712	4.4	8,373,105	4.3
Investec Wealth & Investment	7,572,485	3.9	7,614,998	3.9
Legal & General Investment Management	6,139,341	3.2	6,176,430	3.2

Special Business at the Annual General Meeting

The notice of the Annual General Meeting (AGM) of the Company to be held on 19 July 2013 at 11.00 am is on pages 51 to 54. In addition to the ordinary business, four resolutions are proposed as special business, one as an ordinary resolution and three 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 28 May 2013. 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 (calculated with debt at market 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 28 May 2013. The authority will expire at the Company's next AGM or 15 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 Conduct 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.

REPORT OF THE DIRECTORS
continued

Special Resolution 15: Notice Period for General Meetings

The EU Shareholder Rights Directive 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.

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 2013 (2012: nil).

Donations

The Company made no political or charitable donations during the year (2012: nil).

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

28 May 2013

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 Conduct 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 their 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 2014 and subsequent years.

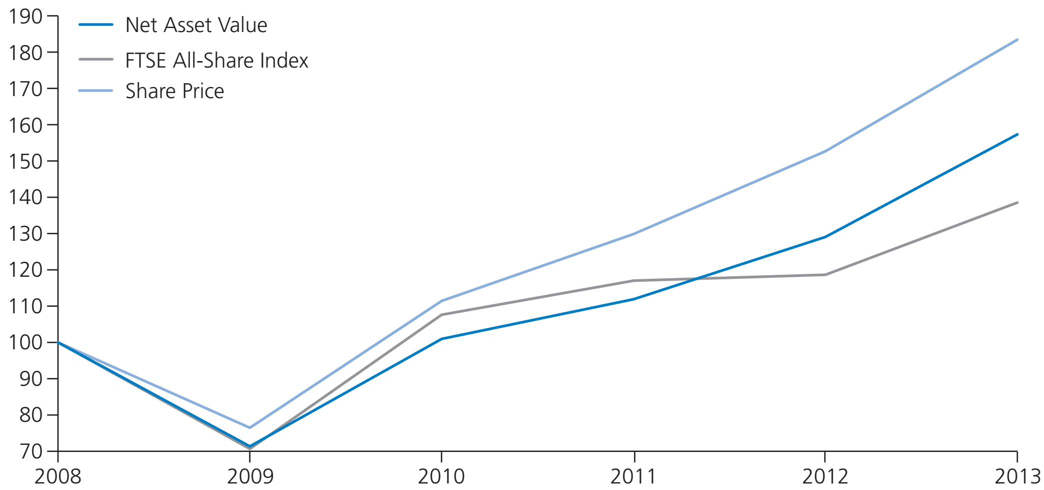
Letters of Appointment

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.

DIRECTORS' REMUNERATION REPORT
continued

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 2013. This index is the benchmark adopted by the Company for comparison purposes. Figures have been rebased to 100 at 31 March 2008. 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)

Directors received the following emoluments in the form of fees:

	2013 £	2012 £
Jim Pettigrew (Chairman)	44,000	38,725
Scott Dobbie (retired 22 July 2011)	—	13,652
Richard Barfield (retired 20 July 2012)	8,382	27,500
Gordon McQueen (Chairman of the Audit Committee)	27,000	22,164
Nicola Ralston	24,200	24,200
William Samuel (retired 31 December 2012)	18,150	24,200
Max Ward (appointed 8 August 2011)	24,200	15,708
Sir Nigel Wicks (Senior non-Executive Director)	26,547	24,200
Total	172,479	190,349

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. Sir Nigel Wicks was appointed as Senior non-Executive Director on 20 July 2012, following Richard Barfield's retirement.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 28 May 2013.

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

28 May 2013

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 AUDITOR'S 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 2013 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 Financial Reporting Council's website at *www.frc.org.uk/auditscopeukprivate*.

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 2013 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 22, in relation to going concern;
- the part of the Corporate Governance Statement on pages 19 to 28 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code 2010 specified for our review; and
- 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

28 May 2013

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2013 REVENUE £'000	2013 CAPITAL £'000	2013 TOTAL £'000	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000
Gains on investments	9(c)	—	185,241	185,241	—	109,922	109,922
Foreign exchange (losses)/profits		—	(377)	(377)	—	6	6
Income	2	52,887	—	52,887	52,857	398	53,255
Investment management fee	3	(1,804)	(15,699)	(17,503)	(1,662)	(7,461)	(9,123)
Other expenses	4	(722)	(2)	(724)	(776)	(1)	(777)
Net return before finance costs and taxation		50,361	169,163	219,524	50,419	102,864	153,283
Finance costs	5	(5,850)	(13,651)	(19,501)	(5,850)	(13,653)	(19,503)
Return on ordinary activities before tax		44,511	155,512	200,023	44,569	89,211	133,780
Tax on ordinary activities	6	(1,565)	—	(1,565)	(1,490)	—	(1,490)
Return on ordinary activities after tax for the financial year		42,946	155,512	198,458	43,079	89,211	132,290
Return per ordinary share							
Basic	7	22.0p	79.7p	101.7p	22.1p	45.7p	67.8p

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 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
Dividends paid – note 8	—	—	—	—	(42,890)	(42,890)
Net return on ordinary activities	—	—	—	155,512	42,946	198,458
Balance at 31 March 2013	48,779	6,639	24,676	997,171	60,481	1,137,746

The accompanying notes are an integral part of these statements.

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH

	NOTES	2013 £'000	2012 £'000
Fixed assets			
Investments held at fair value through profit or loss	9(a)	1,340,948	1,175,075
Current assets			
Debtors	10	9,410	11,399
Cash and cash funds		87	207
		9,497	11,606
Creditors: amounts falling due within one year	11	(15,084)	(7,139)
Net current (liabilities)/assets		(5,587)	4,467
Total assets less current liabilities		1,335,361	1,179,542
Creditors: amounts falling due after more than one year	12	(197,615)	(197,364)
Net assets		1,137,746	982,178
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	997,171	841,659
Revenue reserve	15	60,481	60,425
Shareholders' funds		1,137,746	982,178
Net asset value per ordinary share			
Basic	16	581.89p	502.03p

These financial statements were approved and authorised for issue by the Board of Directors on 28 May 2013.

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	2013 £'000	2012 £'000
Cash inflow from operating activities	17(a)	38,965	42,082
Servicing of finance	17(b)	(19,250)	(19,251)
Capital expenditure and financial investment	17(b)	23,055	21,204
Equity dividends paid	8	(42,890)	(44,018)
Net cash (outflow)/inflow before management of liquid resources and financing		(120)	17
Management of liquid resources	17(b)	160	(160)
Increase/(decrease) in cash		40	(143)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash		40	(143)
Cashflow from movement in liquid resources		(160)	160
Exchange movements		—	6
Debenture stock non-cash movement		(251)	(252)
Movement in net debt in the year		(371)	(229)
Net debt at beginning of year		(197,157)	(196,928)
Net debt at end of year	17(c)	(197,528)	(197,157)

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

	2013 £'000	2012 £'000
Income from listed investments		
UK dividends	41,071	41,547
Scrip dividends	823	743
Overseas dividends	10,986	10,527
Income from money market funds	7	9
	52,887	52,826
Other income		
Interest on VAT recovered on management fees (note 3)	—	18
Underwriting commission	—	13
Total income	52,887	52,857

Dividends include special dividends of £462,000 (2012: none) recognised in revenue. No special dividends were recognised in capital during the year (2012: £398,000).

3. Investment Management Fees

	2013			2012		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee	1,804	4,207	6,011	1,662	3,877	5,539
Performance fee	—	11,492	11,492	—	3,584	3,584
	1,804	15,699	17,503	1,662	7,461	9,123

Details of the investment management agreement are disclosed on page 24 in the Report of the Directors. At 31 March 2013 investment management fees of £558,000 (2012: £485,000) and a performance fee of £11,492,000 (2012: £3,584,000) were accrued.

In the year ended 31 March 2012, £18,000 of interest in respect of VAT recovered in previous periods was received. This was credited to revenue. No such amounts were received in the current year.

4. Other Expenses

	2013			2012		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Other expenses	722	2	724	776	1	777
Other expenses include the following:						
Directors' fees	172	—	172	190	—	190
Fees payable to the Company's auditor in relation to:						
– the audit of the financial statements (including expenses)	23	—	23	23	—	23
– 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. Included within other expenses is £16,600 (2012: £19,600) of employer's National Insurance payable on Directors' fees. As at 31 March 2013, the amount outstanding on Director's fees and employer's National Insurance was £14,900 (2012: £21,800).

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

		2013			2012	
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest payable on borrowings repayable not by instalments:						
Overdraft interest	—	—	—	—	1	1
Debenture stocks repayable in 1-2 years	3,450	8,050	11,500	—	—	—
Debenture stocks repayable in 3-5 years	—	—	—	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	176	251	75	177	252
	5,850	13,651	19,501	5,850	13,653	19,503

6. Taxation

(a) Current tax charge

	2013 £'000	2012 £'000
Overseas tax	1,565	1,490

(b) Reconciliation of current tax charge

	2013 £'000	2012 £'000
Total return on ordinary activities before taxation	200,023	133,780
UK Corporation Tax rate of 24% (2012: 26%)	48,006	34,783
Effect of:		
– non-taxable gains on investments	(44,458)	(28,580)
– non-taxable losses/(gains) on foreign exchange movements	90	(2)
– non-taxable UK dividends and scrip dividends	(10,054)	(11,098)
– non-taxable overseas dividends	(2,637)	(2,737)
– expenses and finance costs in excess of taxable income for the year carried forward	9,052	7,618
– disallowed expenses	1	16
– overseas tax	1,565	1,490
Current tax charge for the year	1,565	1,490

(c) Deferred tax

Owing to the Company's status as an investment company, and its intention to continue meeting the conditions required to maintain that 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.

6. Taxation (continued)

(d) Factors that may affect future tax changes

The Company has surplus management expenses and losses on loan relationships of £358,111,000 (2012: £320,346,000) that are available to offset future taxable revenue. A deferred tax asset, of £82,365,000 (2012: £76,883,000) measured at the standard corporation tax rate of 23% (2012: 24%), 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 (2012: 195,116,734) ordinary shares, being the weighted average number of shares in issue during the year.

8. Dividends

	2013		2012	
	pence	£'000	pence	£'000
Dividends paid and recognised in the year:				
Third interim paid in respect of previous year	5.00	9,756	4.75	9,268
Special paid in respect of previous year	—	—	1.26	2,458
Final paid in respect of previous year	7.00	13,658	6.55	12,780
First interim paid	5.00	9,756	5.00	9,756
Second interim paid	5.00	9,756	5.00	9,756
Unclaimed dividends	—	(36)	—	—
	22.00	42,890	22.56	44,018
Dividends on shares payable in respect of the year:				
First interim	5.00	9,756	5.00	9,756
Second interim	5.00	9,756	5.00	9,756
Third interim	5.00	9,756	5.00	9,756
Proposed final	7.80	15,219	7.00	13,658
	22.80	44,487	22.00	42,926

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

9. Investments

(a) Analysis of investments by listing status

	2013 £'000	2012 £'000
Investments listed on recognised stock exchange	1,336,041	1,169,941
Unlisted and unquoted investments at Directors' valuation	4,907	5,134
	1,340,948	1,175,075

(b) Analysis of investments gains

	2013 £'000	2012 £'000
Opening book cost	954,023	957,704
Opening investment holding gains	221,052	130,774
Opening valuation	1,175,075	1,088,478
Movements in year:		
Purchases at cost	149,276	112,053
Sales – proceeds	(168,644)	(135,378)
– net realised gains on sales	25,437	19,644
Movement in investment holding gains	159,804	90,278
Closing valuation	1,340,948	1,175,075
Closing book cost	960,092	954,023
Closing investment holding gains	380,856	221,052
Closing valuation	1,340,948	1,175,075

There were no purchases or sales of unlisted investments during the year (2012: £nil).

(c) Gains on investments

	2013 £'000	2012 £'000
Realised gains on sales	25,437	19,644
Movement in investment holding gains	159,804	90,278
Gains on investments	185,241	109,922

(d) Transaction costs

Transaction costs on purchases of £886,000 (2012: £518,000) and on sales of £221,000 (2012: £143,000) are included within gains and losses on investments.

(e) Significant holdings

At 31 March 2013 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*
Oxford Pharmascience	England & Wales	Ordinary shares	5.0
Barclays Bank	England & Wales	Nuclear Power Notes 28 February 2019	4.4
Raven Russia	Guernsey	Preference shares	3.0

10. Debtors

	2013 £'000	2012 £'000
Amounts due from brokers	—	2,888
Prepayments and accrued income	7,125	6,912
Unrealised profit on forward currency contracts	617	103
Tax recoverable	1,668	1,496
	9,410	11,399

NOTES TO THE FINANCIAL STATEMENTS
continued

11. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts due to brokers	—	24
Interest due on debenture stocks	2,836	2,836
Accruals	756	695
Performance fee	11,492	3,584
	15,084	7,139

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

	2013 £'000	2012 £'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	(2,385)	(2,636)
	197,615	197,364

Both debentures are secured by a floating charge on the Company, under which borrowing must not exceed a sum equal to the Adjusted Total of Capital and Reserves. The interest on the debentures is payable in half-yearly instalments. 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.

13. Provisions

	2013 £'000	2012 £'000
Performance fee:		
Opening provision	—	1,711
Paid in the year	—	(1,711)
Closing provision	—	—

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

	2013 NUMBER	2013 £'000	2012 NUMBER	2012 £'000
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 £380,239,000 (2012: £221,052,000).

The revenue and capital reserves are both distributable by way of dividend or share buy backs.

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:

	2013 NAV PER SHARE PENCE	2013 SHAREHOLDERS' FUNDS £'000	2012 NAV PER SHARE PENCE	2012 SHAREHOLDERS' FUNDS £'000
Shareholders' funds	583.11	1,137,746	503.38	982,178
Less: Unamortised discount and expenses arising from debenture issue	(1.22)	(2,385)	(1.35)	(2,636)
NAV – debt at par	581.89	1,135,361	502.03	979,542

(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:

	2013 NAV PER SHARE PENCE	2013 SHAREHOLDERS' FUNDS £'000	2012 NAV PER SHARE PENCE	2012 SHAREHOLDERS' FUNDS £'000
NAV – debt at par	581.89	1,135,361	502.03	979,542
Debt at par	102.50	200,000	102.50	200,000
Debt at market value				
– 11½% Debenture Stock 2014	(57.64)	(112,469)	(61.67)	(120,341)
– 7¾% Debenture Stock 2022	(67.74)	(132,162)	(64.56)	(125,965)
NAV – debt at market value	559.01	1,090,730	478.30	933,236

The number of ordinary shares in issue at the year end was 195,116,734 (2012: 195,116,734).

17. Notes to the Cash Flow Statement

(a) Reconciliation of operating return to operating cash flows

	2013 £'000	2012 £'000
Total return before finance costs and taxation	219,524	153,283
Scrip dividends received as income	(823)	(743)
Adjustment for gains on investments	(185,241)	(109,922)
Adjustment for exchange losses	(514)	(6)
Increase in debtors	(385)	(1,005)
Increase in creditors and provisions	7,969	1,965
Tax on overseas investment income	(1,565)	(1,490)
Net cash inflow from operating activities	38,965	42,082

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

	2013 £'000	2012 £'000
Servicing of finance		
Overdraft interest	—	(1)
Interest paid on debenture stocks	(19,250)	(19,250)
Net cash outflow from servicing of finance	(19,250)	(19,251)
Capital expenditure and financial investment		
Purchase of investments, excluding scrip dividends received as income	(148,477)	(111,286)
Sale of investments	171,532	132,490
Net cash inflow from capital expenditure and financial investments	23,055	21,204
Management of liquid resources		
Cash movement on cash funds and short term deposits	160	(160)
Net cash outflow from management of liquid resources	160	(160)

(c) Analysis of changes in net debt

	31 MARCH 2012 £'000	CASH FLOW £'000	DEBENTURE STOCK NON-CASH MOVEMENT £'000	31 MARCH 2013 £'000
Cash at bank	47	40	—	87
Cash fund short term deposits	160	(160)	—	—
Debentures	(197,364)	—	(251)	(197,615)
Net debt	(197,157)	(120)	(251)	(197,528)

18. 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 main financial risks that the Company faces from its financial instruments are market risk, liquidity risk and credit risk. These 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 has meetings in each calendar quarter 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

18. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Management of the currency risk (continued)
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 £255.9 million (2012: £208.8 million) representing 19.1% (2012: 17.8%) 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.

	2013			2012		
	EURO £'000	USD £'000	CHF £'000	EURO £'000	USD £'000	CHF £'000
Forward currency sales	(24,499)	—	—	(19,012)	—	—
Foreign currency exposure on net monetary items	(24,499)	—	—	(19,012)	—	—
Investments at fair value through profit or loss that are equities	25,532	108,030	122,323	19,244	96,447	93,089
Total net foreign currency exposure	1,033	108,030	122,323	232	96,447	93,089

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, 2.2% for the Swiss franc and 2.9% for the Euro during the year, the income statement capital return and net assets of the Company would have increased by £5.7 million (2012: £6.5 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, ±2.2% for Swiss francs and ±2.9% for Euro (2012: US dollar ±2.1%, Swiss Franc ±4.3% and Euro ±2.5%) 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 was largely unused 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 (2012: £nil).

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.

	2013 WITHIN ONE YEAR £'000	2013 BETWEEN ONE AND FIVE YEARS £'000	2013 MORE THAN FIVE YEARS £'000	2013 TOTAL £'000	2012 WITHIN ONE YEAR £'000	2012 BETWEEN ONE AND FIVE YEARS £'000	2012 MORE THAN FIVE YEARS £'000	2012 TOTAL £'000
Exposure to floating interest rates:								
Cash and money market funds	87	—	—	87	207	—	—	207
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	87	(100,000)	(100,000)	(199,913)	207	(100,000)	(100,000)	(199,793)

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 £134 million (2012: £118 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 same amounts.

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.

18. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Liquidity risk exposure

The contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required, are as follows:

	2013				2012			
	THREE MONTHS OR LESS £'000	MORE THAN THREE MONTHS BUT LESS THAN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000	THREE MONTHS OR LESS £'000	MORE THAN THREE MONTHS BUT LESS THAN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Debenture stocks	—	—	200,000	200,000	—	—	200,000	200,000
Interest on debenture stocks	5,750	13,500	71,625	90,875	5,750	13,500	90,875	110,125
Amounts due to brokers	—	—	—	—	24	—	—	24
Accruals	756	—	—	756	695	—	—	695
Performance fee	11,492	—	—	11,492	3,584	—	—	3,584
	17,998	13,500	271,625	303,123	10,053	13,500	290,875	314,428

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 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 offer value at the balance sheet date, are as follows:

	BOOK VALUE 2013 NUMBER	FAIR VALUE 2013 £'000	BOOK VALUE 2012 NUMBER	FAIR VALUE 2012 £'000
Debentures repayable between one and five years:				
11½% Debenture Stock 2014	100,000	112,469	100,000	120,341
Debentures repayable in more than five years:				
7¾% Debenture Stock 2022	100,000	132,162	100,000	125,965
Discount on issue of debentures	(2,385)	—	(2,636)	—
	197,615	244,631	197,364	246,306

Incorporating the fair value of the debentures results in the reduction of the net asset value per ordinary share to 559.01p (2012: 478.30p).

Fair Value of Hierarchy Disclosures

All except three 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 three of the Company's investments are Level 1 with one investment in Level 2 and two in Level 3.

The sole investment in Level 2 comprised the Company's holding of Barclays Bank – Nuclear Power Notes 28 February 2019. The two investments in Level 3 arose as a result of corporate events on securities already held; Eurovestech delisted from AIM and Proximagen CVRs arose as a partial cash alternative on the original Proximagen equity holding.

	2013			
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss				
Quoted investments:				
Other securities	—	3,851	—	3,851
Equities	1,336,041	—	—	1,336,041
Unquoted investments	—	—	1,056	1,056
Total for financial assets	1,336,041	3,851	1,056	1,340,948

	2012			
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss				
Quoted investments:				
Other securities	—	5,134	—	5,134
Equities	1,169,941	—	—	1,169,941
Unquoted investments	—	—	—	—
Total for financial assets	1,169,941	5,134	—	1,175,075

A reconciliation of the fair value movements in Level 3 is set out below:

	2013 £'000	2012 £'000
Transfer from Level 1 to Level 3	1,056	—
Closing fair value of Level 3	1,056	—

18. Financial Instruments (continued)

Capital Management

The Company's total capital employed at 31 March 2013 was £1,335,361,000 (2012: £1,179,542,000) comprising debenture borrowings of £197,615,000 (2012: £197,364,000) and equity share capital and other reserves of £1,137,746,000 (2012: £982,178,000).

The Company's total capital employed is managed to achieve the Company's objective and investment policy as set out on page 14, including that borrowings may be used to provide gearing of the equity portfolio up to a maximum of £200 million. Net gearing was 17.6% (2012: 20.3%) at the balance sheet date. The Company's policies and processes for managing capital were unchanged throughout the year and the preceding year.

The main risks to the Company's investments are shown in the Report of the Directors under the 'Principal Risks and Uncertainties' section on pages 16 to 18. These also explain that the Company is able to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

The Board can also manage the capital structure directly since it has taken the powers, which it is seeking to renew, to issue and buy-back shares and it also determines dividend payments.

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility, by the terms imposed by the custodian. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year. Borrowings comprise any bank overdraft, details of which are given in note 11, and debenture stock, details of which are contained in note 12.

19. Contingencies, Guarantees and Financial Commitments

There are no contingencies, guarantees or financial commitments of the Company at the year end (2012: £nil).

20. Related Party Transactions and Transactions with the Manager

Invesco Asset Management Limited (IAML), a wholly owned subsidiary of Invesco Limited, is Manager, Company Secretary and Administrator to the Company. Details of IAML's services and fees are disclosed in the Report of the Directors.

Fees paid to Directors are disclosed in the Directors' Remuneration Report on page 30, with additional disclosures in note 4. Full details of Directors' interests are set out in the Report of the Directors on page 26.

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 fourth 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, 19 July 2013 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 2013;
2. To declare a final dividend on the ordinary shares;
3. To elect Victoria Hastings as a Director of the Company;
4. To elect Glen Suarez as a Director of the Company;
5. To re-elect Jim Pettigrew as a Director of the Company;
6. To re-elect Gordon McQueen as a Director of the Company;
7. To re-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 2013;
10. To re-appoint KPMG Audit Plc as Auditors of the Company; and
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 and 15 as Special Resolutions:

12. THAT:

    in substitution for any existing authority under section 551 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the date of this resolution the Directors of the Company 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 28 May 2013, such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier unless the authority is renewed or revoked at any other general meeting prior to such time, 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 set out in the notice of this meeting (the 'Section 551 Resolution') and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the 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 the Section 551 Resolution 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, regulatory 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 28 May 2013

and this power shall expire at the conclusion of the next Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier unless the authority is renewed or revoked at any other general meeting prior to such time, 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 Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) 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 28 May 2013);

(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 the date fifteen months after the passing of this resolution, whichever is the earlier, unless the authority is renewed or revoked 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.

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

Dated this 28th May 2013

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; or
   - 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 17 July 2013.

4. A person entered on the Register of Members at close of business on 17 July 2013 (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 AGM and will also be available at the AGM 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. Under section 319A of the Companies Act 2006 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 28 May 2013 (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 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 AGM for the financial year beginning on 1 April 2012; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 April 2011 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 AGM.

    The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

GLOSSARY OF TERMS

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.

Net Cash

This reflects the Company's net exposure to cash and cash equivalents expressed as a percentage of shareholders' funds after any offset against its gearing.

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) reported in the period.

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.

Share Price Total Return

The share price total return reflects the change in the share price with dividends reinvested in the period, and is also known as total shareholder return.

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 Conduct 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 $748.5 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 2013.*

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

The Edinburgh Investment Trust plc

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 is geared by way of two debenture stocks.

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. 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 Portfolio

Aims to generate income from a variety of fixed income instruments combined with a high degree of security. Income will reduce during periods of very low interest rates.

Invesco Perpetual Select Trust plc – UK Equity 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 repay its bank borrowings and other liabilities on or before 28 September 2014 and, having met these obligations, to provide a return for shareholders. The Company holds a diversified portfolio of European commercial properties and 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 provide shareholders with capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK equity and fixed interest markets. The Company is geared by a debenture stock and bank debt.

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 MSCI All Countries Asia Pacific Ex Japan Index (in sterling terms). 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, predominantly through investment in a diversified portfolio of equities worldwide. The portfolio may be 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 mainly 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 Portfolio
- Global Equity Income Portfolio
- Managed Liquidity Portfolio
- Balanced Risk Portfolio

A choice of four investment policies and objectives, each intended to generate attractive risk-adjusted returns from segregated portfolios, with the ability to switch between them, four times a year, free from capital gains tax liability. Dividends paid quarterly, apart from Balanced Risk which will not normally pay dividends.

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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