

The Edinburgh Investment Trust plc
ANNUAL FINANCIAL REPORT
YEAR ENDED 31 MARCH 2009

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The Edinburgh Investment Trust plc

Annual Financial Report 2009

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

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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

The Company invests 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.

Share Capital

The Company's share capital consisted of 198,294,748 ordinary share of 25p each at 31 March 2008.

During the year, the Company bought back 3,178,014 ordinary shares for cancellation, leaving 195,116,734 ordinary shares at 31 March 2009.

Gearing

Gearing is provided by two debentures:

- £100 million 11½% 2014; and
- £100 million 7¼% 2022.

ISA Eligibility

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

Glossary of Terms

There is a glossary of terms on page 59 which defines some of the more technical references used in this annual financial report.

Performance Statistics

Terms marked † are defined in the Glossary of Terms on page 59

⁽¹⁾ Source: Datastream

	AT 31 MARCH 2009	AT 31 MARCH 2008	% CHANGE
Capital Return			
Net asset value† ('NAV') per share:			
– debt at par	326.99p	474.74p	–31.1
– debt at market value	293.56p	448.53p	–34.6
FTSE All-Share index ⁽¹⁾	1984.17	2927.05	–32.2
Share price ⁽¹⁾	292.50p	403.25p	–27.5
Discount†:			
– debt at par	10.5%	15.1%	
– debt at market value	0.4%	10.1%	
Gearing†:			
– actual gearing	31.2%	12.9%	
– potential gearing	31.2%	21.2%	
FOR THE YEAR TO 31 MARCH			
	2009	2008	% CHANGE
Revenue Return			
Revenue return per ordinary share	21.0p	21.4p	–1.9
Retail price index	–0.4%	3.8%	
Dividends:			
– first interim	4.75p	4.75p	
– second interim	4.75p	4.75p	
– third interim	4.75p	4.75p	
– final proposed	6.15p	5.65p	
	20.40p	19.90p	+2.5
FOR THE YEAR TO 31 MARCH			
	2009 % CHANGE	2008 % CHANGE	
Total Return (capital growth with income reinvested)			
NAV per share:			
– debt at par	–27.8	–11.7	
– debt at market value	–31.5	–12.3	
FTSE All-Share index ⁽¹⁾	–29.3	–7.7	
Share price ⁽¹⁾	–23.5	–12.6	
Total Expense Ratio†			
– excluding performance fee	0.5%	0.4%	
– including performance fee	0.9%	0.4%	

Historical Record – Last 10 Years

Year ended 31 March	Ordinary shareholders' funds £m	Shares bought back m	Per ordinary share at 31 March				Discount (debt at par) %	Actual gearing ratio %	Potential gearing ratio %
			Net asset value p	Revenue return p	Dividend rate p	Share price p			
2000	1,637	30.0	618.3	9.15	12.15	534.5	13.6	12.2	12.3
2001	1,373	11.0	514.0	12.07	12.45	475.5	12.1	11.9	14.6
2002	1,202	6.0	484.7	12.50	12.75	422.5	12.8	11.1	16.7
2003	681	4.0	278.6	11.05	13.15	231.0	17.1	19.0	29.4
2004	884	—	362.0	12.26	13.15	300.5	17.0	13.4	22.6
2005 ⁽¹⁾	1,003	3.4	417.1	12.36	13.15	329.8	20.9	10.3	19.9
2006	1,215	5.5	517.4	15.28	15.25	429.5	17.0	11.4	16.5
2007	1,205	18.4	557.5	18.13	18.85	481.0	13.7	14.3	16.6
2008	945	17.2	474.7	21.41	19.90	403.3	15.1	12.9	21.2
2009	641	3.2	327.0	21.02	20.40	292.5	10.5	31.2	31.2

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

Total Return per Ordinary Share to 31 March

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	FIVE YEARS	TEN YEARS
NAV (debt at par) (%)	+13.7	-10.8	-8.2	-40.1	+33.8	+16.2	+27.9	+12.0	-11.7	-27.8	+6.2	-19.8
Share Price (%)	+17.9	-9.0	-8.6	-43.1	+36.2	+14.7	+35.3	+17.4	-12.6	-23.5	+21.7	-6.2
FTSE All-Share Index (%)	+9.9	-10.8	-3.2	-29.8	+31.0	+15.6	+28.0	+11.1	-7.7	-29.3	+7.2	-6.4

Source: Datastream, Fidelity and Invesco.

Total Returns Since Appointment of New Manager on 15 September 2008

Figures rebased to 100 at 15 September 2008.

Source: Datastream and Invesco.

Capital Returns Over Ten Years

Figures rebased to 100 at 31 March 1999

Comparison of Net Dividend Growth to Retail Price Index

Figures rebased to 100 at 31 March 1999

Source: AIC and Datastream.

Analysis of Portfolio by Sector

As at 31 March 2008 and 2009

Comparison of Portfolio to FTSE All-Share Index by Sector

At 31 March 2009

CHAIRMAN'S STATEMENT

Introduction: The UK Equity Market

As I described in my Interim Statement, the Company appointed a new manager, Invesco Asset Management Limited ('Invesco'), on 15 September 2008, where Mr Neil Woodford has assumed responsibility for the investment portfolio. Mr Woodford is a long term investor prepared to take substantial positions in companies which he believes, in the light of expected economic conditions, have the potential to generate above average growth in earnings and dividends. This investment approach will often lead to concentrated portfolios which may diverge, sometimes for quite long periods, from movements in the Company's benchmark, the FTSE All-Share Index.

The year to 31 March 2009 was one of particular difficulty for equity markets including that of the UK. Despite deteriorating conditions for global banking and credit markets generally, equity markets were initially resilient in the early months of the Company's financial year. After some weakness in May, the benchmark FTSE All-Share Index ('The Index') fell sharply in September and at the interim stage was 15.1% lower than on 1 April 2008. The market weakness continued in October and despite brief rallies through the following three months, reached a low point early in March when the Index was virtually 40% lower than the level at the start of the Company's year. Thereafter, the downward trend reversed and the fall since 1 April in the Index was reduced at 31 March 2009 to 32.2%.

Investment Performance

This account of the Company's performance for the year to 31 March 2009 reflects the contribution of the previous Manager, Fidelity International Limited ('Fidelity') for the period to 15 September 2008 and of Invesco for the remainder of the period.

The company has two long-term investment objectives:

- to increase net assets per share ('NAV') by more than the growth in the Index;
- to achieve growth in dividends per share by more than the rate of UK inflation.

Capital: The table on page 2 in the annual financial report shows that NAV (with debt at par at 31 March 2009) is 31.1% lower than at the start of the year. This is a marginally better out-turn than that of the Index, which fell by 32.2% in the same period. Invesco, the new Manager, produced a significantly better relative performance than Fidelity. From the start of the financial year to the handover on 15 September NAV (debt at par and adjusted for dividend accruals) fell by 7.6%, compared to an Index reduction over the same period of 5.8%. From 15 September to the financial year end, under Invesco management, NAV fell by 26.3%; this was less than the Index reduction of 28.0%. This is illustrated in the table on page 19 and leads to Invesco's entitlement to a performance fee, details of which are explained later in these accounts. NAV with debt at market value has fallen in the financial year by more than the Index: this is due to the increased price of the Company's debentures, and conversely reduced NAV.

Share Price: The Company's share price fell over the year by 27.5%. Although of little comfort to the Board or shareholders, this fall was less than that of the Index and in part reflected investor demand for companies with above average yield in an environment of falling interest rates. The discount of the share price to NAV (debt at par) was reduced from 15.1% to 10.5%. Measuring debt at market value, the share price stood on 31 March 2009 at a discount of 0.4% to NAV, compared to 10.1% on 1 April 2008.

Income: The Board is recommending a final dividend of 6.15p which, if approved by shareholders, will be paid on 24 July 2009 to those on the Company's register on 19 June 2009 (ex dividend date 17 June 2009). This compares to 5.65p paid in July 2008. This dividend proposal brings the total payment in respect of the year to March 2009 to 20.4p, 2.5% more than the 19.9p paid in the year to March 2008. The Retail Price Index has in this period fallen by 0.4%, hence the Company's objective of growing income above the rate of inflation is achieved. I have explained in my statements in the last two years' Annual Reports that the Board expected the Company's dividends to grow at a much slower rate in future than they had since the move in 2005 to a higher income portfolio. Nevertheless, the Board recognises that growth, or at least maintenance of current dividend levels is important to shareholders. Accordingly, the Manager has adopted an investment strategy which seeks to identify companies he believes can sustain or increase distributions in an environment where dividends generally are under pressure. The Board has in the past shown that it is prepared to use

reserves to maintain dividends, provided it sees scope for eventual recovery and shareholders will be aware that the Company has dividend reserves, high relative to its peer group of Investment Trusts, which after payment of the proposed final dividend represent 96% of the current annual dividend. Whilst the Board and the Manager accept that income forecasts are subject to a high degree of uncertainty at this stage in the market cycle, they believe the Company, for the reasons given, is in a good position to meet shareholder expectations in this respect.

Portfolio Structure

The Investment Manager's Report describes the rationale for the Company's investment portfolio. Essentially, the Manager has adopted a defensive posture by investing in businesses which he believes will be resilient to the weakening global economy. This strategy, strongly endorsed by the Board, is designed to secure to the greatest extent possible both future dividend stream and capital performance. In the market recovery which has occurred since the 31 March 2009 year end, defensively oriented companies have risen by less than the market as a whole and the Company's portfolio has underperformed. The Manager believes that this rally in more volatile securities is premature and can demonstrate that the price/earnings ratio of the key constituents of the Company's own portfolio is currently well below that of the FTSE 100 Index, suggesting that considerable scope remains for relative appreciation.

The Manager has full responsibility for gearing decisions and has used the Company's borrowings to virtually their full extent since handover on 15 September. The Board has reviewed the position of the Company's debenture stocks and continues to believe that it is in shareholders' interests that they should be retained.

VAT

I reported in my interim statement that the Company was in discussion with Fidelity over recovery of VAT paid since 2002 and with Aberdeen Asset Management in respect of prior periods. I am pleased to report that agreement has been reached with Fidelity and that £1.97 million plus interest was paid to the Company during the six months under review. This was allocated to income and capital in the same proportions as originally charged (see note 3, page 44 in the annual financial report). Aberdeen Asset Managers have now started the discussions with HM Revenue & Customs which will precede our own settlement with them; it is too early to forecast the outcome and no provision has been made in these Accounts.

Annual General Meeting

The Company this year celebrates the 120th anniversary of its founding and the Board and the Manager look forward to meeting shareholders at the Annual General Meeting in Edinburgh on 17 July. I would like to draw attention to two particular matters on the Agenda for this meeting.

1. **Buy Back/Share Issuance:** The Company will, as it has for many years, seek permission from shareholders to buy back shares in appropriate circumstances to enhance the NAV for the remaining shareholders. During the year under review, 3.178 million shares were bought back, enhancing NAV for remaining shareholders by about 0.15p. I mentioned earlier in this statement that the discount to NAV of the Company's shares had fallen during the year, and that at the year end the share price was at a very small discount to NAV (debt at market). As and when shares do trade at a premium, it can be advantageous to issue new shares and shareholders will be asked to grant permission for the Company to do so.
2. **Investment in Overseas Registered Securities:** The Company's current investment policy objective states that it will invest in UK securities. The bulk of UK listed companies in which we now invest operate internationally in global markets. In searching for investment opportunities, the Manager from time to time identifies companies quoted in an overseas market but exhibiting the same investment characteristics as others quoted in the UK: the major oil companies are a good example. The Board and Manager believe that where the overseas quoted entity is a more attractive alternative than the domestic one, then it is to the Company's advantage to invest accordingly. Shareholders will be asked to grant permission to invest up to 15% of the assets of the Company in overseas quoted companies. The investment benchmark, the FTSE All-Share Index, will remain unchanged.

CHAIRMAN'S STATEMENT

continued

Outlook

The world's markets have fallen heavily in the past year in reaction to the credit crunch and the resulting impact on world economies. The UK equity market has not escaped the general trend and fell by almost one-third in the Company's financial year ending 31 March 2009. Although at time of writing the market has made some recovery and there is talk of sighting of 'green shoots', the short-term outlook for the UK market remains highly uncertain and in the broader economy there is clear concern that both interest rates and inflation will face upward pressure. Against this background the Manager has constructed a portfolio of companies which he believes are strongly placed to continue to generate satisfactory profits and dividends in an expected weak economy. Whilst income generation is the immediate priority, he does not believe this need be at the expense of capital growth as the market recovers.

In summary, the Company offers a defensive portfolio, yielding substantially more than Government bonds with good prospects of capital growth when market confidence returns.

Scott Dobbie

Chairman

8 June 2009

MANAGER'S REPORT

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Market Review

Against a backdrop of substantial market volatility, the UK equity market gave investors a total return of -29.3%, as measured by the FTSE All Share index over the twelve months to 31 March 2009.

Global equity markets endured one of the most turbulent periods on record, as slowing economic growth – coupled with uncertainty over the health of the banking system – weighed on market sentiment. In particular, September 2008 witnessed unprecedented levels of market volatility, primarily due to the ongoing turmoil in the financial sector, but then exacerbated by the bankruptcy of US investment bank Lehman Brothers. Against this backdrop, policymakers were pushed into aggressive action to assist banks through nationalisations, capital injections or the issuance of state guarantees. However, whilst government action around the world ensured that the banking system stabilised, governments were not able to prevent an immediate negative impact on the real economy from the freeze of credit that followed the Lehman Brothers failure. The sudden lack of available credit to so many corporates and households took a substantial toll on economies, leading to a contraction in GDP in the developed world of several percentage points.

The Bank of England's ('BoE') Monetary Policy Committee cut UK interest rates aggressively during the year in an attempt to cushion the slowdown. At the end of March 2009, the base rate stood at 0.5%, the lowest level in the BoE's 315-year history. The UK economy, however, continued to deteriorate. GDP growth for fourth quarter 2008 confirmed that the economy had entered a recession, with the 1.5% quarterly drop in output being the biggest since the second quarter of 1980. Unemployment rose sharply and public finance data showed that net borrowing had been much larger than expected.

The financial landscape changed markedly over the 12 months to 31 March 2009, with many of the world's largest financial organisations – especially in the US – being undermined by the sheer scale of the crisis. Within the UK, HBOS merged with Lloyds TSB following a run on HBOS shares. Bradford & Bingley's mortgage business was nationalised and its savings assets sold off to Spain's Santander. The UK government assumed a prominent role, part-nationalising RBS and the newly formed Lloyds Banking Group, whilst Barclays opted not to accept any government assistance, preferring instead to raise additional funding from Middle Eastern and other investors.

Portfolio Strategy and Review

With an unprecedented level of debt built up in the UK economy, the Manager believes that the current process of rebalancing the UK economy may take years to conclude. In addition, until evidence of a return to sustained economic growth becomes concrete, economically sensitive areas of the stockmarket will struggle to make significant progress. Therefore, the Manager is maintaining a defensive bias within the portfolio, with sectors such as utility, tobacco, pharmaceuticals and telecommunications featuring prominently. The Manager favours the sound balance sheets, earnings visibility and dividend security that defensive companies offer and believe that his investment strategy will benefit the fund during these challenging times.

In the period from 15 September 2008 to 31 March 2009 when the Manager took over the management of the Company, several new holdings were purchased for the portfolio. These included tobacco companies Altria and Reynolds American. The Manager also added to several of the portfolio's existing holdings at favourable levels. These included pharmaceuticals company AstraZeneca and retailer Tesco.

Whilst no industry can be described as recession proof, there are some industries which often prove to be resilient. The Manager has identified the tobacco sector as a recession-resilient industry since demand for cigarettes and other tobacco products generally hold up well in times of economic difficulty. It is for this reason that the Manager purchased Altria and Reynolds American for the portfolio.

The portfolio's exposure to AstraZeneca was increased during the sharp rotation from defensive sectors into cyclical parts of the market towards the end of March 2009, which left defensive companies such as AstraZeneca out of favour with investors. The Manager believes that the revival in the performance of cyclical companies is predicated on the belief that governments and central banks may somehow be able to engineer an economic recovery later this year. The Manager does not concur with this view and considers that the economic downturn will be deeper and more prolonged than the market is currently expecting. For this reason, the Manager remains confident in the investment case for AstraZeneca.

MANAGER'S REPORT

continued

Whilst Tesco provides exposure to the UK consumer, something that the Manager has been minimising in recent times due to his concerns about the aggregate level of debt held by UK households, he believes that Tesco should prove more resilient through this recession than most retailers since its business mix is dominated by food. In addition, with over half of its floor space now based overseas, Tesco is now by no means just a UK retailer but has other avenues for long-term growth. This growth looks undervalued in the Manager's view, and recent share-price weakness has provided an opportunity to add to the position.

In terms of disposals, the Manager reduced the portfolio's holding in oil major BP to reflect his view that the decline in demand as a result of the global recession will probably act to keep oil prices depressed for some time to come. Furthermore, whilst BP has committed to paying a dividend this year, the Manager believes that at current depressed oil prices it will be difficult for the company to cover its dividend solely through cashflow and it is his opinion that it may have to finance some of the payment through debt. In the Manager's view, this policy is not sustainable and if the oil price remains depressed for some years, the dividend may come under pressure. The Manager has reduced the holding in BP to reflect this risk to future dividends.

Elsewhere, the holding in British Energy was sold after the company was acquired by EDF. A residue of this holding remains, however, in the form of a 'nuclear power note' issued by Barclays, which resulted from the EDF deal structure and enables the portfolio to remain exposed to the potential for higher power prices in the UK and the improving reliability of British Energy's fleet of power stations.

Outlook

The Manager expects the economic outlook to remain difficult for some time and in this environment his preferences continue to be companies with sound balance sheets, earnings visibility and dividend security. The Manager has been able to find companies with these characteristics in the utility, tobacco, pharmaceutical and telecoms sectors and he considers valuations in these areas to be attractive at current levels. He believes that these businesses have not yet been rewarded for the certainty they offer in an otherwise highly uncertain market. In his view, these are the sectors that can lead the market higher when some discrimination is shown between fundamentally sound companies and those more vulnerable to further economic weakness.

Neil Woodford

Investment Manager

8 June 2009

INVESTMENTS IN ORDER OF VALUATION

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AT 31 MARCH 2009

UK listed and ordinary shares unless stated otherwise

INVESTMENT	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
GlaxoSmithKline	Pharmaceuticals & Biotechnology	64,861	7.7
AstraZeneca	Pharmaceuticals & Biotechnology	60,691	7.2
Vodafone	Mobile Telecommunications	58,338	7.0
Imperial Tobacco – ordinary	Tobacco	47,333	
– 9% Notes 17 February 2022		10,535	
		57,868	6.9
BG	Oil & Gas Producers	57,043	6.8
British American Tobacco	Tobacco	51,931	6.2
Tesco – ordinary	Food & Drug Retailers	41,009	
– 6.125% MTN 24 February 2022		2,157	
		43,166	5.1
National Grid	Gas & Water Multiutilities	39,655	4.7
BP	Oil & Gas Producers	35,676	4.3
BT	Fixed Line Telecommunications	30,259	3.6
Ten Top Holdings		499,488	59.5
Reynolds American – US common stock	Tobacco	28,306	3.4
Capita	Support Services	21,656	2.6
Scottish & Southern Energy	Electricity	21,522	2.6
Reckitt Benckiser	Household Goods	20,480	2.4
Royal Dutch Shell	Oil & Gas Producers	20,340	2.4
Drax	Electricity	20,017	2.4
Rolls Royce	Aerospace & Defence	18,521	2.2
Centrica	Gas & Water Multiutilities	18,163	2.2
Altria – US common stock	Tobacco	17,205	2.1
Reed Elsevier	Media	13,793	1.6
Twenty Top Holdings		699,491	83.4
Amlin	Non-life Insurance	12,402	1.4
United Utilities	Gas & Water Multiutilities	12,130	1.4
International Power	Electricity	11,031	1.3
Tate & Lyle	Food Producers	11,001	1.3
Sage	Software & Computer Services	9,911	1.2
Barclays Bank – Nuclear Power Notes 28 February 2019 ⁽¹⁾	Electricity	8,557	1.0
Severn Trent	Gas & Water Multiutilities	8,194	1.0
Hiscox	Non-life Insurance	8,126	1.0
Pennon	Gas & Water Multiutilities	7,494	0.9
Bunzl	Support Services	7,330	0.9
Thirty Top Holdings		795,667	94.8

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

INVESTMENTS IN ORDER OF VALUATION

continued

INVESTMENT	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Northumbrian Water	Gas & Water Multiutilities	6,568	0.8
Rexam	General Industrials	6,550	0.8
Catlin	Non-life Insurance	5,614	0.7
Raven Russia – ordinary	Real Estate	968	
– warrants		86	
– preference shares		4,301	
		5,355	0.6
Homeserve	Support Services	5,151	0.6
Climate Exchange	Equity Investments Instruments	3,768	0.4
Rentokil Initial	Support Services	2,654	0.3
Paypoint	Support Services	1,545	0.2
BTG	Pharmaceuticals & Biotechnology	1,492	0.2
AMEC	Support Services	1,061	0.1
Forty Top Holdings		835,425	99.5
Yell	Media	849	0.1
BAE Systems	Aerospace & Defence	834	0.1
Mecom	General Financial	691	0.1
Provident Financial	General Financial	597	0.1
Helphire	General Financial	310	0.1
Eurovestech	General Financial	271	—
Eni Lasmo	Oil & Gas Producers	250	—
McBride	Household Goods	127	—
Stobart	Industrial Transportation	108	—
Total Holdings		839,462	100.0

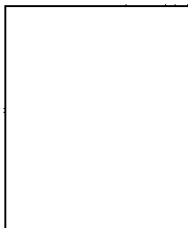
DIRECTORS

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**Scott Dobbie⁽¹⁾**

Scott Dobbie CBE was appointed to the Board in 1998 and became Chairman in 2003. He joined Wood Mackenzie & Co. in 1971 and has worked since then with this and successor companies,

remaining a Senior Advisor to Deutsche Bank. He is the Chairman of the Securities & Investment Institute and Standard Life European Private Equity Trust and a Director of the Qualifications and Curriculum Authority.

**Jim Pettigrew⁽²⁾**

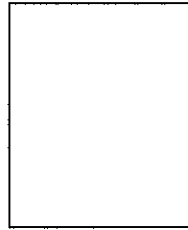
Jim Pettigrew was appointed to the Board on 27 October 2005 and is Chairman of the Audit Committee. He qualified as a Chartered Accountant in Dundee, has a law degree from Aberdeen University

and a post graduate diploma in accountancy from Glasgow University. He is also a member of the Association of Corporate Treasurers. Following a number of finance function positions in Scotland and in London including Group Treasurer of Sedgwick Group plc, he was Group Finance Director, ICAP plc, a FTSE 100 company and the world's largest specialist inter-dealer broker from January 1999 to June 2006. He was Chief Operating and Financial Officer of Ashmore Group plc from 2006 to 2007 and was appointed Chief Executive Officer of CMC Markets plc in 2007.

**Richard Barfield⁽²⁾**

Richard Barfield was appointed to the Board in 2001 and is Senior Independent Director. He was previously Chief Investment Manager at Standard Life. He is Chairman of The Baillie

Gifford Japan Trust and is a director of The Merchants Trust, The JPMorgan Fleming Overseas Investment Trust, the Standard Life Property Income Trust and is a member of the Professional Oversight Board.

**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 before 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 Consulting at Hewitt and from 2007 to 2008 she was a Director of Liability Solutions, a hedge fund marketing and consulting firm. Nicola is currently a Director and Co-Founder of PiRho Investment Consulting and is shortly coming to the end of her second term as a Governor of the CFA Institute.

**William Samuel⁽²⁾**

William Samuel was appointed to the Board in 2003. He is currently a vice chairman of Lazard in London having formerly been vice chairman of European Investment Banking at Citigroup,

chairman of HP Bulmer Holdings and Group Managing Director – Investment Bank at Schroders and a director of Schroders PLC. He is also chairman of Galiform, deputy chairman and senior independent director of Inchcape plc and a non-executive director of the Ecclesiastical Insurance Office. He joined Schroders Investment Management Department in 1977 having qualified as a Chartered Accountant and was Head of Investment Banking when Schroders sold its investment banking business to Salomon, Smith, Barney, part of Citigroup in 2000.

**Sir Nigel Wicks⁽²⁾**

Sir Nigel Wicks, GCB, CVO, CBE was appointed to the Board in 2005. After working for The British Petroleum Company, Sir Nigel joined HM Treasury in 1968. He worked for Prime Ministers Harold Wilson,

James Callaghan and Margaret Thatcher. He has been the United Kingdom's Executive Director at the International Monetary Fund and World Bank and the Prime Minister's representative ('Sherpa') for the Economic Summits of the Group of Seven Industrialised Nations. From 1989 to 2000, he was the Treasury's Second Permanent Secretary responsible for international financial matters. The Prime Minister appointed him as Chair of the Committee on Standards in Public Life for the period March 2001 to April 2004. He is Chairman of Euroclear plc and a Commissioner of the Jersey Financial Services Commission.

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

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

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Manager and Secretary

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

Registered Office

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 15 Lauriston Place
 Edinburgh EH3 9EP

Company Number

Registered in Scotland.
 Number: SC1836

Invesco Perpetual Customer Services

Invesco Perpetual has a Customer Services Team, available to assist you from 8.30 a.m. to 6 p.m. every working day. Please feel free to take advantage of their expertise.
 ☎ 0800 085 8677

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 Dorset BH7 7DB

Auditors

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 20 Castle Terrace
 Edinburgh EH1 2EG

Broker

Collins Stewart Europe Limited
 88 Wood Street
 London EC2V 7QR

Registrars

Equiniti Limited
 Aspect House
 Lancing
 West Sussex
 BN9 6DA

If you hold your shares directly and not through a savings scheme or ISA and have queries relating to your shareholding, you should contact the Registrars ☎ 0871 384 2431

Calls cost 8p per minute plus network charges.

Shareholders can also access their holding details via Equiniti's websites www.shareview.co.uk.

SHAREHOLDER INFORMATION

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

Savings Plan and ISA

The Company's ordinary shares are eligible for investment via an ISA.

NAV Publication

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

Share Price Listings

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

Financial Times	Investment Companies
Daily Telegraph	Investment Trusts
The Times	Investment Companies
The Scotsman	Equity Inv Instruments
Reuters	
ordinary shares	EDIN.L
Bloomberg	
ordinary shares	EDIN LN

Internet addresses

TrustNet	www.trustnet.com
Interactive Investor	www.iii.co.uk
Invesco Perpetual	www.invescoperpetual.co.uk/ investmenttrusts
Association of Investment Companies	www.theaic.co.uk

Financial Calendar

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

Announcements

Half-yearly unaudited results	November
Interim Management Statements	July and January
Final results	May/June

Ordinary Share Dividends

1st interim payable	November
2nd interim payable	February
3rd interim payable	May
Final payable	July

Debenture Stock

11½% 2014 – interest payable	June and December
7½% 2022 – interest payable	September and March

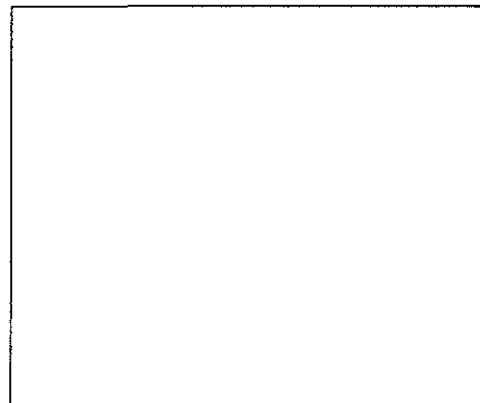
AGM July

Year End 31 March

Location of AGM

The one hundred and twentieth Annual General Meeting of the Company will be held at the Weston Link, National Galleries of Scotland, Princes Street, Edinburgh on 17 July 2009 at 10.30 a.m.

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



REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

FOR THE YEAR ENDED 31 MARCH 2009

Introduction

The Directors present their report together with the audited financial statements of The Edinburgh Investment Trust plc (the 'Company') for the year ended 31 March 2009.

The Report of the Directors incorporates the Business Review and expands on the following main areas:

page 16	Nature of the Company
page 16	Objective and Investment Policy
page 17	Company Business, Results and Share Capital
page 17	Share Valuations
page 18	Key Performance Indicators
page 19	Invesco Perpetual's Investment Process and Performance
page 19	Principal Risks and Uncertainties
page 21	Resources, Relationships and Advisers
page 21	Financial Position
page 22	Social and Environmental Policies
page 22	Substantial Holdings in the Company
page 22	Special Business at the Annual General Meeting
page 24	The Manager
page 24	Directors

Nature of the Company

The Company was incorporated and registered in Scotland as a public limited company on 1 March 1889, registered number SC1836.

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 842 of the Income and Corporation Taxes Act 1988 ('ICTA 1988'). HM Revenue & Customs have approved the Company's status as an investment trust, subject to there being no subsequent enquiry under Corporation Tax Self Assessment, in respect of the year ended 31 March 2008. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval. It is the Company's intention to continue to seek authorisation under Section 842 of ICTA 1988.

Objective and Investment Policy

The Company invests 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 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, as determined at the time of acquisition, may 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 permitted within the following constraints and is monitored carefully by the Board. The writing of covered calls, to a maximum of 10% of the value of the portfolio, is permitted and a maximum of 15% may be invested in FTSE 100 futures. Other derivative contracts may be employed subject to an aggregate of the above limits and to the prior approval of the Board.

At the AGM, on 17 July 2009, the Directors are proposing a change to this Objective and Investment Policy to permit the investment manager to invest up to 15% of the Company's assets in non-domestic listed securities.

The proposed, revised Objective and Investment Policy is included in the Notice of Annual General Meeting.

Company Business

A review of the Company's business is provided in the Chairman's Statement and the Manager's Report. The Board does not at present envisage any significant change in the business of the Company. No important events effecting the Company have occurred since the end of its financial year.

Issued Share Capital and Rights Attaching to the Company's shares

At the year end, the Company's issued share capital consisted of 195,116,734 ordinary shares of 25p each. During the year, 3,178,014 ordinary shares with a nominal value of £794,504 were repurchased for cancellation at an average price of 415.43p per share. This represented 1.6% of the issued share capital at the beginning of the year.

Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

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.

No shareholder is, unless the Board decide otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.

The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open or proper basis. As at 31 March 2009, the Company's issued share capital did not include any ordinary shares that were not fully paid. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

The Company is seeking authority for the Directors to allot new shares and to renew the Directors' authority to buy back shares at the forthcoming AGM. Additional details are given in the section on Special Business at the AGM further on in this Report.

Revenue and Dividends

The results for the year are shown in the income statement.

Subject to approval at the Annual General Meeting, the final proposed dividend for the year ended 31 March 2009 of 6.15p (2008: 5.65p) per ordinary share will be payable on 24 July 2009 to Shareholders on the register on 19 June 2009. This will give total dividends for the year of 20.4p per share, compared with 19.9p in 2008. Revenue returns per share in this year were 21.0p (2008: 21.4p).

Share Valuations

On 31 March 2009 the mid-market price was 292.5p per ordinary share (2008: 403.25p). The net asset value (debt at par) and net asset value (debt at market value) per ordinary share were 326.99p and 293.56p respectively. The comparative figures on 31 March 2008 were 474.74p and 448.53p.

REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

Key Performance Indicators

The key performance indicators ('KPIs') used to determine the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below.

YEAR TO 31 MARCH	2009	2008
Net asset value (debt at par) ⁽¹⁾	-27.8%	-11.7%
Net asset value (debt at market) ⁽¹⁾	-31.5%	-12.3%
FTSE All-Share Index ⁽²⁾	-29.3%	-7.7%
Share price ⁽²⁾	-23.5%	-12.6%
Discount to NAV (debt at par) ⁽¹⁾	10.5%	15.1%
Discount to NAV (debt at market) ⁽¹⁾	0.4%	10.1%
Revenue return per share	21.0p	21.4p
Actual gearing ratio	31.2%	12.9%
Potential gearing ratio	31.2%	21.2%
Total expense ratio (excluding performance fee)	0.5%	0.4%
Total expense ratio (including performance fee)	0.9%	0.4%

(1) Calculated in accordance with AIC guidelines

(2) Source: Datastream

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

Notwithstanding that some KPIs are beyond its control, they are measures of the Company's absolute and relative performance. The KPIs assist in managing performance and compliance and are regularly reviewed by the Board at each meeting.

The Board also regularly reviews the performance of the Company in relation to 21 investment trusts in the UK Growth and Income sector. As at 31 March 2009, the Company was ranked sixth by NAV performance in this sector over one and three years and seventh over five years (source: Cazenove).

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 principal risks and uncertainties section includes descriptions of performance indicators and their monitoring and management which are key to the business of the Company.

Performance Attribution for the Year Ended 31 March 2009

Analysed for Attribution Before and After Change of Manager on 15 September 2008

TOTAL RETURN BASIS	BEFORE CHANGE OF MANAGER %	AFTER CHANGE OF MANAGER %	FOR YEAR ENDED 31 MARCH 2009 %
Net asset value total return	(5.6)	(23.5)	(27.8)
Benchmark total return	(4.0)	(26.4)	(29.3)
Relative performance	(1.6)	2.9	1.5
<i>Analysis of Relative Performance</i>			
Portfolio total return	(4.7)	(18.2)	(22.0)
Less Benchmark total return	(4.0)	(26.4)	(29.3)
Portfolio (under)outperformance	(0.7)	8.2	7.3
Debtenture borrowings:			
Net gearing effect	(0.6)	(4.4)	(4.8)
Interest	(0.3)	(0.4)	(0.6)
Management fees:			
Base fee	(0.1)	(0.2)	(0.3)
Performance	—	(0.4)	(0.4)
Refund of VAT and interest	—	0.2	0.2
Other expenses and tax	(0.1)	(0.1)	(0.1)
Share buy backs	0.2	—	0.2
Total	(1.6)	2.9	1.5

Analysed for Relative Performance Before and After Change of Manager on 15 September 2008

The capital net asset value used below is the capital net asset value at par, less proposed dividends.

CAPITAL RETURN BASIS	BEFORE CHANGE OF MANAGER %	AFTER CHANGE OF MANAGER %	FOR YEAR ENDED
			31 MARCH 2009 %
Net asset value capital return	(7.6)	(26.3)	(31.9)
Benchmark total return	(5.8)	(28.0)	(32.2)
Relative performance	(1.8)	1.7	0.3

<i>Performance attribution</i>	– analyses the Company's performance relative to its benchmark.
<i>Portfolio (under)/outperformance</i>	– measures the relative effect of the Company's investment portfolio against that of its benchmark.
<i>Net gearing effect</i>	– measures the impact of the debenture stocks and cash on the Company's relative performance.
<i>Interest</i>	– arising from the debenture stocks reduces the assets available to invest, resulting in a negative impact on performance.
<i>Management fees</i>	– including both the base fee and any performance fee, reduce the Company net assets and decrease performance.
<i>Refund of VAT</i>	– on management fees, and interest thereon, will add to net assets and thus performance.
<i>Other expenses and tax</i>	– reduce the level of assets and therefore result in a negative effect for relative performance.
<i>Share buy backs</i>	– measures the effect of shares bought back on the Company's relative performance.

Invesco Perpetual's Investment Process and Performance

At the core of the Investment Manager, Neil Woodford'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, good asset bases and 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 holdings within an index. The Investment Manager's focus is on absolute rather than relative returns, as he prefers to adopt an un-weighted view of the market and to invest where he sees value and opportunity.

The aim of the investment process is to find 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 attractively valued ideas within its risk parameters.

Principal Risks and Uncertainties

The Board is ultimately responsible for 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 objectives and the means of attaining them are reviewed annually. The Company's portfolio consists of a mix of assets and securities that may display high levels of volatility from time to time in response to economic and other market forces. The Board receives the Manager's performance report against this background on a monthly basis and reviews it at each Board meeting.

REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

Performance risk

The Board sets risk parameters and performance objectives and it 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. Strategy, asset allocation and stock selection decisions by the Manager might lead to underperformance of the benchmark Index and income targets. The Manager's style may result in significant overweight or underweight positions in individual stocks or sectors compared to the index, and therefore the performance of the portfolio may deviate significantly from that of the benchmark index.

Investment selection is delegated to the Manager. The Manager manages the portfolio and the Board sets overall risk parameters, without specifying asset allocation, monitoring performance in that context.

Performance information is provided to the Board on a monthly basis. Specific information provided includes benchmark and performance objectives, rolling three year performance, largest holdings, size and sector analysis and cash holdings. The Manager is responsible for actively monitoring the portfolio selected in accordance with the Board's parameters and seeks to ensure that individual stocks meet an acceptable risk-reward profile. A review of performance risk and how it relates to the Company's objectives is undertaken annually.

Gearing risk

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

Income/dividend risk

The Company is subject to the risk that income generation from its investments fails to meet 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 in the last year repurchased shares within parameters set by the Board.

Control systems risk

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

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

Consequently in respect of these activities the Company is dependent on the Manager's control systems and those of its Custodian and Registrars, both of which are monitored by the Manager in the context of safeguarding the Company's assets and interests. There is a risk that the Manager fails to ensure that these controls are performed in a satisfactory manner.

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.

Other risks

The Company may be exposed to other business and strategic risks in the future, including fiscal, legal or regulatory changes, and the perceptual 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 vehicle is utilised, it is assessed for suitability against other similar investment options.

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.

Resources

The Company is an investment trust and has no employees. All the Directors are non-executive. However, through the contractual arrangements in place, a full range of services is available to it. The most significant contract is the Investment Management Agreement ('IMA') with the Manager, Invesco Asset Management Limited, to whom responsibility for the management of the portfolio is delegated. The Board reviews the performance of the Manager at every Board meeting.

The day-to-day management of the portfolio is the responsibility of Neil Woodford, Head of Investment at Invesco Perpetual based in Henley-on-Thames. Neil has worked in equity markets since 1981, joined Perpetual in 1988 and has been the Fund Manager of the Company since September 2008, when Invesco Asset Management Limited took over the management of the Company.

The Board has adopted guidelines within which the Manager is permitted wide discretion; any proposed variations outside these parameters are referred to the Board. The Board has the power to replace the Manager and reviews the management contract formally once a year. The outcome of this review is discussed on page 24.

Other contractual arrangements govern relationships with the Auditors, Registrar, Custodian and Broker. The Performance of the service providers are reviewed formally by the Board on an annual basis.

Relationships

Through the annual and half-yearly financial reports, interim management statements and the publication of a daily net asset value, the Board endeavours to ensure that shareholders understand the Company's investment objectives and policies. The Board monitors and reviews shareholder communications on a regular basis and, both independently and through the Manager, reviews the Company's objectives and policies in the light of feedback from shareholders.

The Company's main supplier of services is the Manager which provides both Investment Management Services and Company Secretarial and Administrative support.

Advisers and Principal Service Providers

The Company has the following additional advisers and principal service providers:

- KPMG Audit Plc as Auditors;
- JPMorgan Chase as Custodian;
- Equiniti Limited as Registrar; and
- Collins Stewart Europe Limited as Broker.

Financial Position

Assets and Liabilities

At 31 March 2009, the Company's gross assets were valued at £840 million (2008: £1,141 million). These comprised a portfolio of mainly equity investments and net current assets.

The Company has £200 million of borrowings in the form of two £100 million debentures. The 11½% debenture matures in 2014 and the 7¼% debenture in 2022. The weighted average interest rate is 9.625%. For details see note 12. The Company also has a bank overdraft facility of £15 million undrawn at 31 March 2009, which can be used to facilitate settlement of short-term cash timing differences.

REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sales of investments and the income from investments against which must be set the costs of borrowing and management expenses.

Social and Environmental Policies

As an investment trust company with no employees, property or activities outside investment management, 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.

At the AGM in 2008, shareholders adopted revised Articles of Association which allow the Company to send or supply documents or information to shareholders in electronic forms (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.

Substantial Holdings in the Company

At 31 May 2009, the Company had been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	HOLDING	%
AXA Investment Managers	11,659,164	6.10
Brewin Dolphin, Stockbrokers	9,760,041	5.00
Legal & General Investment Management	8,605,863	4.41
Rensburg Sheppards Investment Management	7,818,747	4.01
Rathbones	6,340,459	3.25
JPMorgan Asset Management	6,206,198	3.18
Charles Stanley, Stockbrokers	6,101,384	3.13

Special Business at the Annual General Meeting

The notice of the Annual General Meeting ('AGM') of the Company to be held on 17 July 2009 at 10.30 a.m. is on pages 55 to 58. In addition to the ordinary business, five resolutions are proposed as special business, three as special resolutions and two as ordinary resolutions.

Ordinary Resolution 9 and Special Resolution 10: Authority to Allot Shares

Resolution 9 is an Ordinary Resolution to seek 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 8 June 2009. Resolution 10 is a Special Resolution which seeks 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 pre-emption 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 use the authority to dilute the interests of existing shareholders by issuing shares at a price which is less than the Net Asset Value of the existing shares in issue at that time. These authorities will expire at the next AGM of the Company or fifteen months after the passing of the Resolutions, whichever is the earlier.

Special Resolution 11: Authority to Buy Back Shares

Resolution 11 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 8 June 2009. The authority will expire at the Company's next AGM or on 30 September 2010, if earlier. The principal purpose of share buy backs is to enhance the net asset value for remaining shareholders and purchases will only be made if they enhance the net asset value for the remaining shareholders.

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

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

The Directors might consider holding repurchased shares as Treasury shares with a view to possible resale. The holding of treasury shares is restricted to 10% of the Company's issued share capital.

Ordinary Resolution 12: Change to Company's Objective and Investment Policy

The Directors are proposing a change to the Objective and Investment Policy to permit the investment manager to invest up to 15% of the Company's assets in non-domestic listed securities. This is to provide the investment manager with the discretion to invest in securities not quoted on a recognised UK stock exchange. The proposed revised Objective and Investment Policy, which will permit investment of up to 15% of the market value of the Company's equity portfolio, measured at the time of any acquisition, in securities listed on stock exchanges outside the UK, is included in the Notice of Annual General Meeting on page 56.

Special Resolution 13: Notice Period for General Meetings

It is expected that the EU Shareholder Rights Directive, when it is brought into force, will increase 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 13 will propose that the period of notice for general meetings of the Company (other than AGMs) shall be not less than 14 days' notice.

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

Investment Management Agreement ('IMA')

Current IMA – from 15 September 2008

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 provided such notice may not expire any earlier than 15 September 2009.

The management fee is payable monthly in arrears and is equal to 0.05% of the market capitalisation of the Company's ordinary shares at each month end. IAML will also be entitled to a performance fee in respect of each rolling three year period in which the Company outperforms its benchmark, the FTSE All-Share Index, plus a hurdle rate, being the equivalent of 1.25% per annum, as adjusted for shorter periods. The IMA provides for transitional arrangements for the periods up to 31 March 2011, under which half of any performance fee for each period is paid at the end of the period and half deferred. Any deferred portion becomes payable after 31 March 2011 if and when performance meets or exceeds the benchmark plus hurdle rate.

Any performance fee earned will be the lower of 15% of the out-performance based on the average quarterly net asset value (with debt at par) of the Company over the relevant performance period and 1% of net asset value, as adjusted for shorter periods where required.

A performance fee of £3,422,000 has been accrued in these financial statements for the period 15 September 2008 – 31 March 2009, of which half has been shown in creditors due within one year and the remainder as a provision.

Previous IMA – to 14 September 2008

Under the Fidelity Investments International ('Fidelity') IMA, Fidelity agreed to provide investment management, administrative and secretarial services to the Company for a fee of an amount equal to 0.26% per annum of the Value of Funds under Management (as defined in that Management Agreement, which excluded investments in other funds managed by the Manager) payable monthly and calculated as of the last day of the preceding calendar month to which it related.

REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

VAT on Management fees

With effect from late 2007, no VAT is payable by investment trusts on management or performance fees. During the year Fidelity paid to the Company £1,969,215 in respect of VAT on management fees paid by the Company in the period from 1 August 2002 to 5 November 2007, together with interest of £250,620.

The Board expects the Company to receive refunds of VAT and interest thereon for earlier periods from Aberdeen Asset Management (who subsequently acquired Edinburgh Fund Managers). However, as the amounts involved and timing of receipts is uncertain, no provision has been made 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 as determined from time to time by the Board. 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.

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 Investment Management Agreement.

The Board, based on its recent review of activities, believes that the continuing appointment of Invesco Asset Management Limited would be most likely to promote the success of the Company for the benefit of its members as a whole.

Directors

Directors are appointed by ordinary resolution at a general meeting of ordinary shareholders. The Directors have the power to appoint a Director during the year but any person so appointed must be put up for election at the next Annual General Meeting.

Subject to its Articles of Association and relevant statutory law and to such direction as may be given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting.

The Company's Articles of Association require that no Directors shall serve more than three consecutive years since previously elected or re-elected before offering himself or herself for re-election.

The present members of the Board, all of whom served throughout the year, are listed on page 13 together with their biographies. In accordance with the Board's tenure policy set out in the Corporate Governance Statement on page 30, Scott Dobbie, having served on the Board for more than 9 years, will retire at this year's AGM and will offer himself for re-election.

In accordance with the Company's Articles of Association, 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. Jim Pettigrew and William Samuel will therefore retire by rotation and offer themselves for re-election at this AGM.

The following table sets out the number of scheduled Directors' meetings (including committees) held during the year and the number of meetings attended by each Director:

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		MANAGEMENT ENGAGEMENT COMMITTEE MEETINGS		NOMINATION COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Scott Dobbie ⁽¹⁾	7	7	3	n/a	1	1	1	1
Jim Pettigrew	7	7	3	3	1	1	1	1
Richard Barfield	7	7	3	3	1	1	1	1
Nicola Ralston	7	7	3	3	1	1	1	1
William Samuel	7	5	3	2	1	1	1	1
Sir Nigel Wicks	7	7	3	3	1	1	1	1

(1) The Chairman is not a member of the Audit Committee but was in attendance at the meetings.

Board members attended a significant number of additional meetings in connection with the change of Manager as well as attending non-scheduled meetings to deal with other *ad hoc* items.

All Directors have letters of appointment which are available for inspection at the Registered Office of the Company. All Directors are independent of the investment manager.

Directors' Interests

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

	31 MARCH 2009	1 APRIL 2008
Scott Dobbie	133,266	128,266
Jim Pettigrew	20,000	20,000
Richard Barfield	13,984	13,984
Nicola Ralston	15,000	15,000
William Samuel	23,170	23,170
Sir Nigel Wicks	3,500	3,500

Scott Dobbie also has a non-beneficial interest in 422,416 (2008: 422,416) ordinary shares. This largely arises as a result of Mr Dobbie's membership of the Board of Trustees of the Cambridge Endowment for Research in Finance.

Save as aforesaid, no Director had any interests, beneficial or otherwise, in the shares of the Company during the year. Since the year end Mr Dobbie's beneficial holding has increased by 347 shares following reinvestment of dividends. No Director held any of the Company's debenture stocks at either date. No further changes to these holdings had been notified up to the date of this report.

Disclosable Interests

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 each Director under which the Directors are indemnified by the Company for, *inter alia*, costs incurred in defending claims made by third parties.

Conflicts of Interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

The Articles of Association of the Company, approved by shareholders at last year's AGM on 21 July 2008, give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

- There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be 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 will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is the Board's future intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

The Directors have declared any potential conflicts of interest to the Company. The Register of Potential Conflicts of Interests is kept in 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. Directors who have potential conflicts of interest will not take part in any discussions which relate to any of their potential conflicts.

Deeds of Indemnity

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 (previously section 309A of the Companies Act 1985 (as amended)) 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.

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 234ZA of the Companies Act 1985.

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 2009 (2008: nil).

Donations

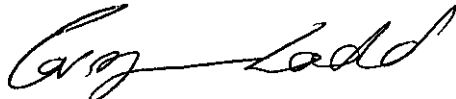
The Company made no political or charitable donations during the year (2008: nil).

Auditors

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.

Going Concern

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



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

8 June 2009

**For Invesco Asset
Management Limited**
Company Secretary

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2009

The Board presents this Report which has been prepared under the requirements of Schedule 7A of the Companies Act 1985. An Ordinary Resolution for the approval of this Report will be put to shareholders at the Annual General Meeting.

The Company's auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The auditors' opinion is included in their Audit Report on pages 37 and 38.

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, Invesco Asset Management Limited, 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 Non-Executive 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 2010 and subsequent years.

Service Contracts

All Directors have letters of appointment which are available for inspection at the Registered Office of the Company. Under the Articles of Association of the Company, the terms of the Directors' appointment provide that a Director shall be subject to election at the first AGM after appointment and that, at every AGM, one third of the Directors shall retire by rotation and no Director shall hold office for more than three consecutive years without retiring by rotation. The terms of the appointment letters also provide that a Director may be removed from office by notice in writing.

The Company's Performance

The graph plots the total return net asset value and total return share price to ordinary shareholders compared to the total return of the FTSE All-Share index over the 5 years to 31 March 2009. This index is the benchmark adopted by the Company for comparison purposes. Figures have been rebased to 100 at 31 March 2004. Graphs showing the performance over the last 10 years and since the appointment of the present Manager are shown on pages 4 and 5.

Directors' Emoluments for the Year (Audited)

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

	2009	2008
	£	£
Scott Dobbie (Chairman)	44,000	44,000
Jim Pettigrew (Chairman of the Audit Committee)	27,000	27,000
Richard Barfield (Senior Non-Executive Director)	27,500	27,500
Nicola Ralston	24,200	24,200
William Samuel	24,200	24,200
Sir Nigel Wicks	24,200	24,200
Total	171,100	171,100

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 8 June 2009.



Scott Dobbie
Chairman

Signed on behalf of the Board of Directors

CORPORATE GOVERNANCE STATEMENT

Directors' Statement of Compliance with the revised Association of Investment Companies' Code of Corporate Governance ('AIC Code') and the AIC's Corporate Governance Guide for Investment Companies ('AIC Guide')

The Principles

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.

In February 2009, the Financial Reporting Council confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide would meet their obligations in relation to the 2006 Combined Code on Corporate Governance (the 'Combined Code') and paragraph 9.8.6 of the Listing Rules (relating to additional items to be included in the Annual Financial Report). This statement describes how the principles of the AIC Code and AIC Guide have been complied with in the affairs of the Company. Any reference to the AIC Code in this statement includes references to the AIC Guide.

During the year under review, the terms of reference for the Board, the Audit, Nomination and Management Engagement Committees were reviewed and updated, where appropriate, to bring them in line with latest best practice and to ensure compliance with the AIC Code. Copies of the AIC Code and AIC Guide can be found on the AIC's website at www.theaic.co.uk.

The Company's Corporate Governance procedures are considered regularly by the Board and amended as necessary.

The Directors believe that, throughout the year, they have complied with the provisions of the AIC Code and, therefore, with all the relevant provisions in Section 1 of the 2006 Combined Code.

Directors

Independence

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

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

The Board considers that the independence of Scott Dobbie, who has served on the Board for more than 9 years, is not compromised by his length of service. The Board believes that the Company benefits from a balance of board members with different tenures. Scott Dobbie, having served on the Board for more than 9 years, will retire at this year's AGM and will offer himself for re-election. In considering the Chairman's independence, it should also be noted that the current manager, Invesco Asset Management Limited was appointed in September 2008.

Chairman

The Chairman of the Company is Scott Dobbie, a non-executive and independent Director who has no conflicting relationships. As the Company is an investment trust and sub-contracts its day-to-day investment management and administration, its Board consists exclusively of non-executive Directors and it does not have a Chief Executive Officer.

Scott Dobbie has been a member of the Board since 1998 and Chairman since 2003. He is subject to an annual performance appraisal. Following this year's appraisal, the Board has confirmed that the Chairman's performance continues to be effective and therefore recommends his re-election.

The Chairman will be present at the AGM to answer questions.

Senior Non-Executive Director

The Company's Senior Non-Executive Director is Richard Barfield.

Board Balance

The Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 13.

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.

Appointment, Re-election, Tenure and the Nomination Committee

All Directors are members of the Nomination Committee which is chaired by Scott Dobbie. The Nomination Committee has written terms of reference which clearly define its duties and responsibilities which include regularly evaluating the balance of skills, knowledge and experience on the Board and whether to recommend the re-election of those Directors seeking re-election 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.

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. They will also be available at the AGM.

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.

Directors may, by notice in writing, remove any Director from the Board without notice or compensation.

Board, Committee and Directors' Performance Appraisal

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

The Board conducted a full evaluation of its activities and performance in March 2008. The critical issues arising from this review concerned the performance of the Company's previous manager and the frequency and nature of meetings and other contacts between Board and manager. A new Manager, Invesco Perpetual, was appointed in September 2008, when meeting and other arrangements were changed to reflect the results of the earlier Board evaluation. These new arrangements have been in place now for only six months and it is not intended to repeat the full review until Autumn 2009, with a full year's experience in working with the new Manager.

The Committees of the Board, judged fully satisfactory at the last review, have continued virtually unchanged and will also be re-assessed later in 2009.

Directors' Remuneration

The Board as a whole reviews Directors' remuneration periodically. The Directors' Remuneration Report is set out on pages 28 and 29.

Accountability and Audit

The Directors' responsibilities with regard to the financial statements are set out on page 36 and the Independent Auditors' Report is set out on pages 37 and 38.

CORPORATE GOVERNANCE STATEMENT

continued

Internal Financial and Non-Financial Controls

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

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 control 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 of loss. The Board confirm 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 2009 and up to the date of this annual financial report.

As stated above, the Board meets regularly, at least four times a year, and reviews financial reports and performance against approved 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.

Internal Audit Function

The Audit Committee has reviewed the need for the Company to establish an internal audit function, but, in view of the extent of the Manager's executive responsibilities and, given that the Manager has internal audit functions, consider that such a function is not necessary.

Terms of Reference of the Board

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 best interest of all of the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

The Board has a schedule of matters reserved for its consideration, which clearly define the Directors' responsibilities. This schedule was updated during the year in order to ensure best practice and compliance with the AIC Code. 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; approving accounting policies and dividend policy; managing the capital structure; setting long-term objectives and strategy; reviewing investment performance; assessing risk; approving loans and borrowing; and controlling risks. The schedule of matters reserved for decision by the Board will be available for inspection at the AGM and is otherwise available at the Registered Office of the Company and on the Company's website at www.invescopetual.co.uk/investmenttrusts.

Finally, 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, annual financial reports, interim management statements, factsheets and daily NAV disclosures.

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.

The Manager's Responsibilities

The Manager is responsible for the day-to-day investment management decisions of the Company and for the provision of company secretarial and accounting services. A statement of the Manager's responsibilities is shown on page 34 in the Report of the Directors.

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

The 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 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 Secretary is responsible for advising the Board through the Chairman on all governance matters.

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.

The Audit Committee

The Board is supported by an Audit Committee consisting of all non-executive Directors with the exception of Scott Dobbie. The Chairman of the Audit Committee is 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 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 Invesco Perpetual 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.

Duties of the Audit Committee include discussing with the external Auditors the nature and scope of the audit and reviewing the external Auditors' quality control procedures; considering the scope of work undertaken by the Manager's internal audit and compliance department; 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 statements 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 Auditors' independence and objectivity with particular regard to the provision of non-audit services. The provision of non-audit services is also subject to prior Board approval. The Audit Committee of the Board meets the external Auditors 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 Auditors for the forthcoming year and to authorise the Directors to determine the level of Auditors' remuneration.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 842 status), the relationship with and the performance of third party service providers (such as the registrars and custodians). In the year to 31 March 2009 the Audit Committee discharged its responsibilities by, among other things:

- Reviewing the Company's draft annual and half-yearly financial reports prior to Board approval and reviewing the external Auditors' reports thereon;
- Reviewing the appropriateness of the Company's accounting policies;
- Reviewing the potential impact of any new Financial Reporting Standards;
- Reviewing and approving the audit fee and reviewing any non-audit fees payable to the Company's external Auditors;

CORPORATE GOVERNANCE STATEMENT

continued

- Reviewing the external Auditors' terms of engagement;
- Reviewing the external Auditors' plan for the audit of the Company's financial statements;
- Reviewing the external Auditors' quality control procedures;
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditors' independence and objectivity;
- Recommending the re-appointment of the external Auditors to the Board;
- Review of the internal financial and non-financial controls and risk management systems with the Manager against risk parameters approved by the Board; and
- Considering the scope of work undertaken by the Manager's internal audit and compliance departments.

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 Auditors.

The Audit Committee has received satisfactory reports on the Manager's internal operations from the Manager's Compliance and Internal Audit departments.

The Audit Committee has reviewed the financial statements for the year ended 31 March 2009 with the Manager and the Auditors 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.

Auditors Non-Audit Services

The Company's policy is not to seek substantial non-audit services from its auditors. The Audit Committee considers whether the skills and experience of the auditors make them a suitable supplier of the non-audit service and whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the auditors.

Apart from the normal audit-related services, during the year the Company's auditors also provided tax compliance services, a review of the management accounts on the date of the change of Manager, a review of the half-yearly financial report and a review of the Annual Certificate of Compliance to the Trustee of the Debenture Stock. Details are set out in note 4 to the financial statements.

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 report, 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 at the Stock Exchange of the net asset value of the Company's ordinary shares and by a monthly fact sheet produced by the Manager. At each AGM, a presentation is made by the Fund Manager following the business of the Meeting and shareholders have the opportunity to communicate directly with the whole Board.

There is a regular dialogue between the Manager and 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 institutional and other 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.

It is the intention of the Board that the Annual Financial Report and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or otherwise in writing to the Company Secretary at the address given on page 14. At other times, the Company responds to letters from shareholders on a range of issues.

Shareholders can also visit the Manager's investment trust website at www.invescopetual.co.uk/investmenttrusts in order to access copies of half-yearly and annual financial reports; interim management statements; shareholder circulars; Company factsheets and Stock Exchange announcements. Shareholders can also access various Company reviews and information such as an overview of UK equities and the Company's share price. Shareholders are also able to access copies of the schedule of matters reserved for the Board and the terms of reference of the Audit, Management Engagement and Nomination Committees, following any shareholders' general meetings, proxy voting results.

Institutional Voting

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 and are not simply passed back to the company concerned for discretionary voting by its chairman.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

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 that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 (as and when updated by the Companies Act 2006). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, to the best of their knowledge, state that:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Report of the Directors 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.

Scott Dobbie
Chairman



Signed on behalf of the Board of Directors

8 June 2009

Electronic Publication

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE EDINBURGH INVESTMENT TRUST PLC

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We have audited the financial statements of The Edinburgh Investment Trust for the year ended 31 March 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Directors' Responsibility Statement on page 36.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and the Manager's Report that is cross referenced from the Business Review section of the Report of the Directors. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

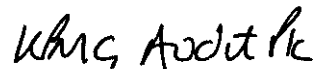
INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its total return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



KPMG Audit Plc

Chartered Accountants

Registered auditor

Edinburgh

8 June 2009

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	REVENUE £'000	2009 CAPITAL £'000	TOTAL £'000	REVENUE £'000	2008 CAPITAL £'000	TOTAL £'000
Losses on investments	9(c)	—	(274,429)	(274,429)	—	(163,699)	(163,699)
Foreign exchange loss		—	(4)	(4)	(6)	(3)	(9)
Income	2	48,241	—	48,241	51,723	—	51,723
Investment management fee	3	(994)	(5,739)	(6,733)	(1,112)	(2,596)	(3,708)
VAT recovered on management fees	3	591	1,378	1,969	—	—	—
Other expenses	4	(725)	(58)	(783)	(705)	—	(705)
Net return before finance costs and taxation		47,113	(278,852)	(231,739)	49,900	(166,298)	(116,398)
Finance costs	5	(5,850)	(13,651)	(19,501)	(5,850)	(13,651)	(19,501)
Return on ordinary activities before tax		41,263	(292,503)	(251,240)	44,050	(179,949)	(135,899)
Tax on ordinary activities	6	(134)	—	(134)	(276)	—	(276)
Return on ordinary activities after tax for the financial year		41,129	(292,503)	(251,374)	43,774	(179,949)	(136,175)
Return per ordinary share							
Basic	7	21.0p	(149.5)p	(128.5)p	21.4p	(88.0)p	(66.6)p

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 1 April 2007	53,875	6,639	19,580	1,070,816	54,317	1,205,227
Dividends paid – note 8	—	—	—	—	(40,522)	(40,522)
Net return on ordinary activities	—	—	—	(179,949)	43,774	(136,175)
Repurchase of shares	(4,301)	—	4,301	(83,492)	—	(83,492)
Balance at 31 March 2008	49,574	6,639	23,881	807,375	57,569	945,038
Dividends paid – note 8	—	—	—	—	(39,062)	(39,062)
Net return on ordinary activities	—	—	—	(292,503)	41,129	(251,374)
Repurchase of shares	(795)	—	795	(13,202)	—	(13,202)
Balance at 31 March 2009	48,779	6,639	24,676	501,670	59,636	641,400

The accompanying notes are an integral part of these statements.

BALANCE SHEET FOR THE YEAR ENDED 31 MARCH

	NOTES	2009 £'000	2008 £'000
Fixed assets			
Investments held at fair value through profit or loss	9(a)	839,462	1,064,645
Current assets			
Debtors	10	5,698	10,733
Cash and cash funds		5	78,045
		5,703	88,778
Creditors: amounts falling due within one year	11	(5,447)	(12,029)
Net current assets		256	76,749
Total assets less current liabilities		839,718	1,141,394
Creditors: amounts falling due after more than one year	12	(196,607)	(196,356)
Provision	13	(1,711)	—
Net assets		641,400	945,038
Capital and reserves			
Share capital	14	48,779	49,574
Share premium	15	6,639	6,639
Capital redemption reserve	15	24,676	23,881
Capital reserve	15	501,670	807,375
Revenue reserve	15	59,636	57,569
Shareholders' funds		641,400	945,038
Net asset value per ordinary share			
Basic	16	326.99p	474.74p

These financial statements were approved and authorised for issue by the Board of Directors on 8 June 2009.

Signed on behalf of the Board of Directors



Scott Dobbie
Chairman

The accompanying notes are an integral part of this statement.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2009 £'000	2008 £'000
Cash inflow from operating activities	17(a)	48,455	46,435
Servicing of finance	17(b)	(19,250)	(19,250)
Capital expenditure and financial investment	17(b)	(52,386)	149,099
Equity dividends paid	8	(39,062)	(40,522)
Net cash (outflow)/inflow before management of liquid resources and financing		(62,243)	135,762
Management of liquid resources	17(b)	52,601	(52,601)
Financing	17(b)	(15,793)	(85,595)
Decrease in cash		(25,435)	(2,434)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash		(25,435)	(2,434)
Cashflow from movement in liquid resources		(52,601)	52,601
Exchange movements		(4)	57
Debenture stock non-cash movement		(251)	(251)
Movement in net debt in the year		(78,291)	49,973
Net debt at beginning of year		(118,311)	(168,284)
Net debt at end of year	17(c)	(196,602)	(118,311)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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

(i) *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 2009.

(ii) *Changes to presentation*

Following the publication of the new SORP and technical guidance by the Institute of Chartered Accountants in England and Wales in Tech 01/08, capital reserves are now shown in aggregate in the balance sheet and the reconciliation of movements in shareholders' funds. This has no effect on either the net assets or earnings of the Company.

(b) Foreign currency

(i) *Functional and presentation currency*

The financial statements are presented in sterling, which is the Company's functional and presentation 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.

(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 interests 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 of financial assets and financial liabilities*

The Company designates all financial assets at 'fair value through profit or loss'. Financial liabilities are designated at 'fair value through profit or loss' or 'other financial liabilities'. The designation depends on the purpose for which the financial liability was acquired. The designation of financial instruments is determined on initial recognition.

(1) Fair value through profit or loss

A financial asset or financial liability is designated in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivative financial instruments are also included in this category.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and are subsequently carried at fair value, which for listed investments is their bid value.

(2) Other financial liabilities

Other 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, with interest expense recognised on an effective yield basis.

(vi) Unlisted/illiquid investments

Where there is no active market, unlisted/illiquid investments are valued at valuations determined by the Directors using an appropriate valuation technique, such as earnings multiples, recent transactions, cashflow and net assets.

(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 revenue or capital 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 accrual 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 from capital returns on the portfolio.

Expenses in connection with the change of manager and transaction costs are recognised in 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 UK 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal accounting policies (continued)

(g) Taxation (continued)

A deferred tax asset has not been recognised in respect of surplus management expenses, losses on loan relationships and eligible unrelieved foreign tax, as the Company is unlikely to have sufficient future taxable revenue to offset against these.

(h) Dividends

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.

2. Income

	2009 £'000	2008 £'000
Income from listed investments		
UK dividends	42,307	45,108
Scrip dividends	1,269	23
Overseas dividends	1,883	742
Income from money market funds	1,416	2,601
UK unfranked investment income – interest	116	—
Premium on call options	—	1,199
	46,991	49,673
Other income		
Deposit interest	854	1,980
Interest on VAT recovered on management fees (note 3)	251	—
Underwriting commission	118	46
Sundry income	27	24
Total income	48,241	51,723

3. Investment management fees

	2009			2008		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee	994	2,317	3,311	1,005	2,345	3,350
Performance fee	—	3,422	3,422	—	—	—
VAT suffered	—	—	—	107	251	358
	994	5,739	6,733	1,112	2,596	3,708

Details of the change of managers and the investment management agreements in place during the year are disclosed on page 23 in the Report of the Directors. At 31 March 2009 investment management fees totalling £589,000 (2008: £444,000) were due for payment together with a performance fee of £3,422,000 in respect of the period 15 September 2008 to 31 March 2009 (2008: no performance fee).

With effect from late 2007 no VAT has been payable on management or performance fees. An amount of £1,969,215 has been recognised in these accounts in respect of VAT recovered on management fees paid to the previous manager, Fidelity Investments International. The recovered VAT has been credited £590,765 to revenue and £1,378,450 to capital, in the same proportion as originally charged to the income statement. Interest recovered thereon of £250,620 has been recognised wholly in revenue.

4. Other expenses

	REVENUE £'000	2009 CAPITAL £'000	TOTAL £'000	REVENUE £'000	2008 CAPITAL £'000	TOTAL £'000
Other expenses	725	58	783	705	—	705
Other expenses include the following:						
Director's fees	171	—	171	171	—	171
Fees payable to the Company's auditor in relation to:						
– the audit of the financial statements	23	—	23	22	—	22
– for other services	6	8	14	5	—	5

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

Fees payable to the Company's auditor for other services relate to the auditors' 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, and the auditor's review in connection with the change of manager, which is recognised in capital. Fees payable to the Company's auditor are shown excluding VAT, which is included in other expenses.

All the expenses charged to capital arise from the change of Manager.

5. Finance costs

	REVENUE £'000	2009 CAPITAL £'000	TOTAL £'000	REVENUE £'000	2008 CAPITAL £'000	TOTAL £'000
Interest payable on borrowings repayable not by instalments:						
Debenture stocks repayable after 5 years	5,775	13,475	19,250	5,775	13,475	19,250
Amortised debenture stock discount and issue costs	75	176	251	75	176	251
	5,850	13,651	19,501	5,850	13,651	19,501

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Taxation

(a) Current tax charge

	2009 £'000	2008 £'000
Overseas tax	134	276

(b) Reconciliation of current tax charge

	2009 £'000	2008 £'000
Total return on ordinary activities before taxation	(251,240)	(135,899)
UK Corporation Tax rate of 28% (2008: 30%)	(70,347)	(40,770)
Effect of:		
– Losses on investments	76,840	49,110
– Losses on foreign exchange movements	1	1
– UK dividends which are not taxable	(12,201)	(13,539)
– Excess expenses for the year carried forward	5,707	5,198
– Overseas tax	134	276
Current tax charge for the period	134	276

(c) Factors that may affect future tax changes

The Company has surplus management expenses and losses on loan relationships of £247,572,000 (2008: £227,186,000) and eligible unrelieved foreign taxation of £391,000 (2008: £197,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of these expenses since the directors believe that there will be no taxable profits in the future against which the deferred tax assets can be offset.

7. Return per ordinary share

The basic, capital and total returns per ordinary share are based on each return on ordinary shares after tax and on 195,657,784 (2008: 204,452,781) ordinary shares, being the weighted average number of shares in issue during the year.

8. Dividends

	2009		2008	
	pence	£'000	pence	£'000
Dividends paid and recognised in the year:				
Third interim paid in respect of previous year	4.75	9,441	4.40	9,444
Final paid in respect of previous year	5.65	11,085	5.65	12,028
First interim paid	4.75	9,268	4.75	9,601
Second interim paid	4.75	9,268	4.75	9,449
	19.90	39,062	19.55	40,522
Dividends on shares payable in respect of the year:				
First interim paid	4.75	9,268	4.75	9,601
Second interim paid	4.75	9,268	4.75	9,449
Third interim	4.75	9,268	4.75	9,441
Proposed final	6.15	12,000	5.65	11,085
	20.40	39,804	19.90	39,576

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

9. Investments

(a) Analysis of investments by listing status

	2009 £'000	2008 £'000
Investments listed on recognised stock exchange	830,905	1,064,645
Unlisted Investments	8,557	—
	839,462	1,064,645

(b) Analysis of investments gains and losses

	2009 £'000	2008 £'000
Opening book cost	1,101,597	1,163,153
Opening unrealised (depreciation)/appreciation	(36,952)	211,065
Opening valuation	1,064,645	1,374,218
Movements in year:		
Purchases at cost	866,951	475,726
Sales – proceeds	(817,705)	(621,600)
– net realised (losses)/gain on sales	(172,437)	84,318
Movement in unrealised	(101,992)	(248,017)
Closing valuation	839,462	1,064,645
Closing book cost	978,406	1,101,597
Closing unrealised depreciation	(138,944)	(36,952)
Closing valuation	839,462	1,064,645

Included in the above investments are investments held at Directors' valuation of £8,557,000 (2008: £nil) following a purchase of £13,257,000 (2008: £nil) in the year. There were no other movements in the unlisted investments during this or the preceding year.

(c) Gains/(losses) on investments

	2009 £'000	2008 £'000
Realised (losses)/gains on sales	(172,437)	84,318
Movement in unrealised	(101,992)	(248,017)
Losses on investments	(274,429)	(163,699)

(d) Transaction costs

Transaction costs on purchases of £3,533,000 (2008: £2,613,000) and on sales of £339,000 (2008: £521,000) are included within gains and losses on investments.

(e) Significant holdings

At 31 March 2009 the Company had holdings of 3% or more of the class of issued share capital in the following investments, both of which are incorporated in England and Wales:

<i>Name of undertaking</i>	<i>Class of capital</i>	<i>% of class held</i>
Raven Russia	Preference shares	5.6
Barclays Bank	Nuclear Power Notes 28 February 2019	4.4

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Debtors

	2009 £'000	2008 £'000
Amounts due from brokers	—	1,415
Prepayments and accrued income	5,698	9,318
	5,698	10,733

11. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Amounts due to brokers	15	5,839
Interest due on debenture stocks	2,836	2,836
Accruals	2,596	763
Amount payable on share repurchases	—	2,591
	5,447	12,029

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

	2009 £'000	2008 £'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	(3,393)	(3,644)
	196,607	196,356

Both debentures are secured by a floating charge on the Company. 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

	2009 £'000	2008 £'000
Performance-related fee:		
Charge in the year	1,711	—
Closing provision	1,711	—

Details of the performance fee are given in the Report of the Directors.

14. Share capital

	2009		2008	
	NUMBER	£'000	NUMBER	£'000
Authorised				
Ordinary shares of 25p each	316,099,929	79,025	316,099,929	79,025
Allotted, called-up and fully paid:				
Ordinary shares of 25p each	195,116,734	48,779	198,294,748	49,574

During the year the Company bought back and cancelled the following ordinary shares:

	NUMBER	£'000
As at 31 March 2008	198,294,748	49,574
Buy backs	(3,178,014)	(795)
At 31 March 2009	195,116,734	48,779

Details of the share buy backs are given in the Report of Directors on page 17.

15. Reserves

	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000
At 1 April 2008	6,639	23,881	807,375	57,569
Net losses on disposals of investments	—	—	(172,437)	—
Movement in unrealised depreciation on investments	—	—	(101,992)	—
Management fees charged to capital	—	—	(2,317)	—
Performance fee charged to capital	—	—	(3,422)	—
VAT recovered on management fees	—	—	1,378	—
Finance costs charged to capital	—	—	(13,651)	—
Other costs to capital	—	—	(58)	—
Share buy backs	—	795	(13,202)	—
Exchange differences	—	—	(4)	—
Equity dividends paid in the year	—	—	—	(39,062)
Revenue return for the year	—	—	—	41,129
At 31 March 2009	6,639	24,676	501,670	59,636

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/(losses), being the difference between cost and market value at the balance sheet date, totalling a loss of £138,944,000 (2008: loss of £36,952,000). The capital reserve is non-distributable however, it can be used to fund share buy backs.

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

NOTES TO THE FINANCIAL STATEMENTS

continued

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:

	2009		2008	
	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000
Shareholders' funds	328.73	641,400	476.58	945,038
Less: Unamortised discount and expenses arising from debenture issue	(1.74)	(3,393)	(1.84)	(3,644)
NAV – debt at par	326.99	638,007	474.74	941,394

(b) NAV – debt at market value

The market value of the debenture stocks is determined by reference to the daily closing price. This is the Bloomberg closing price, subject to review against other 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:

	2009		2008	
	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000
NAV – debt at par	326.99	638,007	474.74	941,394
Debt at par	102.50	200,000	100.86	200,000
Debt at market value				
– 11½% Debenture Stock 2014	(69.73)	(136,054)	(66.71)	(132,291)
– 7¼% Debenture Stock 2022	(66.20)	(129,170)	(60.36)	(119,683)
NAV – debt at market value	293.56	572,783	448.53	889,420

The number of ordinary shares in issue at the year end was 195,116,734 (2008: 198,294,748).

17. Notes to the cash flow statement

(a) Reconciliation of operating loss to operating cash flows

	2009 £'000	2008 £'000
Total return before finance costs and taxation	(231,739)	(116,398)
Scrip dividends received as income	(1,269)	(23)
Adjustment for losses on investments	274,429	163,699
Adjustment for exchange losses/(gains)	4	—
Decrease/(increase) in debtors	3,620	(15)
Increase/(decrease) in creditors and provisions	3,544	(552)
Tax on unfranked investment income	(134)	(276)
Net cash inflow from operating activities	48,455	46,435

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

	2009 £'000	2008 £'000
Servicing of finance		
Interest paid on debenture stocks	(19,250)	(19,250)
Net cash outflow from servicing of finance	(19,250)	(19,250)
Capital expenditure and financial investment		
Purchase of investments*	(871,506)	(475,734)
Sale of investments	819,120	624,890
Exchange movements	—	(57)
Net cash (outflow)/inflow from capital expenditure and financial investments	(52,386)	149,099
Management of liquid resources		
Cash movement on cash funds and short-term deposits	52,601	(52,601)
Net cash inflow/(outflow) from management of liquid resources	52,601	(52,601)
Financing		
Shares bought back and cancelled	(15,793)	(85,595)
Net cash outflow from financing	(15,793)	(85,595)

*Includes scrip dividends received as income.

(c) Analysis of changes in net debt

	1 APRIL 2008 £'000	CASH FLOW £'000	EXCHANGE MOVEMENTS £'000	DEBENTURE STOCK NON-CASH MOVEMENT £'000	31 MARCH 2009 £'000
Cash	25,444	(25,435)	(4)	—	5
Cash funds and short-term deposits	52,601	(52,601)	—	—	—
Debentures	(196,356)	—	—	(251)	(196,607)
Net debt	(118,311)	(78,036)	(4)	(251)	(196,602)

NOTES TO THE FINANCIAL STATEMENTS

continued

18. Risk management and financial instruments

Financial instruments

The Company's financial instruments mainly comprise its investment portfolio (as shown on pages 11 and 12) 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.

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 meet 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. Those related to financial instruments include market risk, liquidity risk and credit risk. These policies are summarised below and have remained substantially unchanged for the two years under review.

The main risk that the Company faces arising from its financial instruments is market risk – this risk is reviewed in detail below. Since the Company invests mainly in UK equities traded on the London Stock Exchange, liquidity risk and credit risk are not significant.

Liquidity risk is minimised as the majority of the Company's investments comprise a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the Company has a £15 million overdraft facility which it can use to provide short-term funding flexibility.

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

Market risk

The fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Looking at the components parts of market risk, currency risk is minimal as the Company's financial instruments are mainly denominated in sterling. For the remaining two components of market risk, the Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk for the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance, as disclosed in the Board Responsibilities on page 32. The debentures provide structural gearing which is used to enhance returns, however, this will also increase the Company's exposure to market risk and volatility.

1. 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, JPMorgan Chase.

The Company has an uncommitted bank overdraft facility of £15 million, which it uses for settlement purposes. At the year end drawings on the Company's overdraft were nil (2008: nil).

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 and at the year end the level of exposure was £21.2 million.

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.

	2009			2008		
	WITHIN	MORE		WITHIN	MORE	
	ONE YEAR	THAN		ONE YEAR	THAN	
	£'000	FIVE	TOTAL	£'000	FIVE	TOTAL
		YEARS	£'000		YEARS	£'000
Exposure to floating interest rates:						
Investments at fair value through profit or loss	—	8,557	8,557	—	—	—
Cash and money market funds	5	—	5	25,444	—	25,444
Exposure to fixed interest rates:						
Investments at fair value through profit or loss	—	12,692	12,692	—	—	—
Debentures	—	(196,607)	(196,607)	—	(196,356)	(196,356)
Total exposure to interest rates	5	(175,358)	(175,353)	25,444	(196,356)	(170,912)

The nominal interest rates on the investments at fair value through profit or loss are shown in the portfolio statement on pages 11 and 12. The weighted average effective interest rate on these investments is 8.5% (2008: n/a as none held).

2. 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 would decrease by £84 million (2008: £106 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax would increase by the £84 million (2008: £106 million).

NOTES TO THE FINANCIAL STATEMENTS

continued

18. Risk management and financial instruments (continued)

Values of financial assets and financial liabilities

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

	BOOK VALUE 2009 NUMBER	FAIR VALUE 2009 £	BOOK VALUE 2008 NUMBER	FAIR VALUE 2008 £
Debentures repayable in more than 5 years:				
11½% Debenture Stock 2014	100,000	136,054	100,000	132,291
7½% Debenture Stock 2022	100,000	129,170	100,000	119,683
Discount on issue of debentures	(3,393)	—	(3,644)	—
	196,607	265,224	196,356	251,974

Incorporating the fair value of the debentures result in the reduction of the net asset value per ordinary share to 293.56p (2008: 448.53p).

Capital Management

The Company does not have any externally imposed capital requirements. The Company's capital is disclosed in the balance sheet and is managed on a basis consistent with its investment objective and policies, as disclosed in the Report of the Directors' on page 16. The principal risks and their management are discussed above.

19. Contingencies, guarantees and financial commitments

The Board expects the Company to receive additional refunds of VAT on management fees and interest thereon for earlier periods from Aberdeen Asset Management (who subsequently acquired Edinburgh Fund Managers). However, as the amounts involved and the timing of receipts is uncertain, no provision has been made in these accounts.

There were no other contingencies, guarantees or financial commitments of the Company at the year end (2008: £nil).

20. Related party transactions

Fidelity Investments International was the Manager and Secretary of the Company until 15 September 2008. Thereafter, Invesco Asset Management Limited ('IAML'), a wholly owned subsidiary of Invesco Limited, acted as Manager, Company Secretary and Administrator to the Company. Details of these services and fees, together with details of Directors' interests, are disclosed in the Report of the Directors. There are no other related party transactions.

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and twentieth 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, 17 July 2009 at 10.30 a.m., 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 2009;
2. To declare a final dividend on the ordinary shares;
3. To re-elect Mr Scott Dobbie as a Director of the Company;
4. To re-elect Mr Jim Pettigrew as a Director of the Company;
5. To re-elect Mr William Samuel as a Director of the Company;
6. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2009;
7. To re-appoint KPMG Audit Plc as Auditors of the Company;
8. 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 9 and 12 will be proposed as Ordinary Resolutions and 10, 11 and 13 as Special Resolutions:

9. THAT:

the Directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to exercise all powers of the Company to allot relevant securities (as defined in that Section) up to a nominal amount of £4,877,918 (being 10% of the issued ordinary share capital of the Company as at 8 June 2009), such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

10. THAT:

the Directors be and they are hereby empowered, in accordance with Section 95 of the Companies Act 1985 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to allot equity securities for cash, either pursuant to the authority given by resolution 9 set out above or (if such allotment is constituted of the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if Section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited:

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

NOTICE OF ANNUAL GENERAL MEETING

continued

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 a nominal amount of £4,877,918 (being 10% of the issued ordinary share capital of the Company as at 8 June 2009).

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

11. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ('the Act') to make market purchases (within the meaning of Section 163 of the Act) of the issued ordinary shares of 25p each in the capital of the Company ('Shares')

PROVIDED ALWAYS THAT:

- (a) the maximum number of Shares hereby authorised to be purchased shall be 29,247,998 ordinary shares (being 14.99% of the issued ordinary share capital of the Company as at 8 June 2009);
- (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 on 16 January 2011 if earlier, unless the authority is renewed at any other general meeting prior to such time; and
- (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

12. THAT the Objective and Investment Policy be changed from the current Objective and Investment Policy to:

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

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

The Company will generally invest only in companies quoted on a recognised stock exchange in the UK or in those which are about to enter the FTSE All-Share Index. The Company may invest up to 15% 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 permitted within the following constraints and is monitored carefully by the Board. The writing of covered calls, to a maximum of 10% of the value of the portfolio, is permitted and a maximum of 15% may be invested in FTSE 100 futures. Other derivative contracts may be employed subject to an aggregate of the above limits and to the prior approval of the Board.

13. THAT:

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

Explanatory Notes to Resolution 13

Notice of period for general meetings

This resolution will be decided on a poll (unless passed earlier on a show of hands without any vote being cast against). This resolution is required in contemplation of the EU Shareholder Rights Directive. It is expected that when this directive is brought into force, it will increase 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. For the latter to apply, a shareholder resolution reducing the period of notice to not less than 14 days must have been passed at the immediately preceding AGM.

Since at the time of printing this notice, it is not known whether any alleviating transitional provisions will be included in the legislation implementing the EU Shareholder Rights Directive, it is prudent to include this resolution in this year's AGM.

For an explanation of all Special Business please refer to the Chairman's Statement on page 7 and the Report of the Directors on pages 22 and 23.

Dated this 8th June 2009

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.

NOTICE OF ANNUAL GENERAL MEETING

continued

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and, on a poll, to vote in his stead. In order to be valid an appointment of proxy must be returned in hard copy form by post, by courier or by hand to the Company's Registrars, Equiniti Limited, The Edinburgh Investment Trust plc, Equiniti, Aspect House, Spencer Road, Lancing, BN99 6LR to be received by the Company not less than 48 hours before the time of the meeting.
2. A form of appointment of proxy is enclosed. Appointment of a proxy 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 notially certified copy thereof) must be lodged at the office of the Company's Registrars, Equiniti Limited, The Edinburgh Investment Trust plc, Equiniti, Aspect House, Spencer Road, Lancing BN99 6LR later than 10.30 a.m. on 15 July 2009.
3. A person entered on the Register of Members at 6 p.m. on 15 July 2009 ('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 at 6 p.m. on 15 July 2009.
4. The Register of Directors' Interests, the Terms of Reference of the Audit Committee and the Letters of Appointment for Directors will be available for inspection at the Company's AGM.
5. A copy of the Articles of Association are available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the Annual General Meeting and will also be available at the Annual General Meeting for at least 15 minutes prior and during the meeting.
6. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – <http://www.icsa.org.uk> – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
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. 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.
9. As at 8 June 2009 (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.

GLOSSARY OF TERMS

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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 term defines to the effect of borrowings which will increase the return on investments when the value of the Company's investments is rising but reduce the return when values are declining. A gearing level of 100 or 0% indicates there is no gearing.

Actual Gearing reflects the scale of borrowings in use by the Company at any particular time. It is calculated by dividing the aggregate of borrowings less cash and investments in money market funds by shareholders' funds.

Potential Gearing reflects the utilisation of the maximum of all arranged borrowings. It is calculated by dividing the aggregate of borrowings by 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.

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.

Total Expense Ratio

The total expenses excluding interest incurred by the Company, including those charged to capital, but excluding the effect of VAT refunds on management fees, as a percentage of average net assets (shareholders' funds).

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

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

Invesco Perpetual is one of the largest independent global investment management firms, with funds under management in excess of \$367 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 2009.

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust plc

Aims to generate a high level of income from a variety of fixed income instruments combined with a degree of security. The Trust 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 Trust 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 Trust is highly geared.

Invesco Perpetual Recovery Trust 2011 plc

A split-capital investment trust with ordinary income shares, zero dividend preference shares and units (a combination of the two). Aims to meet the capital entitlements of the zero dividend preference shares and to maximise the capital and income returns of the ordinary income shares by investing primarily in equities but also debt securities which are considered to offer recovery prospects. Returns to ordinary income shareholders are geared by the prior charge of the zero shares. The Trust has an initial life projected to end in 2011.

Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio

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

Invesco Perpetual Select Trust plc – UK Equity Share Portfolio

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

Invesco Property Income Trust Limited

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

Keystone Investment Trust plc

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

Perpetual Income and Growth Investment Trust plc

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

The Edinburgh Investment Trust plc

Invests in UK securities with long term objective of achieving:

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

The portfolio is geared by way of two debenture stocks.

Investing in Smaller Companies

Invesco English and International Trust plc

Invests mainly in UK-quoted and unquoted smaller companies, AIM stocks and in US smaller companies. It pursues a relatively risk-averse stock selection strategy holding a well-diversified portfolio and seeks to invest in companies offering particular value. The Trust has adopted a flexible gearing policy and a quarterly redemption/creation mechanism.

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 Trust may gear by bank debt.

Investing Internationally

Invesco Asia Trust plc

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

Invesco Perpetual Select Trust plc – Global Equity Share Portfolio

Aims to produce long-term capital growth from a sensibly diversified portfolio of international equities (including the UK). The portfolio comprises the 'best ideas' of a number of Invesco Perpetual's investment managers. The portfolio is geared by bank debt.

Investing for Absolute Returns

Invesco Perpetual European Absolute Return Trust plc

Aims to achieve absolute total returns through investment principally in equity, fixed interest and cash securities within continental Europe (ex. UK). Seeks to achieve returns in excess of sterling LIBOR.

Invesco Perpetual Select Trust plc – Hedge Fund Share Portfolio

Aims to achieve absolute return of 3-month sterling LIBOR plus 6% per annum over a rolling 5-year period, coupled with low volatility. Capital preservation is a priority.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Share Portfolio
- Global Equity Share Portfolio
- Managed Liquidity Share Portfolio
- Hedge Fund Share Portfolio

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

Other

Invesco Perpetual AIM VCT plc

The Company was launched in August 2004. Its objective is to provide a tax-free dividend return to shareholders invested at

launch primarily through the realisation of capital gains from a portfolio of investments in AIM Qualifying Companies while maintaining the capital value of shares.

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.