The Edinburgh Investment Trust plc

ANNUAL FINANCIAL REPORT
YEAR ENDED 31 MARCH 2016

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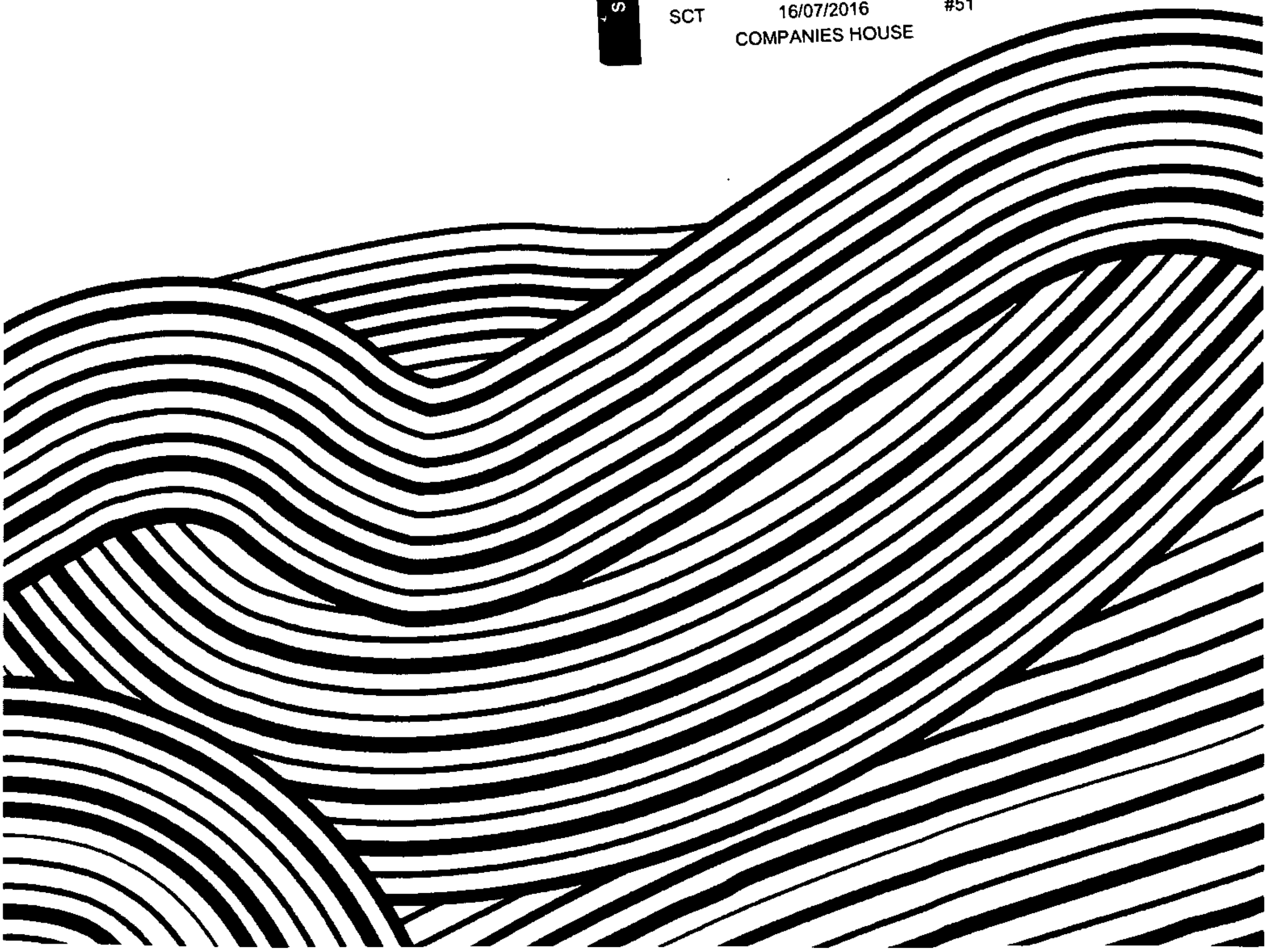
Annual Financial Report 2016



Investment Objective

The Edinburgh Investment Trust plc is an investment trust whose investment objective is to invest primarily in UK securities with the long term objective of achieving:

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

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the portfolio in securities listed on stock exchanges outside the UK. The portfolio is selected on the basis of assessment of fundamental value of individual securities and is not structured on the basis of industry weightings.

Nature of the Company

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 7), with the aim of spreading investment risk and generating a return for shareholders.

The Company uses borrowing to enhance returns to shareholders. This increases the risk to shareholders should the value of investments fall.

The Company has contracted with an external investment manager, Invesco Fund Managers Limited (the 'Manager'), to manage its investments and to provide the Company's general administration. Other administrative functions are contracted to other external service providers. The Company has a Board of non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment objective and policy is adhered to. The Company has no employees.

The Company's ordinary shares and debenture qualify to be considered as a mainstream investment products suitable for promotion to retail investors. The Company's ordinary shares are eligible for investment in an ISA.

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

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

Front Cover: Obsidian, volcanic, extrusive igneous rocks.

Contents

The Company is a member of

aic

The Association of Investment Companies

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Performance Statistics

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

Terms marked † are defined in the Glossary of Terms on page 61.

FOR THE YEAR TO 31 MARCH	2016 % CHANGE	2015 % CHANGE
Total Return† (capital growth with income reinvested)		
Net asset value† (NAV) total return(1):		
– debt at par	+4.2	+16.5
– debt at market value	+4.6	+16.2
Share price total return(1)	+4.0	+15.7
FTSE All-Share Index total return(1)	–3.9	+6.6

Capital Return†	AT 31 MARCH 2016	AT 31 MARCH 2015	% CHANGE
NAV:			
– debt at par	710.74p	704.23p	+0.9
– debt at market value	695.30p	686.07p	+1.3
Share price(1)	665.0p	662.0p	+0.5
FTSE All-Share Index(1)	3395.19	3663.58	–7.3
Discount/(premium)†:			
– debt at par	6.4%	6.0%	
– debt at market value	4.4%	3.5%	
Gearing† (at par):			
– gross gearing	12.9%	10.9%	
– net gearing	12.8%	10.9%	

FOR THE YEAR TO 31 MARCH	2016	2015	% CHANGE
Revenue Return			
Revenue return per share	26.7p	24.8p	+7.7
Dividends:			
– first interim	5.20p	5.00p	
– second interim	5.20p	5.10p	
– third interim	5.20p	5.15p	
– final proposed	8.75p	8.60p	
– total dividends	24.35p	23.85p	+2.1
Retail Price Index(1)	1.6%	0.9%	
Ongoing Charges Ratio†	0.61	0.61	

(1) Source: Thomson Reuters Datastream.

AT THE YEAR END	2016	2015
Dividend Yield	3.7%	3.6%

Historical Record – Last 10 Years

Year ended 31 March	Ordinary shareholders' funds £m	Shares (bought back)/ issued m	Per ordinary share at 31 March: Revenue return p	Dividend rate p	Net asset value p	Share price p	Discount (debt at par) %	Net gearing %	Gross gearing %
2007	1,205	(18.45)	18.1	18.85	557.5	481.0	13.7	14.3	16.6
2008	945	(17.20)	21.4	19.90	474.7	403.3	15.1	12.9	21.2
2009	641	(3.18)	21.0	20.40	327.0	292.5	10.5	31.2	31.2
2010	827	—	19.8	20.60	422.4	396.3	6.2	24.1	24.2
2011	894	—	23.0	22.99[1]	456.7	444.0	2.8	22.4	22.4
2012	982	—	22.1	22.00	502.0	497.6	0.9	20.3	20.4
2013	1,138	—	22.0	22.80	581.9	572.0	1.7	17.6	17.6
2014	1,228	—	23.2	23.50	628.2	594.0	5.4	15.7	16.3
2015	1,376	—	24.8	23.85	704.2	662.0	6.0	10.9	10.9
2016	**1,392**	**0.55**	**26.7**	**24.35**	**710.7**	**665.0**	**6.4**	**12.8**	**12.9**

Note: (1) Includes a special dividend of 2.19p arising on refunds of VAT on management fees.

Total Returns to 31 March

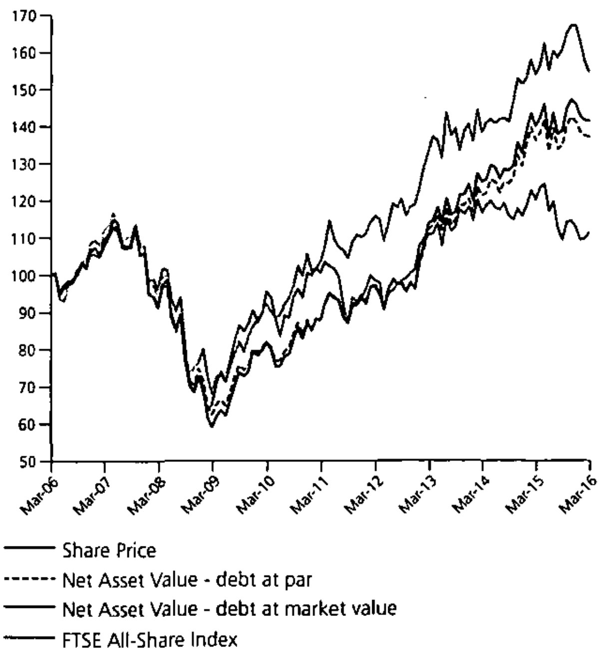
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	THREE YEARS	FIVE YEARS	TEN YEARS
NAV (debt at par) (%)	12.0	–11.7	–27.8	38.0	12.3	15.2	21.1	12.3	16.5	4.2	36.3	90.2	110.5
NAV (debt at market value) (%)	14.0	–13.3	–31.9	49.3	11.8	16.3	22.9	14.3	16.2	4.6	39.2	98.9	123.3
Share Price (%)	17.4	–12.6	–23.5	45.7	16.5	17.6	20.1	8.0	15.7	4.0	30.0	83.7	144.7
FTSE All-Share (%)	11.1	–7.7	–29.3	52.3	8.7	1.4	16.8	8.8	6.6	–3.9	11.4	31.9	58.3

Source: Thomson Reuters Datastream.

Capital Returns Over Ten Years

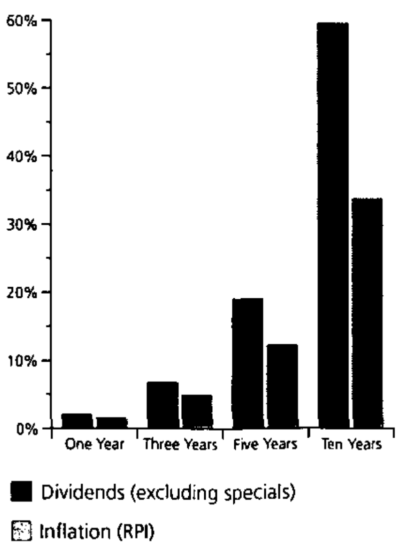
Figures rebased to 100 at 31 March 2006

Source: Thomson Reuters Datastream.



Cumulative Real Dividend Growth

Year to 31 March 2016



Jim Pettigrew

Dear Shareholder

I am pleased to be able to report strong investment performance during the year against both the Company's benchmark and peer group, outperforming the former by 8.5% (total return, debt at market value). This was despite a more challenging market background during the last quarter which featured a recovery in the fortunes of commodities, miners and oil stocks, most of which are not held in the portfolio. This performance and the conditions on both the economic and market fronts are discussed below.

The income generation of the portfolio remained solid, especially when viewed against FTSE All-Share companies – a number of which reduced their dividends. The Board is proposing a final dividend of 8.75p per share for the year which would result in a full year dividend of 24.35p per share, an increase of 2.1% year-on-year.

UK Equity Market

A gradual recovery of the UK economy continued in 2015 with, as in previous years, services leading the way with manufacturing and construction lagging behind.

The US is the only major economy where bank credit has returned to normal. By contrast, the Eurozone and Japan are still in the middle of extended programmes of quantitative easing intended mainly to keep interest rates low. The divergence in monetary policy of the US and UK on the one hand, and Europe and Japan on the other, imply probable further volatility in the currency, fixed income and equity markets this year.

The overall picture, therefore, is one in which both growth and inflation are likely to remain subdued for the foreseeable future with an extended period of ultra-low interest rates. Not many foresaw at the start of the global financial crisis in 2008 that it would take 10 years or more for markets and economies to return to normal but it seems as if it will. The prognosis for global and UK growth remains questionable with short-term uncertainties around the referendum unhelpful in this regard.

A review of the Company's portfolio in the context of this market background can be found in the Portfolio Manager's Report on pages 13 and 14.

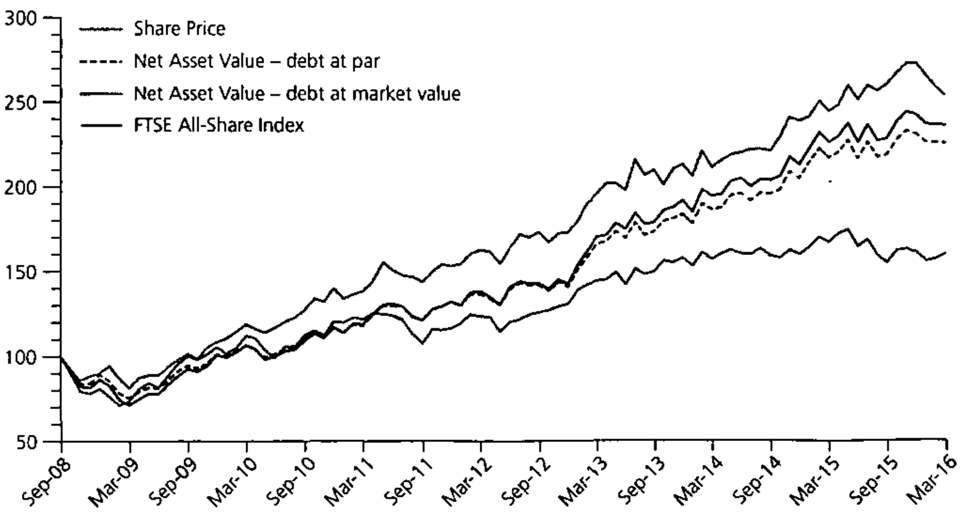
Investment Strategy

The portfolio manager has remained consistent in his approach in favouring good quality companies, many of which derive their income in US dollars and euros. This has proved beneficial

Total Returns Since Appointment of Invesco Perpetual on 15 September 2008

Figures rebased to 100 at 15 September 2008.

Source: Thomson Reuters Datastream.



both in terms of capital growth and in producing a growing income stream available for distribution to shareholders in the form of dividends. This strategy also enables the portfolio's outcome to be less dependent on the growth in UK consumption.

In this continuing low interest rate world, both the Board and portfolio manager remain acutely aware of the need to provide a growing dividend stream for shareholders and to ensure a measure of capital preservation whenever possible. The portfolio remains well balanced across the UK market cap spectrum and there have been some disposals and additions of new holdings, including specialist lenders. The overseas holdings have continued to contribute in both capital and income terms.

Performance for the Year

I am pleased to report the Company's good performance for the year, producing on a total return basis a net asset value (NAV) with debt at par of +4.2% versus a negative return of 3.9% for the FTSE All-Share Index (the 'Index'), the Company's benchmark. For the same period the NAV with debt at market returned +4.6% and the share price total return (with dividends reinvested) was +4.0%.

The portfolio continues to be concentrated in a relatively small number of stocks (54 at the year end) as well as sectors, and its overweight or underweight positions in various sectors continue to be material drivers of the Company's relative investment performance.

The Company's share price ended the year at 665p, an increase of 0.5% from the previous year end of 662p. With debt at market value, the discount moved out from 3.5% to 4.4%. This slight widening of discount was less marked than the trend of the peer group, the average discount of which widened from 2.5% to 4.5% over the same period. At 24 May 2016, the latest practical date before signing this report, the NAV (debt at par) and share price were respectively 712.14p and 695p, and the resultant discount was 2.4% and 0.2% (debt at market value).

Borrowings and Gearing

The Company's cost of borrowing has fallen substantially following the redemption in June 2014 of the £100 million 11½% debenture. The Company now has a mix of fixed and floating rate borrowings, comprising the old £100 million 7¾% debenture 2022 and the new 364 day credit facility. It is pleasing to see that the interest saving for this year alone – being the first full year without the 11½% debenture – was just over £10.5 million.

2016 Highlights

Total return[1]	
– Net asset value (debt at par)	+4.2%
– Net asset value (debt at market value)	+4.6%
– Share price	+4.0%
– FTSE All-Share Index	–3.9%
Dividend increase	+2.1%
Dividend yield	+3.7%

(1) Source. Thomson Reuters Datastream.

As I previously reported in the half-yearly financial report, during the year the Board, together with the portfolio manager, reviewed the Company's maximum level of flexible debt. Following this review, the facility was increased from £100 million to £150 million. As anticipated, the portfolio manager has used this new flexibility to manage actively the gearing of the portfolio during the year based on his assessment of risk and reward of the additional market exposure. Consequently, total borrowings have ranged from £150 million at the start of the year, to £180 million at the year end – the latter being equivalent to gearing of 12.9%.

Dividend

Income from the portfolio during the year was £58.9 million (2015: £56 million). Of this, £6.8 million, which is equal to 3.5p per share (2015: £7.0 million; 3.6p), was from special dividends. Theoretically special dividends are non-recurring; however, the Company has received a good flow of these dividends over the past few years and corporate results announced to date indicate that there will likely be more special dividends receivable for the year to 31 March 2017. The Board remains alert to the income requirement of the Company, and reviews the situation on a regular basis with the portfolio manager.

The Board is recommending a final dividend of 8.75p per share which, if approved at the AGM, will be paid on 29 July 2016 to shareholders on the Company's register on 10 June 2016. This increases the total dividend to 24.35p for the year, an increase of 0.5p on last year's total dividend of 23.85p. This represents an increase of 2.1% compared with the annual increase in the Retail Prices Index of 1.6%, and demonstrates the Company's commitment to its long-term objective of providing income growth which exceeds the rate of inflation.

CHAIRMAN'S STATEMENT
continued

Issued Share Capital

I am pleased to report that in order to satisfy demand in the market for the Company's shares, 550,000 new ordinary shares were issued during the year at an average price of 716.2p. There have been no further shares issued since the year end and as at the date of this report, the Company's issued share capital is 195,666,734 ordinary shares.

Outlook

As was the case this time last year, the path of the UK equity market has many obstacles to overcome. Globally there are a number of uncertainties including the strength and sustainability of the economic recovery, geo-political risks, the work-out of high debt levels in China and certain emerging markets, and the pace at which the US Federal Reserve will raise short term interest rates. These are exacerbated by the referendum on 23 June 2016 that will decide if the UK remains in or leaves the Eurozone, not to mention the US presidential election in November. Against this uncertain short-term backdrop, your Company's portfolio manager has decided that it would be unwise to alter the portfolio to favour one specific scenario over another. Portfolio turnover in this last year has been low and, as before, the portfolio manager continues to favour those companies that demonstrate the ability to grow market share, have a strong emphasis on and track record of growing dividends, and whose management is aligned with the interest of shareholders. Your Board continues to endorse this approach.

Jim Pettigrew
Chairman

25 May 2016

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

BUSINESS REVIEW

The Edinburgh Investment Trust plc is an investment company and its investment objective is set out below. The strategy the Board follows to achieve that objective is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are also set out below and have been approved by shareholders.

The business model the Company has adopted to achieve its investment objective has been to contract the services of Invesco Fund Managers Limited (the 'Manager') to manage the portfolio in accordance with the Board's strategy and under its oversight. The portfolio manager with individual responsibility for the day-to-day management of the portfolio is Mark Barnett.

Investment Objective and Policy

Investment Objective

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

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

Investment Policy

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the market value of the Company's investment portfolio, measured at the time of any acquisition, in securities listed on stock exchanges outside the UK. The portfolio is selected by the Manager on the basis of its assessment of the fundamental value available in individual securities. Whilst the Company's overall exposure to individual securities is monitored carefully by the Board, the portfolio is not primarily structured on the basis of industry weightings. No acquisition may be made which would result in a holding being greater than 10% of the market value of the Company's investment portfolio. Similarly, the Company may 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 may borrow money to provide gearing to the equity portfolio up to 25% of net assets.

Use of derivative instruments is monitored carefully by the Board and permitted within the following constraints: the writing of covered calls against securities which in aggregate amount to no more than 10% of the value of the portfolio and the investment in FTSE 100 futures which when exercised would equate to no more than 15% of the value of the portfolio. Other derivative instruments may be employed, subject to prior Board approval, provided that the cost (and potential liability) of exercise of all outstanding derivative positions at any time should not exceed 25% of the value of the portfolio at that time. The Company may hedge exposure to changes in foreign currency rates in respect of its overseas investments.

Results and Dividends

At the year end the share price was 665p per ordinary share (2015: 662p). The net asset value (debt at par) and net asset value (debt at market value) per ordinary share were 710.74p and 695.30p respectively. The comparative figures on 31 March 2015 were 704.23p and 686.07p.

Subject to approval at the AGM, the final proposed dividend for the year ended 31 March 2016 of 8.75p (2015: 8.60p) per ordinary share will be payable on 29 July 2016 to shareholders on the register on 10 June 2016. The shares will be quoted ex-dividend on 9 June 2016. This will give total dividends for the year of 24.35p per share, an increase of 2.1% on the previous year's dividends of 23.85p. The revenue return per share for the year was 26.7p, a 7.7% increase on the 2015 return of 24.8p.

Performance

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

STRATEGIC REPORT
BUSINESS REVIEW continued

YEAR TO 31 MARCH	2016	2015
Total Return:		
Net asset value (per share debt at par)[1]	+4.2%	+16.5%
Net asset value (per share debt at market value)[1]	+4.6%	+16.2%
Share price[1]	+4.0%	+15.7%
FTSE All-Share Index[1]	-3.9%	+6.6%
Discount to NAV (debt at par)	6.4%	6.0%
Discount to NAV (debt at market value)	4.4%	3.5%
Revenue return per share	26.7p	24.8p
Dividend per share	24.35p	23.85p
Yield (at year end)	3.7%	3.6%
Gross gearing	12.9%	10.9%
Ongoing charges ratio[2]	0.6	0.6

(1) Source: Thomson Reuters Datastream.
(2) Calculated in accordance with AIC Guidelines i.e. total ongoing expenses ÷ average NAV (debt at market value).

Past performance is not a guide to future returns.

The Chairman's Statement on pages 4 to 6 gives a commentary on the performance of the Company during the year, the gearing and the dividend.

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. For the year being reported, all KPIs are considered satisfactory.

The Board also regularly reviews the performance of the Company in relation to the 22 investment trusts in the UK Equity Income sector. As at 31 March 2016, the Company was ranked 5th by NAV performance in this sector over one year and 4th over both three and five years (source: JPMorgan Cazenove).

Analysis of Performance

TOTAL RETURN BASIS	FOR YEAR ENDED 31 MARCH 2016 %
Net asset value total return	4.2
Benchmark total return	(3.9)
Relative performance	8.1
Analysis of Relative Performance	
Portfolio total return	5.5
Less Benchmark total return	(3.9)
Portfolio outperformance	9.4
Borrowings:	
Net gearing effect	0.1
Interest	(0.7)
Management fee	(0.5)
Other expenses	(0.1)
Tax	(0.1)
Total	8.1

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

Relative performance – represents the arithmetic difference between the NAV and the benchmark.

Net gearing effect – measures the impact of the debenture stock, bank loan and cash on the Company's relative performance. This will be positive if the portfolio has positive performance.

Interest – arising from the debenture stock and bank loan reduces the assets available to invest and has a negative impact on performance.

Management fee – the base fee reduces the Company's net assets and decreases performance.

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

Effect of ordinary share issues – measures the effect of ordinary shares issued on the Company's relative performance.

Financial Position and Borrowings

The Company's balance sheet on page 39 shows the assets and liabilities at the year end. Borrowings at the year end comprised the £100 million 7¾% debenture which matures in 2022 and £80 million drawn down on the Company's £150 million (2015: £100 million) bank revolving credit facility. Details of this facility are contained in note 11.

The Company also has a bank overdraft facility of up to 10% of assets held by the custodian, which is available to facilitate settlement of short-term cash timing differences. As at 31 March 2016, none (2015: £0.2 million) was drawn down.

Outlook, including the Future of the Company

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Portfolio Manager's Report. Details of the principal risks affecting the Company follow.

Principal Risks and Uncertainties

The Company's key long-term investment objectives are an increase in the net asset value per share in excess of the growth in the FTSE All-Share Index (the 'benchmark') and an increase in dividends in excess of the growth in RPI. The principal risks and uncertainties facing the Company are an integral consideration when assessing the operations in place to monitor these objectives, including the performance of the portfolio, share price and dividends. The Board is ultimately responsible for the risk control systems but the day-to-day operation and monitoring is delegated to the Manager. The Board has carried out a robust assessment of the principal risks facing the Company and the following sets out a description of those risks and how they are being managed or mitigated.

Market Risk

A great majority of the Company's investments are traded on recognised stock exchanges. The principal risk for investors in the Company is a significant fall, and/or a prolonged period of decline in those markets. The Company's investments, and the income derived from them, are influenced by many factors such as general economic conditions, interest rates, inflation, political events, and government policies as well as by supply and demand reflecting investor sentiment. Such factors are outside the control of the Board and Manager and may give rise to high levels of volatility in the prices of investments held by the Company. The asset value and price of the Company's shares and its earnings and dividends may consequently also experience volatility and may decline.

Investment Performance Risk

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

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

As shown in the investment policy, derivatives may be used provided that the market exposure arising is less than 25% of the value of the portfolio. During the year, no forward currency contracts or derivatives were used for hedging or market exposure respectively.

Gearing and Borrowing Risk

The Company may borrow to provide gearing to the equity portfolio up to 25% of net assets. Borrowing is a mix of the Company's £100 million debenture stock and the Company's £150 million facility. Details of all borrowing is given in Notes 11 and 12. The principal gearing risk is that the level of gearing may have an adverse impact on performance. Secondary risks include whether the cost of borrowing is too high and whether the facility can be renewed on terms acceptable to the Company.

The Manager has full discretion over the amount of the borrowing it uses to gear its portfolio, whilst the issuance, repurchase or restructuring of borrowing are for the Board to decide. Information related to borrowing and gearing is provided to the Directors as part of the Board papers. Additionally, the Board keeps under review the cost of buying back the debt.

Income/Dividend Risk

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

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

Share Price Risk

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

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

Control Systems Risk

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

- good practice industry standards in fund management operations;
- financial controls;
- meeting regulatory requirements;
- the management of the relationship with the depositary;
- via the depositary, the management of the custody and security of the Company's assets; and
- the management of the relationship with the registrar.

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

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

Reliance on the Manager and other Third Party Providers

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

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

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

- The Manager monitors the performance of all third party providers in relation to agreed service standards on a regular basis, and any issues and concerns are dealt with promptly and reported to the Board. The Manager formally reviews the performance of all third party providers and reports to the Board on an annual basis.
- The Board reviews the performance of the Manager at every Board meeting and otherwise as appropriate. The Board has the power to replace the Manager and reviews the management contract formally once a year.
- The day-to-day management of the portfolio is the responsibility of the named portfolio manager. Mark Barnett is Head of UK Equities at Invesco Perpetual. He has worked in equity markets since 1992 and has been part of the UK equities team at Invesco Perpetual for 19 years.
- The risk that the portfolio manager might be incapacitated or otherwise unavailable is mitigated by the fact that he works within, and is supported by, the wider Invesco Perpetual UK Equity team.
- The Board has set guidelines within which the portfolio manager is permitted wide discretion. Any proposed variation outside these guidelines is referred to the Board and compliance with the guidelines and the guidelines themselves are reviewed at every Board meeting.

Other Risks

The Company may be exposed to other business, strategic and political risks in the future, as well as regulatory risks (such as an adverse change in the tax treatment of investment companies), and the perceived impact of the 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 credit, liquidity and concentration risks are adequately managed. Where an Invesco Group vehicle is utilised, it is assessed for suitability against other similar investment options.

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

The Manager is regulated by the Financial Conduct Authority and failure to comply with the relevant regulations could harm the Manager's reputation with a potential detrimental effect on the Company.

The Manager reviews compliance with investment trust tax conditions and other financial and regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from the service providers. The Manager's compliance and internal audit officers produce regular reports for review by the Company's Audit Committee.

Additionally, the depositary monitors stock, cash, borrowings and investment restrictions throughout the year. The depositary reports formally once a year and also has access to the Company Chairman and the Audit Committee Chairman if needed during the year.

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, anticipate and mitigate these risks, as far as possible.

Viability Statement

The Company is a collective investment vehicle rather than a commercial business venture and is designed and managed for long term investment. The Company's investment objective clearly sets this out. Long term for this purpose is considered by the Directors to be at least five years and accordingly they have assessed the Company's viability over that period. However, the life of the Company is not intended to be limited to that or any other period.

In assessing the viability of the Company, the Directors considered the principal risks to which it is exposed, as set out on pages 9 to 12, together with mitigating factors. The risks of failure to meet the Company's investment objective, and contributory market and investment risks, were considered to be of particular importance. The Directors also took into account: the investment capabilities of the portfolio manager; the business model of the Company, which has effectively been stress tested for many years through different and difficult market cycles; the liquidity of the portfolio, with nearly all investments being listed on the London Stock Exchange and readily realisable; the Company's borrowings – both long and short term – and the ability of the Company to meet these liabilities as they fall due; and the Company's annual operating costs.

Based on the above, and assuming there is no significant adverse change to the regulatory environment and tax treatment of UK investment trusts, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

Board Diversity

The Board considers diversity, including the balance of skills, knowledge, diversity (including gender) and experience, amongst other factors when reviewing its composition and appointing new directors, but does not consider it appropriate to establish targets or quotas in this regard. As a norm the Board comprises either five or six non-executive directors of which, at present, one is female. Summary biographical details of the Directors are set out on page 17. The Company has no employees.

Social and Environmental Matters

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. The Manager considers various factors when evaluating potential investments. While a company's policy towards the environment and social responsibility, including with regard to human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Manager does not necessarily decide to, or not to, make an investment on environmental and social grounds alone. The Company does not have a human rights policy, although the Manager does apply the United Nations Principles for Responsible Investment.

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not within the scope of the Modern Slavery Act 2015.

Mark Barnett

PORTFOLIO MANAGER'S REPORT

Market Review

The UK equity market was volatile over the 12 months under review, notably towards the end of the period. The FTSE All-Share Index reached an all-time high in April 2015, only to hit its lowest level since 2012 some 10 months on. Intra-day market activity was additionally characterised by some particularly sharp index moves, with a low volume of shares traded.

The swings in stock market sentiment were largely driven by concerns over a slowing Chinese economy and the global economic outlook, the actions of central banks and movements in commodity prices. The strong start to the period was driven by the introduction of quantitative easing in the Eurozone and further stimulus from Japan. However, equity market sentiment swung sharply negative as concerns grew over the impact of the strengthening US dollar on emerging market debt and the deflationary impact of a possible devaluation of the Chinese Yuan.

A strong year-end stock market rally followed the first increase in US interest rates for seven years. However, the start of 2016 saw the FTSE All-Share Index fall sharply to a multi-year low, as commodity prices hit 10 year lows, and oil and mining companies cut profit guidance and, in some cases, dividends. Confirmation of the Brexit referendum date had little impact on the market, but did lead to weakness in sterling. The market turbulence moderated as oil and metal prices showed some recovery and the European Central Bank surprised financial markets by cutting interest rates in the Eurozone to zero and stepping up the pace of quantitative easing. Nevertheless, worries persisted over the profitability of banks in a zero interest rate world. Towards the end of the Company's financial year the Chairman of the US Federal Reserve, Janet Yellen, provided a boost to equities by stating that the US central bank should proceed cautiously with interest rate rises, causing a welcome weakening in the US dollar.

Portfolio Strategy and Review

The Company's net asset value, including reinvested dividends, rose by 4.2% during the year under review, compared with a total negative return of 3.9% by the FTSE All-Share Index.

Against a highly volatile market backdrop, the key contributors to the Company's outperformance of its benchmark index were the holdings in the tobacco sector. All four, namely Reynolds American, British American Tobacco, Imperial Brands and Altria, delivered strongly positive returns over the period under review, with Reynolds' shares rising by over 55%. Reynolds concluded the purchase of US tobacco company Lorillard in June 2015 and the company is beginning to see the benefits of this acquisition, with cost and revenue synergies emerging from the process of integration. Dividend growth and profit margins remain healthy across all the tobacco majors, in spite of the continuing volume decline, driven by product innovation, tobacco quality improvements and cost rationalisation.

Also contributing strongly to performance were certain investments in the financials sector. In March 2016, the London Stock Exchange announced a 'merger of equals' with Deutsche Boerse and saw its shares rise to a record high as New York Stock Exchange owner ICE said it may make a counter offer for the company. Earlier in the period Amlin, a Lloyds insurance market investment vehicle, agreed to a takeover from Japanese company Mitsui, resulting in a significant uplift to its share price. The share prices of Beazley and Hiscox, also in the non-life insurance sector, both rose on the back of positive results and amid growing takeover speculation. Meanwhile, the portfolio's long term holding in Provident Financial gained entry to the FTSE 100 index during the period, as the company delivered a sixth consecutive year of double-digit percentage dividend increases. The company reassured investors of the positive long term outlook for this specialist lending business.

Within the fixed line telecoms sector, BT announced its strongest revenue growth in over seven years and continued its expansion into mobile telephony, with its acquisition of EE gaining approval from the Competition & Markets Authority. Shareholders received further good news as it was confirmed that the company would not have to demerge or sell the Openreach fixed line infrastructure, as had been feared. TalkTalk Telecom, however, announced that it had been the victim of a cyber-attack. The shares were marked down in the weeks following the news, but stabilised towards the end of the period as it was confirmed that the impact of the attack had been less than originally suspected.

The portfolio continues to avoid any exposure to banks, where dividend prospects are still uncertain, and mining companies, where the medium term outlook for metals prices is still problematic. The zero weighting in the banking sector impacted positively on performance, while the zero weighting in the mining sector, where share prices demonstrated exceptional swings, was a positive over the period as a whole, but a negative over the final quarter.

Among the less successful investments during the period were support services businesses Capita and G4S. Capita's results led to a lowering of forecasts for organic growth and a higher interest charge while G4S has faced headwinds in its emerging market businesses and from provisions for its 'onerous' (unprofitable) contracts in the UK and from balance sheet concerns. The negative share price reactions have been unduly harsh, with the companies well positioned to deliver growth from their bid pipelines in a challenging macro-economic environment.

GAME Digital saw its shares fall sharply after an update on pre-Christmas trading, which confirmed that UK sales had fallen off sharply at the most critical time of year for the company. Sales in old format content have declined much faster than expected and, while sales of new generation content have remained strong, these were not enough to offset the fall. The company's sales in the Spanish market have remained strong.

Rolls-Royce published a negative trading update in November, forecasting that 2015 profits would be at the lower end of expectations and that demand would weaken in 2016. With visibility of future earnings growth showing no signs of improvement, the remainder of the holding in the company was sold, having reduced the position earlier in the year.

Also weighing on portfolio performance were the holdings in the travel & leisure sector, where sentiment has been overshadowed by terrorist events. Thomas Cook confirmed a challenging trading backdrop for 2016, although it has moved much of its summer capacity to the Western Mediterranean. EasyJet reported a reduction in revenue per seat – with the Paris bombing and the French air traffic control strikes having a short term impact.

In terms of portfolio activity, the Company's holding in Amlin was disposed of on acceptance of the bid from Mitsui. As mentioned above, the holding in Rolls-Royce was sold and holdings in GlaxoSmithKline, Serco and Workspace were also disposed of. New investments were made in BCA Marketplace, Circassia Pharmaceuticals, easyJet, Honeycomb, VPC Specialty Lending and Zegona Communications.

Outlook

The near term outlook for the UK stock market is likely to remain clouded by a muted macro-economic backdrop in the global economy and increased pressure on profitability in the corporate sector. The multiyear monetary policy of setting interest rates at close to zero has not stimulated capital investment. Rather, companies have contained costs, particularly wages, and have used low financing costs to buy back their own stock. Whilst good for profit margins and shareholder returns in the short term, the result has been a level of economic growth in the developed world which is below historic averages. Another side effect has been to widen income inequality in many developed market economies, prompting incumbent governments, increasingly wary of more populist movements, to redress the balance – measures have included increasing minimum wages and tackling corporate tax arbitrage. Combined with some natural wage pressure from tighter labour markets in the US, this is beginning to threaten corporate profit margins.

The collapse in energy prices and the relentless drive of digital technology have entrenched low inflation expectations such that, combined with the factors outlined above; the global economy faces an ongoing lack of pricing power. This in turn has restrained the level of turnover growth in many industries, while any rebound in energy prices or pick up in employment costs may not easily be passed on.

The overall implications for the UK stock market, which is highly global in its make-up, are that earnings growth in many sectors may disappoint. Given that valuations are not obviously cheap, overall returns from equities may be expected to be subdued for the time being. The volatility witnessed since the start of 2016, partly caused by nervousness over financial stability in China, is also likely to remain a feature of the investment landscape for the remainder of the year. The Company's portfolio has changed relatively little in recent months, as the current investments continue to demonstrate the ability to grow earnings and dividends in this challenging environment.

Mark Barnett
Portfolio Manager

The Strategic Report was approved by the Board of Directors on 25 May 2016.

Invesco Asset Management Limited
Company Secretary

INVESTMENTS IN ORDER OF VALUATION
AT 31 MARCH 2016

UK listed and ordinary shares unless stated otherwise
AIM Investments quoted on AIM

INVESTMENT	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Reynolds American – *US common stock*	Tobacco	97,249	6.2
British American Tobacco	Tobacco	86,029	5.5
Imperial Brands (formerly Imperial Tobacco)	Tobacco	77,540	5.0
BT Group	Fixed Line Telecommunications	67,948	4.4
AstraZeneca	Pharmaceuticals & Biotechnology	61,248	3.9
BAE Systems	Aerospace & Defence	60,996	3.9
Roche – *Swiss common stock*	Pharmaceuticals & Biotechnology	55,412	3.5
Altria – *US common stock*	Tobacco	55,226	3.5
BP	Oil & Gas Producers	54,497	3.5
Provident Financial	Financial Services	50,371	3.2
Ten Top Holdings		**666,516**	**42.6**
London Stock Exchange	Financial Services	42,378	2.7
Capita	Support Services	39,741	2.6
Legal & General	Life Insurance	39,681	2.5
RELX	Media	39,050	2.5
Babcock International	Support Services	37,663	2.4
Compass	Travel & Leisure	36,286	2.3
Hiscox	Non-life Insurance	34,709	2.2
SSE	Electricity	34,453	2.2
NewRiver Retail[AIM]	Real Estate Investment Trusts	34,017	2.2
BTG	Pharmaceuticals & Biotechnology	33,973	2.2
Twenty Top Holdings		**1,038,467**	**66.4**
Centrica	Gas, Water & Multiutilities	33,575	2.1
Rentokil Initial	Support Services	30,233	1.9
Shaftesbury	Real Estate Investment Trusts	28,386	1.8
Derwent London	Real Estate Investment Trusts	26,803	1.7
easyJet	Travel & Leisure	25,930	1.7
Smith & Nephew	Health Care Equipment & Services	24,448	1.6
Drax	Electricity	23,110	1.5
Beazley	Non-life Insurance	22,907	1.5
G4S	Support Services	21,044	1.3
TalkTalk Telecom	Fixed Line Telecommunications	20,443	1.3
Thirty Top Holdings		**1,295,346**	**82.8**
BCA Marketplace	Financial Services	20,015	1.3
Novartis – *Swiss common stock*	Pharmaceuticals & Biotechnology	19,505	1.3
Reckitt Benckiser	Household Goods & Home Construction	19,341	1.2
Lancashire	Non-life Insurance	16,302	1.1
Thomas Cook	Travel & Leisure	16,223	1.0
KCOM	Fixed Line Telecommunications	16,041	1.0
IP Group	Financial Services	14,752	1.0
Circassia Pharmaceuticals	Pharmaceuticals & Biotechnology	14,585	0.9
HomeServe	Support Services	14,564	0.9
P2P Global Investments	Equity Investment Instruments	13,884	0.9
Forty Top Holdings		**1,460,558**	**93.4**

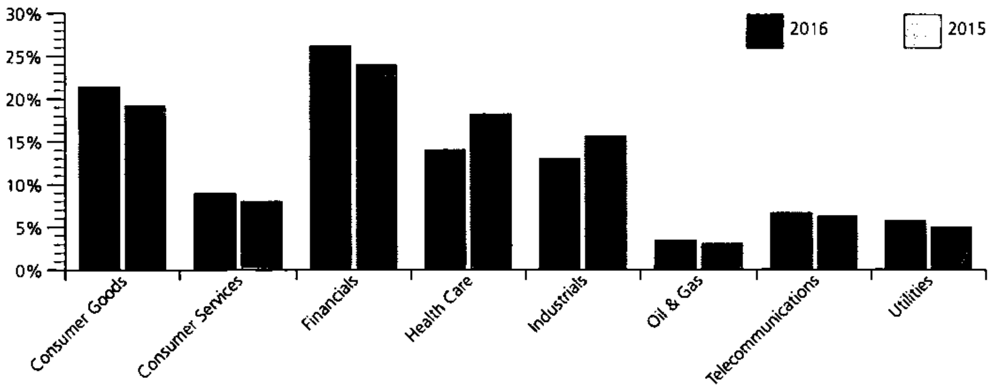
INVESTMENTS IN ORDER OF VALUATION

continued

INVESTMENT	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
N Brown	General Retailers	12,918	0.8
Zegona Communications	Non-Equity Investment Instruments	12,646	0.8
CLS	Real Estate Investment & Services	12,164	0.8
Burford Capital[AIM]	Equity Investment Instruments	12,097	0.8
Vectura	Pharmaceuticals & Biotechnology	11,719	0.8
GAME Digital	General Retailers	10,554	0.7
Redde[AIM]	Financial Services	8,341	0.5
Raven Russia – *Ordinary*	Real Estate Investment & Services	4,212	
– *Preference*		3,670	
		7,882	0.5
VPC Specialty Lending Investments	Financial Services	6,646	0.4
Honeycomb Investment Trust	Equity Investment Instruments	4,500	0.3
Fifty Top Holdings		**1,560,025**	**99.8**
Funding Circle SME	Equity Investment Instruments	2,754	0.2
Eurovestech – *Unquoted*	Financial Services	462	—
Proximagen – *Rights 12 Sep 2017 – Unquoted*	Pharmaceuticals & Biotechnology	173	—
Barclays Bank – *Nuclear Power Notes 28 Feb 2019*	Non-Equity Investment Instruments	120	—
Total Holdings (54)		**1,563,534**	**100.0**

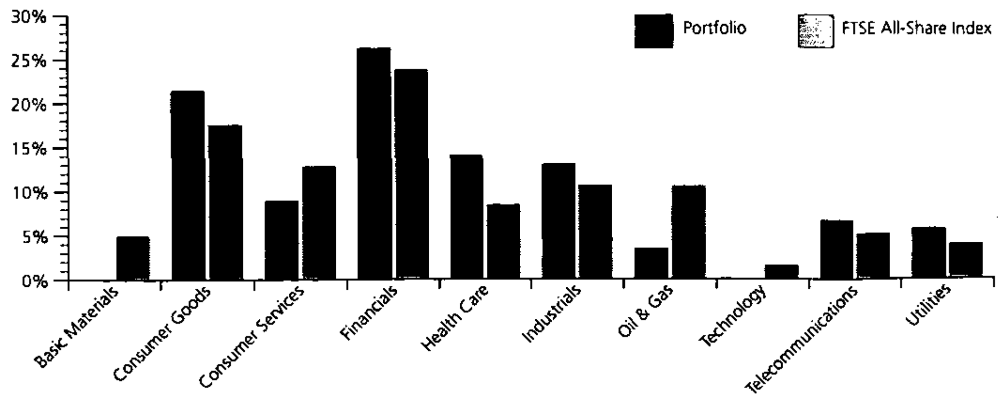
Analysis of Portfolio by Industry

As at 31 March 2016 and 2015



Comparison of Portfolio to FTSE All-Share Index by Industry

At 31 March 2016



DIRECTORS

Jim Pettigrew

Jim Pettigrew was appointed to the Board on 27 October 2005 and became the Chairman on 22 July 2011. He is a Chartered Accountant and is the immediate past President of the Institute of Chartered Accountants of Scotland. He is also a member of the Association of Corporate Treasurers. Following a number of finance function positions in Scotland and in London including Group Treasurer of Sedgwick Group plc, he was Group Finance Director of ICAP plc, a FTSE 100 company and the world's largest specialist inter-dealer broker from January 1999 to June 2006. He was Chief Operating and Financial Officer of Ashmore Group plc from 2006 to 2007 and Chief Executive Officer of CMC Markets plc from 2007 to 2009. He is currently Chairman of CYBG plc, the Senior Independent Director of Crest Nicholson Holdings plc and Deputy Chairman of Royal Bank of Canada Europe Limited. He was a Non-Executive Director of Aberdeen Asset Management plc from 2010 to 2016.

Gordon McQueen†

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

Victoria Hastings†

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

Glen Suarez†

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

Maxwell Ward†

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

Sir Nigel Wicks†

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

All Directors are independent and non-executive, and are members of the Management Engagement and Nomination Committees.

† Member of the Audit Committee

THE COMPANY'S GOVERNANCE FRAMEWORK

The Board and Committees

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an Investment Company it has no employees and outsources investment management to the Manager and administration to the Manager and other external service providers.

The Board

Chairman – Jim Pettigrew

Senior Independent Director – Sir Nigel Wicks

Four additional non-executive directors (NEDs)

Key responsibilities:

- to set strategy, values and standards;
- to provide leadership within a framework of prudent effective controls which enable risk to be assessed and managed; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee

All NEDs

Chairman
Jim Pettigrew

Key responsibilities:

- to review regularly the management contract and the performance of the Manager.

Audit Committee

All NEDs excluding Jim Pettigrew

Chairman
Gordon McQueen

Key responsibilities:

- to oversee the control environment and financial reporting;
- to make recommendation for the appointment of the auditor; and
- to review the performance of other service providers, including the auditor.

Nominations Committee

All NEDs

Chairman
Jim Pettigrew

Key responsibilities:

- to review regularly the Board's structure and composition and performance; and
- to make recommendations for any changes or new appointments.

Remuneration Committee Function

The Board as a whole performs this function

Key responsibilities:

- to set the remuneration policy of the Company.

The Portfolio Manager

The portfolio manager, Mark Barnett, is based in Henley-on-Thames. Mark is Head of UK Equities at Invesco Perpetual, specialising in UK equity income investing. Mark started his investment career in 1992 at Mercury Asset Management joined Perpetual in 1996. He graduated in French and Politics from Reading University in 1992 and has passed the associate examinations of the Association for Investment Management and Research (AIMR).

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

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

The Board has considered the principles and recommendations of the 2015 AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2014 UK Corporate Governance Code (UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The AIC Code is available from the Association of Investment Companies (www.theaic.co.uk). The UK Code is available from the Financial Reporting Council website (www.frc.org.uk).

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except the provisions relating to:

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

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of The Edinburgh Investment Trust plc, being an externally managed investment company with no executive employees. It considers an internal audit function unnecessary as the relevant issues are covered by the Manager's internal audit function. The Company has therefore not reported further in respect of these provisions.

Information on how the Company has applied the principles of the AIC Code and the UK Code is provided in the Directors' Report as follows:

- the composition and operation of the Board and its committees are summarised on pages 23 to 25, and pages 20 to 22 in respect of the Audit Committee;
- the Company's approach to internal control and risk management is summarised on page 26;
- the contractual arrangements with, and assessment of, the Manager are summarised on page 27;
- the Company's capital structure and voting rights are summarised on page 28;
- the most substantial shareholders in the Company are listed on page 29;
- the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 25. There are no agreements between the Company and its directors concerning compensation for loss of office; and
- powers to issue or buy back the Company's shares, which are sought annually, and any amendments to the Company's Articles of Association require a resolution to be passed by shareholders.

By order of the Board

Invesco Asset Management Limited
Company Secretary

Perpetual Park
Perpetual Park Drive,
Henley-on-Thames,
Oxfordshire RG9 1HH

25 May 2016

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 MARCH 2016

Committee Composition and Role

The Audit Committee comprises all the Directors with the exception of Jim Pettigrew, under my chairmanship.

The Committee has written terms of reference which clearly define its authority, meetings, duties and reporting. These were updated during the year, to ensure good practice and compliance with the latest AIC Code. They will be available for inspection at the AGM and can be inspected at the registered office of the Company or viewed on the Manager's website.

Audit Committee Duties include:

- consideration of the integrity of the annual and half-yearly financial reports prepared by the Manager, the appropriateness of the accounting policies applied and any financial judgements and key assumptions, together with ensuring compliance with relevant statutory and listing requirements;
- at the Board's request, advising it on whether the Committee believes the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy;
- evaluation of the effectiveness of the internal control systems and risk management systems, including reports received on the operational controls of the Company's service providers and the Manager's whistleblowing arrangements;
- consideration of the scope of work undertaken by the Manager's internal audit and compliance departments, monitoring and reviewing the effectiveness of the Manager's internal audit and reviewing the Company's procedures for detecting fraud; and
- management of the relationship with the external auditor, including evaluation of their reports and the scope, effectiveness, independence and objectivity of their audit, as well as making recommendations to the Board in respect of their appointment, reappointment and removal and for the terms of their audit engagement.

Audit Committee Activities

The Committee meets three times a year to review the internal financial and non-financial controls and, when applicable, the contents of the half-yearly and annual financial reports, including accounting policies. In addition, the Committee reviews the auditor's independence, objectivity and effectiveness, the quality of the services provided to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk management processes. Representatives of the Manager's Compliance and Internal Audit Departments attend at least two meetings each year. Representatives of the auditor, KPMG LLP, attend the Committee meetings at which the draft half-yearly and annual financial reports are reviewed and are given the opportunity to speak to Committee members in the absence of representatives of the Manager.

The audit programme and timetable are drawn up and agreed with the auditor in advance of the end of the financial period and matters for audit focus are discussed and agreed. The auditor ensures that these matters are given particular attention during the audit process and reports on them, and other matters as required, in its report to the Committee. In addition, the Committee reviews any material issues raised by the auditor. There have been no such issue raised during the year. The auditor's report, together with reports from the Manager, the Manager's Internal Audit and Compliance Departments, and from the depositary, form the basis of the Committee's consideration and discussions with the various parties and any recommendations to the Board, including the Committee's recommendation to sign the 2016 financial statements.

Key Areas of Consideration

For the year end, the accounting matters that were identified for specific consideration by the Committee follow:

SIGNIFICANT AREA	HOW ADDRESSED
Accuracy of the portfolio valuation, with emphasis on the investments held at Directors' valuation.	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value. This is set out in accounting policies note 1(c)(v). All such valuations are carefully considered by the Manager's pricing committee and the Committee.
Proof of existence of portfolio holdings.	The Manager, the auditor and the depositary confirmed that the holdings shown in the accounting records agreed with the custodian records.
Recognition of investment income, with emphasis on special dividend income.	Investment income is recognised in accordance with accounting policies note 1(f). The Manager provides detailed revenue estimates for the Board's review, and income is tested to ensure complete and accounted for correctly. Careful consideration is given to special dividends. These are allocated to revenue or capital according to the nature of the payment by the underlying company, and the allocation is also reviewed by the auditor.
The allocation of management and finance costs to capital.	The allocation is reviewed by the Committee annually taking into account the long-term split of returns from the portfolio, both historic and projected; yield; the objective of the Company; and the latest market practice of peers.

These matters were discussed with the Manager and the auditor in pre year end audit planning, and were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor at the conclusion of the audit process.

Consequently, and following a thorough review process of the 2016 annual financial report, the Audit Committee advised the Board that the report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Chairman of the Audit Committee will be present at the AGM to answer questions relating to the annual financial report.

Review of the External Auditor, including Non-Audit Services and Reappointment

The Committee evaluated the performance and effectiveness of the external auditor and their audit process. This included a review of the audit planning, execution and reporting and the quality of the audit work, results and audit team. This review sought the view of the Manager in their dealings with the auditor. The Committee also considered the independence of KPMG LLP (KPMG) and the objectivity of the audit process, and reviewed the FRC's 2015 Audit Quality Inspection report – querying with KPMG any items which might have been of relevance to the Company. In addition to these normal reviews, KPMG's external audit of the Company's 2015 annual financial report was subject to review by the Financial Reporting Council's Audit Quality Review (AQR) team. The Committee considered the findings of the AQR as part of the Committee's assessment of the effectiveness of KPMG's external audit. No modifications were required to the external audit approach. Combining the output of all the above, and the Audit Committee Chairman's and the Committee's direct interaction with KPMG, the Committee concluded that it continued to be satisfied with the performance of KPMG and that the auditor continued to display the necessary attributes of objectivity and independence.

Prior to any engagement for non-audit services, the Audit Committee consider whether the skills and experience of the auditor make them a suitable supplier of such services and ensures there is no threat to objectivity and independence in the conduct of the audit as a result. Excluding VAT and any expenses, the annual audit fee was £19,765 (2015: £19,765) and the non-audit fee was £6,500 (2015: £6,500); this latter item covered the review of the half-yearly financial report and the annual certificate of compliance to the trustees of the debenture stock. The Committee does not believe that this has impaired the auditor's independence and objectivity. Non-audit services up to £5,000 do not require approval in advance of the Audit Committee; amounts in excess of this require the approval of the Audit Committee.

Under European legislation, mandatory auditor rotation will be implemented. The Company was incorporated in 1889 and the tenure of KPMG (including its predecessor firms) is at least fifty years. Transition arrangements for companies where the auditor has been in place for twenty years or more mean that the Company, having undertaken an audit tender in 2013, will not be required to tender or rotate the auditor until after the year ended 31 March 2020. However, the Committee will keep the situation under review.

Resolutions proposing the reappointment of KPMG LLP as the Company's auditor for the year to 31 March 2017 and authorising the Audit Committee to determine its remuneration will be put to shareholders at the forthcoming AGM

Internal Controls and Risk Management

The Committee undertakes a robust assessment of the risks to which the Company is exposed by reference to a risk control summary, which maps the risks, mitigating controls in place and relevant information reported to the Directors throughout the year. The resultant ratings of the mitigated risks allow the Directors to concentrate on those risks that are most significant and also form the basis of the list of principal risks and uncertainties set out in the Strategic Report on pages 9 to 12.

The Committee, on behalf of the Board, is responsible for ensuring that the Company maintains a sound system of internal control to mitigate risk and safeguard the Company's assets. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems is reviewed at least annually. Appropriate action is taken to remedy any significant failings or weaknesses identified from these reviews. No significant items were identified in the year. As part of this, the Committee receives and considers, together with representatives of the Manager, reports in relation to the operational controls of the investment manager, accounting administrator, custodian, company secretary and registrar. These reviews identified no issues of significance in the last year.

Internal Audit

The Company, being an externally managed investment company with no executive employees and in view of the Manager having an internal audit function, does not have its own internal audit function.

Committee Evaluation

The Committee's activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found under 'Board, Committee and Directors' Performance Appraisal' on page 25.

Gordon McQueen

Chairman of the Audit Committee

25 May 2016

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The Directors present their report for the year ended 31 March 2016.

Business and Status

The Company was incorporated and registered in Scotland on 1 March 1889 as a public limited company, registered number SC1836. It is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust within the meaning of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs have approved the Company's status as an investment trust and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to maintain such approval.

Corporate Governance

The Corporate Governance Statement set out on page 19 is included in this Directors' Report by reference.

The Board

At the year end the Board comprised six non-executive Directors. Brief biographical details of the Directors are shown on page 17. The Company's Corporate Governance Framework is set out on page 18. This shows the key objectives of the Board and also the membership and key objectives of the Board's supporting committees which deal with specific aspects of the Company's affairs: the Audit, Management Engagement and Nomination Committees.

The Board regards all of the Directors to be wholly independent of the Company's Manager. 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.

Chairman

The Chairman of the Company is Jim Pettigrew. He has been a member of the Board since 2005 and was the audit committee chairman until 22 July 2011, when he was appointed as Chairman.

Senior Independent Director

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

Board Balance

The Directors have a range of business, financial or asset management skills and experience relevant to the direction and control of the Company.

Board Responsibilities

The Directors are equally responsible under United Kingdom law for the proper conduct of the Company's affairs and for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that their policies and operations are in the interest of all of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered. The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures for and on behalf of the Company that the Board considers adequate to prevent persons associated with it from engaging in bribery.

The Board has a schedule of matters reserved for its consideration, which clearly define the Directors' responsibilities. The main responsibilities include: setting long-term strategy; setting the Company's objectives, policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; selecting an appropriate Manager, approving accounting policies and dividend policy; determining dividends payable; managing the capital structure; reviewing investment performance; assessing risk; approving borrowing; and reviewing, and if agreed approving, recommendations made by the Audit Committee. The schedule of matters reserved for 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 section on the Manager's website.

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

DIRECTORS' REPORT
continued

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, investment policy guidelines, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues.

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.

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.

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

Audit Information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Committees

The Board has three committees: the Audit Committee, the Management Engagement Committee and the Nomination Committee. Each Committee has written terms of reference, which clearly define each Committees responsibilities and duties. The terms of reference of each Committee are available for inspection at the AGM, at the registered office of the Company and also available on the Company's section of the Manager's website.

The Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 20 to 22, which is included in this Directors' Report by reference.

The Management Engagement Committee

The Management Engagement Committee comprises all directors under the chairmanship of Jim Pettigrew. The Committee meets at least annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager.

The Nomination Committee

All Directors are members of the Nomination Committee which is chaired by Jim Pettigrew. The Committee meets at least once a year to review the composition of the Board and its committees and evaluating whether they have the appropriate balance of skills, experience, independence and knowledge of the Company; and making recommendations to the Board for the re-election of directors at AGMs.

The Committee is also responsible for identifying and nominating to the Board suitable candidates taking into consideration the above requirements; the ability of any new director to devote sufficient time to the Company to carry out his or her duties effectively; and with due regard for the benefits of diversity (including gender). The Board has not set any measurable objectives in respect of the latter. No changes to the composition of the Board were recommended following the current year's review.

The Board has noted the implication of provisions in the UK Corporate Governance Code that non-executive directors who have served for more than nine years should be presumed not to be independent. The AIC does not believe that this presumption is appropriate for investment companies and therefore does not recommend that long-serving directors be prevented from forming part of the independent majority of an investment trust board. Accordingly, the Board considers that the independence of Jim Pettigrew and Sir Nigel Wicks, who have served on the Board over nine years, is not compromised by their length of service, but to the contrary, is strengthened by their experience.

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

Appointment, Re-election and Tenure

New Directors are appointed by the Board following recommendation by the Nominations Committee. 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. However in accordance with the UK Code of Corporate Governance, the Board has resolved that all Directors shall stand for annual re-election at the AGM.

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 the changing risk environment.

Board, Committee and Directors' Performance Appraisal

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

In 2013 and 2014 the Board appointed an external consultant, Linstock Limited, to undertake the review of the Board, its committees and the Directors individually. As no concerns were raised in these reports, or the internally-conducted review undertaken last year, the Board opted to conduct the 2016 performance evaluation through formal questionnaires and discussion between the Directors, the Chairman and the Audit Committee Chairman including the consideration of each Director's independence. The conclusion was that the performance of the Board as a whole, the Committees, the Chairmen and individual Directors was effective.

Attendance at Board and Committee Meetings

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

	BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	MANAGEMENT ENGAGEMENT COMMITTEE MEETINGS	NOMINATION COMMITTEE
Meetings held	4	3	1	1
Meetings attended:				
Jim Pettigrew	4	3†	1	1
Victoria Hastings	4	3	1	1
Gordon McQueen	4	3	1	1
Glen Suarez	4	3	1	1
Maxwell Ward	4	3	1	1
Sir Nigel Wicks	4	3	1	1

† Jim Pettigrew is not a member of the Audit Committee but was in attendance at the meetings.

DIRECTORS' REPORT
continued

Directors

Directors' Interests in Shares

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 33.

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.

Director's Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Directors. In addition, deeds of indemnity have been executed on behalf of the Company for each of the Directors under the Company's Articles of Association.

Subject to the provisions of UK legislation, these deeds provide that the Directors may be indemnified out of the assets of the Company in respect of liabilities they may sustain or incur in connection with their appointment.

Conflicts of Interest

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

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

Internal Controls and Risk Management

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

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

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal controls is designed to manage rather than eliminate risk of failure to achieve the Company's investment objective and/or adhere to the Company's investment policy and/or investment limits. This system can therefore provide only reasonable and not absolute assurance against material misstatement or loss. The Board confirms that the necessary actions were taken to remedy any significant failings or weaknesses identified from their review. No significant failings or weaknesses occurred throughout the year ended 31 March 2016 and up to the date of this annual financial report.

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

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the signing of the balance sheet, for the same reasons as set out in the Viability Statement. In considering this, the Directors took into account both ongoing expenses and any obligations under the Company's borrowing (both the debenture and the bank facility). The Directors also considered revenue forecasts and future dividend payments in concluding on the going concern basis.

The Manager

The Manager is Invesco Fund Managers Limited (IFML). The Manager is an associated company of Invesco Asset Management Limited (IAML). IAML continues to manage the Company's investments under delegated authority from the Manager. The Directors have delegated to the Manager the responsibility for the day-to-day investment management activities of the Company.

The Manager also provides full administration, company secretarial and accounting services to the Company, ensuring that the Company complies with all legal, regulatory and corporate governance 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 reports on behalf of the Company.

Investment Management Agreement (IMA)

The Manager provides investment and administration services to the Company under an investment management agreement dated 22 July 2014. The agreement is terminable by either party by giving not less than three months' notice. Prior to this, IAML provided these services.

The management fee is calculated on 0.0458333% of the market capitalisation of the Company's ordinary shares at each month end and paid monthly in arrears. There is no performance fee.

Assessment of the Manager

The Management Engagement Committee has carried out a review following the Company's 2016 financial year end and considers that the continuing appointment of IFML as Manager is in the best interests of the Company and its shareholders.

Company Secretary

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

Stewardship

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

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

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and their results. Shareholders can also visit the Company's section of the Manager's website in order to access copies of the annual and half-yearly financial reports, pre-investor information, factsheets and stock exchange announcements. At each AGM, a presentation is made by the Manager following the formal business of the meeting and shareholders have the opportunity to attend, vote and most importantly to communicate directly with the Board.

There is a regular dialogue between the Manager and major institutional shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. General presentations to both institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board.

The Company Secretary ensures that all non-spam correspondence addressed to the Company is reported to the Board and dealt with in a timely matter.

Greenhouse Gas Emissions

The Company has no employees or premises and does not purchase electricity, heat, steam or cooling for its own use. Accordingly, the quantifiable amount of carbon dioxide equivalent produced by the Company annually is zero tonnes.

Share Capital

Capital Structure

At the year end, the Company's allotted and fully paid share capital consisted of 195,666,734 ordinary shares of 25p each. To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders every year to buy back and issue shares. In response to market demand for ordinary shares during the year, 550,000 new shares were issued at a premium to net asset value at an average price of 716.20p. [Subsequent to the year end no further shares have been issued.] No shares were bought back in the year.

Restrictions

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

Voting

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

Repurchase Powers

The Board's current powers to repurchase shares and proposals for their renewal are disclosed on page 30.

Substantial Holdings in the Company

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

	AS AT 30 APRIL 2016 HOLDING	%	AS AT 31 MARCH 2016 HOLDING	%
Hargreaves Lansdown, stockbrokers	13,139,304	6.7	13,034,813	6.7
Alliance Trust Savings	10,161,261	5.2	10,189,971	5.2
Brewin Dolphin, stockbrokers	9,727,624	5.0	9,759,948	5.0
Charles Stanley, stockbrokers	9,444,188	4.8	9,750,129	5.0
Aberdeen Retail Plans	8,197,976	4.2	8,249,002	4.2
Rathbones	8,021,903	4.1	8,057,382	4.1
Investec Wealth & Investment	7,786,553	4.0	7,778,175	4.0

Disclosure Required by Listing Rule 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. For the year ended 31 March 2016 only one item of this information applies – disclosure concerning the issue of shares – and this is covered by note 13 (share capital).

Individual Savings Account (ISA)

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

Business of the Annual General Meeting

The following summarises the business of the forthcoming AGM of the Company, which is to be held on 14 July 2016 at 11.00 am. The notice of the AGM and related notes can be found on pages 55 to 58. All resolutions are ordinary resolutions unless otherwise identified.

Resolution 1 is for members to receive and consider this Annual Financial Report (AFR), including the financial statements and auditor's report.

Resolution 2 is to approve the Directors' Remuneration Policy as set out on page 31.

Resolution 3 is to approve the Annual Statement and Report on Remuneration. It is mandatory for listed companies to put their Annual Statement and Report on Remuneration to an advisory shareholder vote. The Annual Statement and Report on Remuneration is set out on pages 31 to 33 of this AFR.

Resolution 4 is to declare the final dividend for the year.

Resolutions 5 to 10 are to re-elect Directors. Biographies of the Directors can be found on page 17.

Resolutions 11 and 12 are to reappoint the auditor and to authorise the Audit Committee to determine their remuneration. KPMG LLP have expressed their willingness to hold office until the conclusion of the next AGM of the Company.

Special Business

Ordinary Resolution 13 and Special Resolution 14: Authority to Allot Shares

Resolution 13 is an Ordinary Resolution seeking renewal of the current authority for the Directors' to allot up to 10% of the issued ordinary share capital, this being an aggregate nominal amount of £4,891,668 as at 25 May 2016.

Resolution 14 is a Special Resolution which seeks renewal of the current authority to allot equity securities pursuant to a rights issue or to issue up to 10% of the issued ordinary share capital otherwise than in connection with a rights issue, dis-applying preemption rights. This will allow shares to be issued to new shareholders, within the prescribed limits, without having to be offered to existing shareholders first, thus broadening the shareholder base of the Company. The Directors will not dilute the interests of existing shareholders by using the authority to issue shares at a price which is less than the Net Asset Value (calculated with debt at market value) of the existing shares in issue at that time.

These authorities will expire at the next AGM of the Company or fifteen months after the passing of the resolutions, whichever is the earlier.

Special Resolution 15: Authority to Buy Back Shares

This resolution seeks to renew the Directors' authority to purchase up to 14.99% of the Company's issued share capital, this being 29,330,443 ordinary shares as at 25 May 2016. The authority will expire at the Company's next AGM or 15 months following the passing of this resolution, if earlier. The principal purpose of share buy backs is to enhance the net asset value for remaining shareholders and purchases will only be made if they do so.

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

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

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

Special Resolution 16: Notice Period for General Meetings

The EU Shareholder Rights Directive increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice. A shareholders' resolution is required to ensure that the Company's general meetings (other than Annual General Meetings) may be held on 14 days' notice. Accordingly, Special Resolution 16 will propose that the period of notice for general meetings of the Company (other than AGMs) shall not be less than 14 days' notice. It is intended that this flexibility will be used only where the Board believes it is in the best interests of shareholders as a whole, and an explanation will be provided.

The Directors have carefully considered all the resolutions proposed in the Notice of AGM and, in their opinion, consider them all to be in the best interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution.

By order of the Board

Invesco Asset Management Limited
Company Secretary
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH

25 May 2016

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2016

Introduction

This report has been prepared under the requirements of The Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 and in accordance with the Listing Rules of the Financial Conduct Authority. Ordinary resolutions for the approval of the Directors' Remuneration Policy (binding) and the Annual Statement and Report on Remuneration (advisory) will be put to shareholders at the Annual General Meeting.

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 35 to 37.

Remuneration Responsibilities

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.

Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the AGM on 24 July 2015 and became effective on that date.

The policy is that the remuneration of Directors: be fair and reasonable in relation to that of other investment trusts and to the time commitment and responsibilities undertaken; be reviewed relative to movements in the Retail Price Index; be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board but not be more than necessary for the purpose; and take into consideration any committee memberships and chairmanship duties.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association (Articles). The maximum currently is £250,000 in aggregate per annum.

Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in the performance of their duties. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Notwithstanding the above, the Company's Articles also provide that additional discretionary payments can be made for services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director.

The level of Directors' remuneration is normally reviewed annually, although such review will not automatically result in any changes. This Directors' Remuneration Policy will apply to any new directors, who will be paid the appropriate fee based on the Directors' fees level in place at the date of appointment. The Board will consider, where raised, shareholders' views on Directors' remuneration.

The Board may amend the level of remuneration paid to Directors within the parameters of the Directors' Remuneration Policy.

This Directors' Remuneration Policy is the same in all material respects as that currently followed by the Board and summarised in the last Directors' Remuneration Report. This policy is intended to take effect immediately upon its approval by shareholders.

The Company has no employees and consequently has no policy on the remuneration of employees.

Annual Statement on Directors' Remuneration

For the year ended 31 March 2016, fees paid to the Directors were:

Chairman £44,000 per annum; Senior Independent Director £27,500 per annum; Audit Committee Chairman £30,000 per annum; Other Directors £24,200 per annum.

Directors' fees have remained unchanged since 1 April 2007, with the exception of the Audit Committee Chairman's fee which increased from £27,000 with effect from 1 April 2015. During the year under review the Board reviewed Directors' fees and considered that the current level of remuneration remained appropriate. No discretionary payments were made in the year, or the previous year. In reaching their decision, the Board considered information supplied by the Manager at their request. This included the fee rates of comparable investment companies. No external consultant was used.

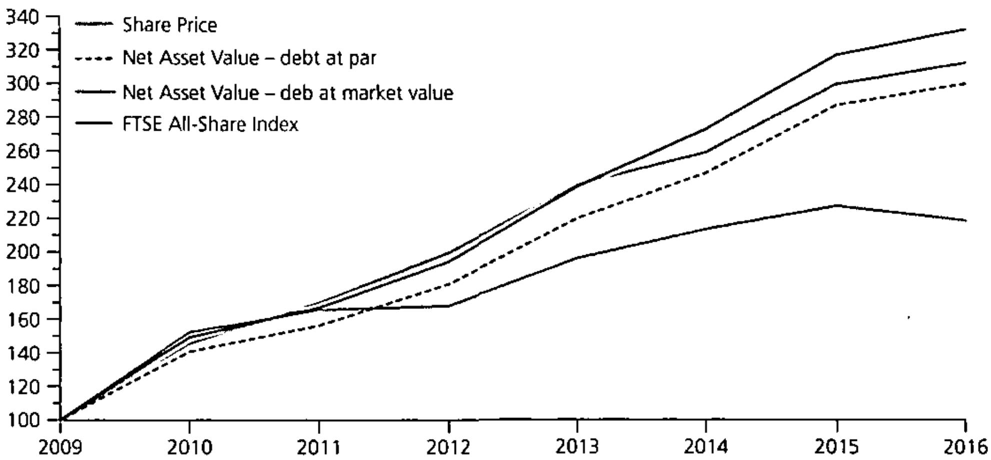
Report on Remuneration for the Year Ended 31 March 2016

The Company's Performance

The graph below plots, in annual increments, the net asset value total return and share price total return to ordinary shareholders compared to the total return of the FTSE All-Share Index over the seven years to 31 March 2016. This index is the benchmark adopted by the Company for comparison purposes.

Figures have been rebased to 100 at 31 March 2009.

Source: Thomson Reuters Datastream.



Directors' Emoluments for the Year (Audited)

The Directors who served during the year received the following total emoluments:

	2016 FEES £	2016 TAXABLE BENEFITS £	2016 TOTAL £	2015 FEES £	2015 TAXABLE BENEFITS £	2015 TOTAL £
Jim Pettigrew (Chairman)	44,000	290	44,290	44,000	1,429	45,429
Victoria Hastings	24,200	—	24,200	24,200	—	24,200
Gordon McQueen (Chairman of the Audit Committee)	30,000	1,103	31,103	27,000	973	27,973
Glen Suarez	24,200	345	24,545	24,200	398	24,598
Maxwell Ward	24,200	751	24,951	24,200	1,035	25,235
Sir Nigel Wicks (Senior Independent Director)	27,500	—	27,500	27,500	—	27,500
Total	174,100	2,489	176,589	171,100	3,835	174,935

Directors' Shareholdings and Share Interests (Audited)

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

	31 MARCH 2016	31 MARCH 2015
Jim Pettigrew	45,000	45,000
Victoria Hastings	5,000	5,000
Gordon McQueen	2,000	2,000
Glen Suarez	7,000	7,000
Maxwell Ward	20,000	20,000
Sir Nigel Wicks	3,500	3,500

Save as aforesaid, no Director had any interests, beneficial or otherwise, in the ordinary shares or debenture stock of the Company during the year. No changes to these holdings have been notified since the year end. No connected person interests have been notified.

Directors hold shares in the Company at their discretion. Share ownership is encouraged, but no guidelines have been set.

Relative Importance of Spend on Pay

The Company has no employees. The following table compares the remuneration paid to the non-executive Directors with aggregate distributions to shareholders in respect of the year to 31 March 2016 and the prior year:

	2016 £'000	2015 £'000	CHANGE £'000
Aggregate Directors' Emoluments	177	175	2
Aggregate Shareholder Distributions	47,617	46,536	1,081

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 24 July 2015, resolutions approving the Directors' Remuneration Policy and the Chairman's Annual Statement and Report on Remuneration were passed. The votes cast (including votes cast at the Chairman's discretion) were as follows.

	VOTES FOR	VOTES AGAINST	WITHHELD
Directors' Remuneration Policy	99.40%	0.60%	292,834
Annual Statement and Report	99.71%	0.29%	69,930

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 25 May 2016.

Jim Pettigrew
Chairman

Signed on behalf of the Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL FINANCIAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual financial report and the financial statements 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 UK Accounting Standards, including FRS 102 *Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

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

The Directors consider that this annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Jim Pettigrew
Chairman

Signed on behalf of the Board of Directors

25 May 2016

Electronic Publication

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE EDINBURGH INVESTMENT TRUST PLC ONLY

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of The Edinburgh Investment Trust plc (the 'Company') for the year ended 31 March 2016 set out on pages 38 to 54. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit is unchanged from 2015 and is as follows:

Carrying amount of Quoted Investments (£1,563 million (2015: £1,480 million))

Refer to page 20 (Audit Committee Report), page 40 (accounting policy) and notes 9 and 16 (financial disclosures).

- The risk: The Company's portfolio of listed investments makes up 99% (2015: 97%) of the Company's total assets (by value) and is considered to be the key driver of the Company's capital and revenue performance. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement, because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.
- Our response: Our procedures over the completeness, valuation and existence of the Company's portfolio of listed investments included, but were not limited to:
  - documenting and assessing the processes in place to record investment transactions and to value the portfolio;
  - agreeing the valuation of 100% of the investments to externally quoted prices; and
  - agreeing 100% of the investment holdings to independently received third party confirmations.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £15.7 million (2015: £30.5 million) determined with reference to a benchmark of the Total Assets figure of which it represents 1% (2015: 2%) reflecting industry consensus levels.

In addition, we applied a materiality of £1.77 million (2015: £6.44 million) to income from investments, excluding unrealised gains and losses, investment management fees and finance cost of borrowings for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members assessment of the financial performance of the Company.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.79 million (2015: £1.52 million); any corrected or uncorrected identified misstatements exceeding £0.079 million (2015:£0.32 million) for the financial statement captions described above (income from investments, excluding unrealised gains and losses, investment management fees and finance cost of borrowings); and, in addition, any other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the Company's service providers Invesco Fund Managers Limited and Bank of New York Mellon Limited based in London.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of longer-term viability on page 12, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the five years; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under International Standards of Auditing (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual financial report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 27 and 12 respectively in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 19 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

25 May 2016

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000
Gains on investments	9(c)	—	19,056	19,056	—	158,768	158,768
Foreign exchange (losses)/profits		—	(30)	(30)	—	2	2
Income	2	58,971	—	58,971	56,045	—	56,045
Investment management fee	3	(2,226)	(5,194)	(7,420)	(2,035)	(4,748)	(6,783)
Other expenses	4	(857)	(1)	(858)	(870)	(1)	(871)
Net return before finance costs and taxation		55,888	13,831	69,719	53,140	154,021	207,161
Finance costs	5	(2,689)	(6,275)	(8,964)	(3,515)	(8,203)	(11,718)
Return on ordinary activities before taxation		53,199	7,556	60,755	49,625	145,818	195,443
Tax on ordinary activities	6	(1,132)	—	(1,132)	(1,278)	—	(1,278)
Return on ordinary activities after taxation for the financial year		52,067	7,556	59,623	48,347	145,818	194,165
Return per ordinary share							
Basic	7	26.7p	3.8p	30.5p	24.8p	74.7p	99.5p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The return on ordinary activities after taxation is the total comprehensive income and therefore no additional statement of comprehensive income is presented. 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. No operations were acquired or discontinued in the year.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
Balance at 31 March 2014	48,779	6,639	24,676	1,086,473	61,244	1,227,811
Dividends paid – note 8	—	—	—	—	(46,025)	(46,025)
Net return on ordinary activities	—	—	—	145,818	48,347	194,165
Balance at 31 March 2015	48,779	6,639	24,676	1,232,291	63,566	1,375,951
Net proceeds from issue of new shares	138	3,755	—	—	—	3,893
Dividends paid – note 8	—	—	—	—	(47,150)	(47,150)
Net return on ordinary activities	—	—	—	7,556	52,067	59,623
Balance at 31 March 2016	48,917	10,394	24,676	1,239,847	68,483	1,392,317

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH

	NOTES	2016 £'000	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	9(a)	1,563,534	1,512,631
Current assets			
Debtors	10	6,072	12,428
Cash and cash equivalents		1,981	100
		8,053	12,528
Creditors: amounts falling due within one year	11	(80,902)	(51,091)
Net current liabilities		(72,849)	(38,563)
Total assets less current liabilities		1,490,685	1,474,068
Creditors: amounts falling due after more than one year	12	(98,368)	(98,117)
Net assets		1,392,317	1,375,951
Capital and reserves			
Share capital	13	48,917	48,779
Share premium	14	10,394	6,639
Capital redemption reserve	14	24,676	24,676
Capital reserve	14	1,239,847	1,232,291
Revenue reserve	14	68,483	63,566
Shareholders' funds		1,392,317	1,375,951
Net asset value per ordinary share			
Basic	15	710.74p	704.23p

These financial statements were approved and authorised for issue by the Board of Directors on 25 May 2016.

Signed on behalf of the Board of Directors

Jim Pettigrew
Chairman

The accompanying notes are an integral part of these financial statements.

1. Principal Accounting Policies

Accounting policies describe the Company's approach to recognising and measuring transactions during the year and the position of the Company at the year end.

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

(a) Basis of preparation

Accounting Standards Applied

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) and with the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts*, issued by the Association of Investment Companies in November 2014. Accordingly, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* applies for these financial statements for the year ended 31 March 2016 and has been applied for the first time. The financial statements are issued on a going concern basis.

As a result of the first time adoption of FRS 102 and the revised SORP, comparative figures and presentation have been revised where required. The net return attributable to ordinary shareholders and shareholders' funds remain unchanged. As an investment fund the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all investments are highly liquid and are carried at market value, and where a statement of changes in equity (in these financial statements it is called the *Reconciliation of Movements in Shareholders' Funds*) is provided. The accounting policies applied to these financial statements are consistent with those applied for the year ended 31 March, apart from a revision to cash which is now defined as cash and cash equivalents. Note 1 (d) sets out the accounting policy for cash and cash equivalents. No other accounting policies have changed as a result of the application of FRS102, amendments to FRS102 (see below) and the revised SORP.

Amendments to FRS 102 – Fair value hierarchy disclosures (March 16) amends paragraphs 34.22 and 34.42 of FRS 102, revising the disclosure requirements for financial instruments held at fair value to align these with the disclosure requirements of EU-adopted IFRS. These amendments become effective for accounting periods beginning on or after 1 January 2017. The Company has chosen to early adopt these paragraphs. There are no accounting policy or disclosure changes as a result of this adoption.

(b) Foreign Currency and Segmental Reporting

(i) *Functional and presentational currency*

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

(ii) *Transactions and balances*

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

(iii) *Segmental reporting*

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

(c) Financial Instruments

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

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

(ii) *Derecognition of financial assets*

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

(iii) *Derecognition of financial liabilities*

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

(iv) *Trade date accounting*

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

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

Financial assets

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

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

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

Financial liabilities

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

(d) **Cash and cash equivalents**

Cash and cash equivalents may comprise cash (including short term deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents, including money market funds. Investments are regarded as cash equivalents if they meet all of the following criteria: highly liquid investments held in the Company's base currency that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond.

(e) **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 recognised in the income statement and taken to capital reserves.

Futures contracts may be entered into for hedging purposes and are valued at the quoted price of the contract. Profits and losses on the closure or revaluation of positions are recognised in the income statement and taken to capital reserves.

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

(f) **Income**

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

1. Principal Accounting Policies (continued)

(g) 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.

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

(h) Taxation

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

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

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

(i) Dividends Payable

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

2. Income

This note shows the income generated from the portfolio (investment assets) of the Company and income received from any other source.

	2016 £'000	2015 £'000
Income from listed investments		
UK dividends		
– Ordinary dividends	40,163	37,540
– Special dividends	5,039	4,391
Overseas dividends		
– Ordinary dividends	9,610	10,615
– Special dividends	1,744	2,583
Scrip dividends	1,514	911
Unfranked investment income	737	—
Income from money market funds	7	4
	58,814	56,044
Other income		
Deposit interest	2	1
Underwriting commission	155	—
Total income	58,971	56,045

3. Investment Management Fees

This note shows the fee due to the Manager. This is calculated and paid monthly.

	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000
Investment management fee	2,226	5,194	7,420	2,035	4,748	6,783

Details of the investment management agreement are disclosed on page 27 in the Directors' Report. At 31 March 2016 investment management fee of £596,000 (2015: £592,000) was accrued.

4. Other Expenses

The other expenses of the Company are presented below; those paid to the Directors and the auditor are separately identified.

	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000
Other expenses	857	1	858	870	1	871
Other expenses include the following:						
Directors' emoluments	177	—	177	175	—	175
Fees payable to the Company's auditor in relation to:						
– the audit of the Company's annual accounts (including expenses)	21	—	21	21	—	21
– audit related assurance services	7	—	7	7	—	7

The Directors' Remuneration Report provides further information on total Directors' emoluments. Included within other expenses is £17,000 (2015: £17,000) of employer's National Insurance payable on Directors' emoluments. As at 31 March 2016, the amount outstanding on Director's emoluments and employer's National Insurance was £19,080 (2015: £16,800). The Director's emoluments amount shown for 2015 has been increased by the transfer of £4,000 of taxable expenses to Director's emoluments from other expenses.

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

5. Finance Costs

Finance costs arise on any borrowing facilities the Company has used. Borrowing facilities are the £100 million of debenture stock and a £150 million bank revolving credit facility.

	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000
Interest payable on borrowings repayable not by instalments:						
Overdraft	1	3	4	5	11	16
Interest on bank facility	288	671	959	236	551	787
Debenture stocks repaid during the year	—	—	—	874	2,040	2,914
Debenture stock repayable after 5 years	2,325	5,425	7,750	2,325	5,425	7,750
Amortised debenture stock discount and issue costs	75	176	251	75	176	251
	2,689	6,275	8,964	3,515	8,203	11,718

6. Taxation

As an investment trust the Company pays no tax on capital gains. As the Company invests principally in UK equities, it has little overseas tax and the overseas tax charge is the result of withholding tax deducted at source. This note also clarifies the basis for the Company to have no deferred tax asset or liability.

(a) Tax charge

	2016 £'000	2015 £'000
Overseas tax	1,132	1,278

(b) Reconciliation of tax charge

	2016 £'000	2015 £'000
Total return on ordinary activities before taxation	60,755	195,443
UK Corporation Tax rate of 20% (2015: 21%)	12,151	41,043
Effect of:		
– non-taxable gains on investments	(3,811)	(33,341)
– non-taxable losses on foreign exchange movements	6	—
– non-taxable UK dividends and scrip dividends	(8,986)	(8,819)
– non-taxable overseas dividends	(2,271)	(2,772)
– expenses and finance costs in excess of taxable income for the year carried forward	2,911	3,889
– overseas tax	1,132	1,278
Tax charge for the year	1,132	1,278

(c) Deferred tax

Owing to the Company's status as an investment company, and its intention to continue meeting the conditions required to maintain that approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(d) Factors that may affect future tax changes

The Company has surplus management expenses and losses on loan relationships of £422,942,000 (2015: £408,385,000) that are available to offset future taxable revenue. A deferred tax asset of £76,130,000 (2015: £81,667,000), measured at the standard corporation tax rate of 18% (2015: 20%), 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

Return per share is the amount of gain generated for the financial year divided by the weighted average number of ordinary shares in issue.

The basic, capital and total returns per ordinary share are based on each return on ordinary shares after tax and on 195,275,887 (2015: 195,116,734) ordinary shares, being the weighted average number of shares in issue during the year.

8. Dividends

Dividends represent the distribution of income to shareholders. The Company pays four dividends a year – three interim and one final dividend.

	2016 pence	2016 £'000	2015 pence	2015 £'000
Dividends paid and recognised in the year:				
Third interim paid in respect of previous year	5.15	10,049	5.00	9,756
Final paid in respect of previous year	8.60	16,780	8.50	16,585
First interim paid	5.20	10,146	5.00	9,756
Second interim paid	5.20	10,175	5.10	9,951
	24.15	47,150	23.60	46,048
Unclaimed dividends	—	—	—	(23)
	24.15	47,150	23.60	46,025
Dividends on shares payable in respect of the year:				
First interim	5.20	10,146	5.00	9,756
Second interim	5.20	10,175	5.10	9,951
Third interim	5.20	10,175	5.15	10,049
Proposed final	8.75	17,121	8.60	16,780
	24.35	47,617	23.85	46,536

The proposed final dividend is subject to approval by ordinary shareholders at the AGM.

9. Investments

The portfolio comprises investments which are listed or traded on a recognised stock exchange, and a small proportion of investments which are valued by the Directors as they are unlisted or not regularly traded.

Gains and losses are either:

- **realised, usually arising when investments sold; or**
- **unrealised, being the difference from cost on those investments still held at the year end.**

(a) Analysis of investments by listing status

	2016 £'000	2015 £'000
Investments listed on a recognised stock exchange	1,508,324	1,480,423
AIM quoted investments	54,455	29,643
Unlisted and unquoted investments at Directors' valuation	755	2,565
	1,563,534	1,512,631

NOTES TO THE FINANCIAL STATEMENTS
continued

9. Investments (continued)

(b) Analysis of investments gains

	2016 £'000	2015 £'000
Opening book cost	1,078,357	1,054,372
Opening investment holding gains	434,274	365,848
Opening valuation	1,512,631	1,420,220
Movements in year:		
Purchases at cost	227,320	210,289
Sales – proceeds	(195,473)	(276,646)
– net realised gains on sales	64,971	90,342
Movement in investment holding gains	(45,915)	68,426
Closing valuation	1,563,534	1,512,631
Closing book cost	1,175,175	1,078,357
Closing investment holding gains	388,359	434,274
Closing valuation	1,563,534	1,512,631

There were no purchases or sales of unlisted investments during the year (2015: £nil).

(c) Gains on investments

	2016 £'000	2015 £'000
Realised gains on sales	64,971	90,342
Movement in investment holding gains	(45,915)	68,426
Gains on investments	19,056	158,768

(d) Transaction costs

Transaction costs on purchases of £1,195,000 (2015: £800,000) and on sales of £274,000 (2015: £295,000) are included within gains and losses on investments.

(e) Significant holdings

At 31 March 2016 the Company had holdings of 3% or more of the number in issue of the following investments:

Name of undertaking	*Country of Incorporation*	*Instrument*	*% held*
GAME Digital	England & Wales	Ordinary shares	5.0
Zegona Communications	England & Wales	Ordinary shares	4.9
Honeycomb Investment Trust	England & Wales	Ordinary shares	4.5
NewRiver Retail	England & Wales	Ordinary shares	4.4
Barclays Bank	England & Wales	Nuclear Power Notes 28 February 2019	4.4

10. Debtors

Debtors are amounts which are due to the Company, such as monies due from brokers for investments sold and income which has been earned (accrued) but not yet received.

	2016 £'000	2015 £'000
Amounts due from brokers	—	3,548
Prepayments and accrued income	4,491	7,398
Tax recoverable	1,581	1,482
	6,072	12,428

11. Creditors: amounts falling due within one year

Creditors are amounts which must be paid by the Company and are split between those payable within 12 months of the balance sheet date and those payable after that time. The main creditors are the debenture and bank borrowings. The other creditors include any amounts due to brokers for the purchase of investments or amounts owed to suppliers (accruals) such as the Manager and auditor.

	2016 £'000	2015 £'000
Amounts due to brokers	24	—
Bank facility	80,000	50,000
Bank overdraft	—	230
Accruals	878	861
	80,902	51,091

The Company has a 364 day committed revolving credit facility (the 'facility') of £150 million (2015: £100 million) with the lender, The Bank of New York Mellon. The facility is due for renewal on 22 June 2016. Interest is payable at 0.70% over LIBOR with a commitment fee for undrawn amounts. Under the facility's covenants, the Company's total indebtedness must not exceed 25% of total assets and total assets must not be less than £700 million (2015: £500 million).

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

These creditors are amounts that must be paid, as shown by note 11, but are due more than one year after the balance sheet date.

	2016 £'000	2015 £'000
Debenture Stock 7¾% redeemable 30 September 2022	100,000	100,000
Unamortised discount and issue expenses on debenture stock	(1,632)	(1,883)
	98,368	98,117

The debenture is secured by a floating charge on the Company, under which borrowing must not exceed a sum equal to the Adjusted Total of Capital and Reserves. The interest on the 7¾% debenture is payable in half-yearly instalments, in March and September, each year.

The effect on the net asset value of deducting the debenture stock at market value, rather than at par, is disclosed in note 15.

13. Share Capital

Share capital represents the total number of shares in issue, on which dividends accrue.

	2016		2015	
	NUMBER	£'000	NUMBER	£'000
Allotted 25p ordinary shares:				
Brought forward	195,116,734	48,779	195,116,734	48,779
Issue of new shares	550,000	138	—	—
Carried forward	195,666,734	48,917	195,116,734	48,779

During the year the Company issued 550,000 ordinary shares at an average price of 716.20p. No shares have been issued or bought back subsequent to the year end.

The Directors' Report on page 28 sets out the Company's share capital structure, restrictions and voting rights.

14. Reserves

This note explains the different reserves attributable to shareholders. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

The share premium comprises the net proceeds received by the Company following the issue of shares, after deduction of the nominal amount of 25 pence and any applicable issue costs. The capital redemption reserve maintains the equity share capital arising from any buy back and cancellation of shares; both are non-distributable.

Capital investment gains and losses are shown in note 9(b), and form part of the capital reserve. The revenue reserve shows the net revenue retained after payment of any dividends. The capital and revenue reserves are distributable by way of dividend.

15. Net Asset Value (NAV) per Ordinary Share

The Company's total net assets (total assets less total liabilities) are often termed shareholders' funds and are converted into NAV per ordinary share by dividing by the number of shares in issue.

The NAV – debt at par is the NAV with the value of the £100 million debenture (the debt) at its nominal (equivalent to the par) value of £100 million. The NAV – debt at market value reflects the debenture stock at the value that a third party would be prepared to pay for the debt, and this amount fluctuates owing to various factors including changes in interest rates and the remaining life of the debt. The number of ordinary shares in issue at the year end was 195,666,734 (2015: 195,116,734).

(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:

	2016		2015	
	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000
Shareholders' funds	711.58	1,392,317	705.19	1,375,951
Less: Unamortised discount and expenses arising from debenture issue	(0.84)	(1,632)	(0.96)	(1,883)
NAV – debt at par	710.74	1,390,685	704.23	1,374,068

(b) **NAV – debt at market value**

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

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

	2016		2015	
	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000	NAV PER SHARE PENCE	SHAREHOLDERS' FUNDS £'000
NAV – debt at par	710.74	1,390,685	704.23	1,374,068
Debt at par	51.11	100,000	51.25	100,000
Debt at market value				
– 7¾% Debenture Stock 2022	(66.55)	(130,208)	(69.41)	(135,439)
NAV – debt at market value	695.30	1,360,477	686.07	1,338,629

16. Risk Management and Financial Instruments

Financial instruments

The Company's financial instruments mainly comprise its investment portfolio (as shown on pages 15 and 16) a debenture, a bank loan as well as its cash, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. For the purpose of this note 'cash' should be taken to comprise cash and cash equivalents as defined in note 1(d). The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The main financial risks that the Company faces from its financial instruments are market risk, liquidity risk and credit risk. These are set out below:

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

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

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

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

Risk Management Policies and Procedures

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

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

Market Risk

The Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk for the whole of the investment portfolio on an ongoing basis. The Board has meetings in each calendar quarter to assess risk and review investment performance, as disclosed in the Board Responsibilities on page 23. Any borrowing to gear the investment portfolio is used to enhance returns but also increases the Company's exposure to market risk and volatility. The Company has the ability to gear by using its £100 million debenture stock 2022 and its bank facility of £150 million.

Currency risk

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

Management of the currency risk

The Manager monitors the Company's direct exposure to foreign currencies on a daily basis and reports to the Board on a regular basis. Forward currency contracts can be used to reduce the Company's exposure to foreign currencies arising naturally from the Manager's choice of securities. All contracts are limited to currencies and amounts commensurate with the assets denominated in currencies.

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

The Company may invest up to 20% of the portfolio in securities listed on non-UK stock exchanges. At the year end holdings of non-UK securities total £227.4 million (2015: £212.0 million) representing 14.5% (2015: 14.0%) of the portfolio.

16. Risk Management and Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Currency exposure

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

	2016		2015	
	USD £'000	CHF £'000	USD £'000	CHF £'000
Foreign currency exposure on net monetary items	1,119	1,115	1,905	1,253
Investments at fair value through profit or loss that are equities	152,475	74,917	120,832	91,179
Total net foreign currency exposure	153,594	76,032	122,737	92,432

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

Currency sensitivity

In respect of the Company's direct foreign currency exposure to investments denominated in currencies, if sterling had weakened by 3.4% for the US dollar and 2.8% for the Swiss franc during the year, the income statement capital return and net assets of the Company would have increased by £7.3 million (2015: £8.4 million). Conversely, if sterling had strengthened by the same percentage for the currencies mentioned above, the capital return and net assets of the Company would have decreased by the same amount. The exchange rate variances of ±3.4% for US dollar and ±2.8% for Swiss francs (2015: US dollar ± 4.5% and Swiss franc ± 3.3%) have been determined based on market volatility in the year, using the standard deviation of sterling's fluctuation to the applicable currency. This sensitivity takes no account of any impact on the market values of the Company's investments arising from the foreign currency mix of their respective revenues, expenses, assets and liabilities.

Interest rate risk

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

The Company has in place a revolving credit facility (the 'facility'), details of which are shown in note 11. The Company uses the facility when required at levels monitored by the Board. At the maximum possible facility gearing of £150 million, the effect of a 1% increase/decrease in the interest rate would result in a decrease/increase to the Company's income of £1,500,000.

The Company also has an uncommitted bank overdraft facility which it uses for settlement purposes and interest is dependent on the base rate determined by the Custodian.

The Company's debt of £100 million (2015: £100 million) of debenture stock 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 15(b).

The Company can invest in fixed income securities although at the year end none were held (2015: none).

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

2016	WITHIN ONE YEAR £'000	BETWEEN ONE AND FIVE YEARS £'000	MORE THAN FIVE YEARS £'000	TOTAL £'000
Exposure to floating interest rates:				
Cash and cash equivalents	1,981	—	—	1,981
Bank facility	(80,000)	—	—	(80,000)
Exposure to fixed interest rates:				
Debenture, excluding unamortised discount and issue expenses	—	—	(100,000)	(100,000)
Total exposure to interest rates	(78,019)	—	(100,000)	(178,019)

2015	WITHIN ONE YEAR £'000	BETWEEN ONE AND FIVE YEARS £'000	MORE THAN FIVE YEARS £'000	TOTAL £'000
Exposure to floating interest rates:				
Cash and cash equivalents	100	—	—	100
Bank overdraft	(230)	—	—	(230)
Bank facility	(50,000)	—	—	(50,000)
Exposure to fixed interest rates:				
Debentures, excluding unamortised discount and issue expenses	—	—	(100,000)	(100,000)
Total exposure to interest rates	(50,130)	—	(100,000)	(150,130)

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 portfolio manager to manage the portfolio to achieve the best return that he can.

Management of the other price risk

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

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

If the value of the portfolio fell by 10% at the balance sheet date, the profit after tax for the year and the net assets of the Company would decrease by £156 million (2015: £151 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax and the net assets of the Company would increase by the same amounts.

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

16. Risk Management and Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Other price risk (continued)

Liquidity risk exposure

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

2016	THREE MONTHS OR LESS £'000	MORE THAN THREE MONTHS BUT LESS THAN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Debenture stock	—	—	100,000	100,000
Bank facility	80,000	—	—	80,000
Interest on debenture stock	—	7,750	42,625	50,375
Amounts due to brokers	24	—	—	24
Accruals	878	—	—	878
	80,902	7,750	142,625	231,277

2015	THREE MONTHS OR LESS £'000	MORE THAN THREE MONTHS BUT LESS THAN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Bank overdraft	230	—	—	230
Debenture stock	—	—	100,000	100,000
Bank facility	50,000	—	—	50,000
Interest on debenture stock	—	7,750	50,375	58,125
Accruals	861	—	—	861
	51,091	7,750	150,375	209,216

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

Values of Financial Assets and Financial Liabilities

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

	2016 BOOK VALUE £'000	2016 FAIR VALUE £'000	2015 BOOK VALUE £'000	2015 FAIR VALUE £'000
Debenture repayable in more than five years:				
7¾% Debenture Stock 2022	100,000	130,208	100,000	135,439
Discount on issue of debenture	(1,632)	—	(1,883)	—
	98,368	130,208	98,117	135,439

Incorporating the fair value of the debentures, results in the reduction of the net asset value per ordinary share to 695.30p (2015: 686.07p).

Fair Value Hierarchy Disclosures

All except three of the Company's portfolio of investments are in the Level 1 category as defined in FRS 102 as amended for fair value hierarchy disclosures (March 16). The three levels set out in FRS102 follow.

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

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

The valuation techniques used by the Company are explained in the accounting policies note. The sole investment in Level 2 comprised the Company's holding of Barclays Bank – Nuclear Power Notes 28 February 2019. The two investments in Level 3 are the result of past corporate events on securities already held: Eurovestech delisted from AIM and Proximagen CVRs arose as a partial cash alternative on the original Proximagen equity holding. The holdings of these two securities did not change during the year.

	2016			
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss				
Quoted investments:				
Equities	1,562,779	—	—	1,562,779
Other securities	—	120	—	120
Unquoted investments	—	—	635	635
Total for financial assets	1,562,779	120	635	1,563,534

	2015			
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss				
Quoted investments:				
Equities	1,510,066	—	—	1,510,066
Other securities	—	1,797	—	1,797
Unquoted investments	—	—	768	768
Total for financial assets	1,510,066	1,797	768	1,512,631

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

	2016 £'000	2015 £'000
Opening fair value of Level 3	768	879
Movement in fair value	(133)	(111)
Closing fair value of Level 3	635	768

16. Risk Management and Financial Instruments (continued)

Capital Management

The Company's total capital employed at 31 March 2016 was £1,570,685,000 (2015: £1,524,298,000) comprising borrowings of £178,368,000 (2015: £148,347,000) and equity share capital and other reserves of £1,392,317,000 (2015: £1,375,951,000).

The Company's total capital employed is managed to achieve the Company's objective and investment policy as set out on page 7, including that borrowings may be used to provide gearing of the equity portfolio up to the maximum authorised by shareholders, currently 25% of net assets. Net gearing was 12.8% (2015: 10.9%) at the balance sheet date. The Company's policies and processes for managing capital were unchanged throughout the year and the preceding year.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 9 to 12. These also explain that the Company is able to use borrowings to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

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

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility by the terms imposed by the lender. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year. Borrowings comprise the debenture stock, details of which are contained in note 12, a bank facility and an overdraft facility which may be used for short-term funding requirements.

17. Contingencies, Guarantees and Financial Commitments

This note would show any liabilities the Company is committed to honour, but which are dependent on future circumstances or events occurring.

There are no contingencies, guarantees or financial commitments of the Company at the year end (2015: £nil).

18. Related Party Transactions and Transactions with the Manager

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company. Under accounting standards, the Manager is not a related party.

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' emoluments and interests have been disclosed on pages 31 to 33 with additional disclosure in note 4. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on page 27, and in note 3.

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and twenty seventh Annual General Meeting of The Edinburgh Investment Trust plc will be held at The Weston Link, National Galleries of Scotland, Princes Street, Edinburgh on Thursday, 14 July 2016 at 11.00 am, for the following purposes:

Ordinary Business

1. To receive and consider the Annual Financial Report for the year ended 31 March 2016;
2. To approve the Directors' Remuneration Policy;
3. To approve the Annual Statement and Report on Remuneration for the year ended 31 March 2016;
4. To declare a final dividend on the ordinary shares;
5. To re-elect Jim Pettigrew as a Director of the Company;
6. To re-elect Gordon McQueen as a Director of the Company;
7. To re-elect Maxwell Ward as a Director of the Company;
8. To re-elect Victoria Hastings as a Director of the Company;
9. To re-elect Glen Suarez as a Director of the Company;
10. To re-elect Sir Nigel Wicks as a Director of the Company;
11. To reappoint KPMG LLP as auditor of the Company; and
12. To authorise the Audit Committee to determine the remuneration of the auditor.

Special Business

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

13. THAT:

    in substitution for any existing authority under section 551 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the date of this resolution the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Act as amended from time to time prior to the date of the passing of this resolution, to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £4,891,668, this being 10% of the Company's issued ordinary share capital as at 25 May 2016, such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier unless the authority is renewed or revoked at any other general meeting prior to such time, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.

14. THAT:

    subject to the passing of resolution number 13 set out in the notice of this meeting (the 'Section 551 Resolution') and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby empowered, in accordance with sections 570 and 573 of the Act as amended from time to time prior to the date of the passing of this resolution to allot equity securities (within the meaning of section 560(1), (2) and (3) of the

Act) for cash, either pursuant to the authority given by the Section 551 Resolution or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

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

(b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £4,891,668, this being 10% of the Company's issued ordinary share capital as at 25 May 2016

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

15. THAT:
the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of the issued ordinary shares of 25p each in the capital of the Company ('Shares')

PROVIDED ALWAYS THAT:

(a) the maximum number of Shares hereby authorised to be purchased shall be 29,330,443 ordinary shares (being 14.99% of the issued ordinary share capital of the Company as at 25 May 2016);

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

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

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

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

(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; and

(g) any shares so purchased shall be cancelled, or, if the Directors so determine and subject to the provisions of section 724 to 731 of the Companies Act 2006 and any applicable regulations of the United Kingdom Listing Authority, be held (or otherwise dealt with in accordance with section 727 or 729 of the Companies Act 2006) as treasury shares.

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

For an explanation of all Special Business please refer to pages 29 and 30 of the Directors' Report.

Dated this 25th May 2016

By order of the Board

Invesco Asset Management Limited
Secretary

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

Notes:

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

   - via Capita Registrar's website *www.capitashareportal.com*; or
   - in hard copy form by post, by courier or by hand to the Company's Registrars, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

   and in each case, to be received by the Company not less than 48 hours before the time of the meeting. Any amended proxy appointment must be received by this time.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any changes of instructions to proxies through CREST should be communicated to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com/CREST.

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

To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's Registrars, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by no later than 11.00 am on 12 July 2016.

4. A person entered on the Register of Members at close of business on 12 July 2016 (a 'member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.

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

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

7. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the shareholder as to the exercise of voting rights.

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

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

9. Any member attending the AGM has the right to ask questions. Under section 319A of the Companies Act 2006 the Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

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

11. As at 25 May 2016 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 195,666,734 ordinary shares of 25p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 195,666,734.

12. A copy of this notice (which is at the back of the annual financial report), and other information required by section 311A of the Companies Act 2006, can be found at *www.invescoperpetual.co.uk/edinburgh*.

13. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 April 2015; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 April 2015 ceasing to hold office since the previous meeting at which the annual financial report was laid in accordance with section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant AGM.

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

SHAREHOLDER INFORMATION

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

Savings Plan and ISA

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

Invesco Perpetual Investment Trust Savings Scheme

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

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to the ISA limit. For the tax year 2016/17 this is £15,240. Investors can also choose to make lump sum investments from £500, or regular investments from as little as £20 per month.

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

Net Asset Value (NAV) Publication

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

Share Price Listings

The price of your shares can be found in the Financial Times, Daily Telegraph, The Times and The Scotsman. In addition, share price information can be found using the EDIN ticker code and on the Company's section of the Manager's website of *www.invescoperpetual.co.uk/edinburgh*.

Manager's Website

Information relating to the Company can be found on the Company's section of the Manager's website, which is located at *www.invescoperpetual.co.uk/edinburgh*.

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

Financial Calendar

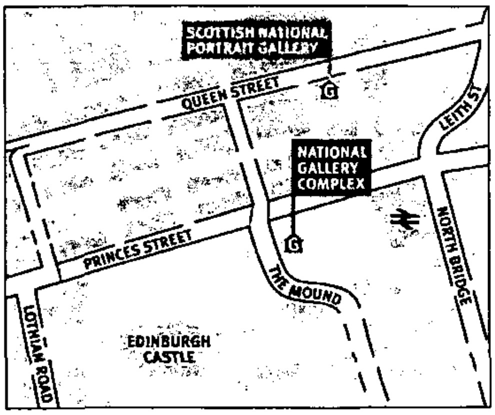
In addition, the Company publishes information according to the following calendar:

Announcements	
Annual financial report	May/June
Half-yearly financial report	November
Dividend Payable Timetable	
1st interim	November
2nd interim	February
3rd interim	May
Final	July
Debenture Stock	
Interest payable on 7¾% 2022	September and March
Annual General Meeting	July
Year End	31 March

Location of Annual General Meeting

The one hundred and twenty seventh Annual General Meeting of the Company will be held at the Weston Link, National Galleries of Scotland, Princes Street, Edinburgh on 14 July 2016 at 11.00 am.

The portfolio manager, Mark Barnett, will make a presentation about the Company after the AGM.



ADVISERS AND PRINCIPAL SERVICE PROVIDERS

All of the following were in place throughout the year.

The Edinburgh Investment Trust was incorporated on 1 March 1889.

Manager and Alternative Investment Fund Manager

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial Contact: Kelly Nice

Correspondence Address

6th Floor
125 London Wall
London EC2Y 5AS
☎ 020 3753 1000

Registered Office

Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

Company Number

Registered in Scotland.
Number: SC1836

Invesco Perpetual Client Services

Invesco Perpetual has a Client Services Team, available to you from 8.30 am to 6.00 pm, Monday to Friday (excluding Bank Holidays). Current valuations, statements and literature can be ordered, however, no investment advice can be given.
☎ 0800 085 8677
www.invescoperpetual.co.uk/investmenttrusts

Savings Scheme and ISA Administration

For queries relating to both the Invesco Perpetual Investment Trust Savings Scheme and ISA, please contact:
Invesco Perpetual
P.O. Box 11150
Chelmsford
CM99 2DL
☎ 0800 085 8677

The Association of Investment Companies

The Company is a member of the Association of Investment Companies. Contact details are:
☎ 020 7282 5555
Email: enquiries@theaic.co.uk
www.theaic.co.uk

Lawyer

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

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars on:
☎ 0871 664 0300.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm, Monday to Friday (excluding Bank Holidays).

Shareholders can also access their holding details via Capita's website:
www.capitashareportal.com.

Capita Asset Services provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or
☎ 0371 664 0445.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0300. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).

Depositary

BNY Mellon Trust Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Banker and Custodian

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

Independent Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Corporate Broker

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

GLOSSARY OF TERMS

Benchmark

An index against which performance is compared. For the Company this is the FTSE All-Share Index.

Discount/(Premium)

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

Dividend Yield

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

Gearing

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

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

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

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

Leverage

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined above. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure.

Net Asset Value (NAV)

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

Ongoing Charges Ratio

This is calculated in accordance with guidance issued by the AIC as follows: the annualised ongoing charges, including those charged to capital but excluding interest, incurred by the Company, expressed as a percentage of the average undiluted net asset value (at market value) reported in the period.

Return

The return generated in a period from the investments.

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

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

Share Price Total Return

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

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURE

Alternative Investment Fund Manager (AIFM) and the Alternative Investment Fund Managers Directive (the 'AIFMD', the Directive)

The Company falls within the definition of an Alternative Investment Fund (AIF) under the Directive and, as such, is required to have (or be) an authorised AIFM. Invesco Fund Managers Limited (IFML) was authorised as an AIFM, and appointed by the Company effective from 22 July 2014.

Amongst other things, regulations implementing AIFMD require certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (www.invescoperpetual.co.uk/edinburgh) in a downloadable document entitled 'AIFMD Investor Information'. There have been no material changes to this information in the year to 31 March 2016 or up to the date of this report. Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider.

In addition, the Directive requires information in relation to the Company's leverage (both 'gross' and 'commitment' – see Glossary on page 61) and the remuneration of the Company's AIFM (IFML) to be made available to investors.

Accordingly:

- the leverage calculated for the Company at its year end was 112.6% for both gross and commitment (2015: both 110.3%). The limits the AIFM has set for the Company remain unchanged at 250% and 200%, respectively;
- the AIFM remuneration policy is available from the Company's company secretary, on request (see contact details on page 60); and
- the AIFM remuneration paid for the year to 31 December 2015 is set out below.

AIFM Remuneration

The AIFM remuneration paid is based on the latest financial year of the AIFM, which was to 31 December 2015.

IFML does not employ any staff directly. All staff involved in the AIF related activities of IFML are employed and paid by Invesco UK Limited or other entities in the Invesco Limited Group. Remuneration for staff involved in AIF related activities has been apportioned based on the average assets under management of £3,759 million for the nine AIFs managed by IFML during the reporting period.

The aggregate total remuneration apportioned to IFML's AIF related activities for performance year 2015 is £6,899,615, of which £3,634,486 is fixed remuneration and £3,265,129 is variable remuneration. The number of beneficiaries is 40.

IFML has identified individuals considered to have a material impact on the risk profile of IFML or the AIFs it manages ('AIFMD Code Staff'), including Board members of IFML, senior management, heads of control functions and other risk takers whose professional activities can exert material influence on IFML's risk profile or on an AIF it manages.

The aggregate total remuneration paid to the AIFMD Code Staff of IFML for AIF related activities is £1,257,880 of which £368,220 is paid to senior management and £889,660 is paid to other AIFMD Code Staff. The total remuneration for AIFMD Code Staff excludes remuneration for staff employed by delegates.

Invesco
Perpetual

The Manager of The Edinburgh Investment Trust plc is Invesco Fund Managers Limited.

Invesco Fund Managers Limited is a wholly owned subsidiary of Invesco Limited and is authorised and regulated by the Financial Conduct Authority.

Invesco is one of the largest independent global investment management firms, with assets under management of $783.7 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.

* *Assets under Management as at 30 April 2016.*

INVESTMENT COMPANIES MANAGED BY INVESCO PERPETUAL

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

The Edinburgh Investment Trust plc

Invests primarily in UK securities with the long-term objective of achieving:

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

The Company has a debenture stock in issue and, in addition, may use bank borrowings.

City Merchants High Yield Trust Limited

A Jersey-incorporated closed-ended Company that aims to generate a high level of income from a variety of fixed income instruments combined. The Company may use bank borrowings.

Invesco Income Growth Trust plc

Aims to produce income and capital growth superior to that of the UK stock market and dividends paid quarterly that, over time, grow at above the rate of inflation. The Company may use bank borrowings.

Invesco Perpetual Enhanced Income Limited

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

Invesco Perpetual Select Trust plc – Managed Liquidity Portfolio

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

Invesco Perpetual Select Trust plc – UK Equity Portfolio

Aims to generate long-term capital and income growth with real growth in dividends from investment, primarily in the UK equity market. The portfolio may use bank borrowings.

Keystone Investment Trust plc

Aims to provide shareholders with long-term growth of capital mainly from UK investments. The Company has two debenture stocks in issue.

Perpetual Income and Growth Investment Trust plc

Aims to generate capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK and fixed interest markets. The Company has secured loan stock in issue and, in addition, may use bank borrowings.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

Aims to achieve long-term total returns for the Company's shareholders primarily by investment in a broad cross-section of small to medium sized UK quoted companies. The Company may use bank borrowings.

Investing Internationally

Invesco Asia Trust plc

Aims to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian securities. The Company aims to achieve growth in its net asset value in excess of the MSCI AC Asia ex Japan Index, total return, in sterling terms. The Company may use bank borrowings.

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

Aims to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide. The portfolio may use bank borrowings.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

Aims to provide shareholders with an attractive total return in differing economic and inflationary environments and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities. The portfolio is constructed so as to balance risk, is long-only, using transparently-priced exchange-traded futures contracts and other derivative instruments to gain such exposure and to provide leverage.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

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

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

Please contact our Client Services Team on 0800 085 8677 if you would like more information about the investment trusts or other specialist funds listed above. Further details are also available on the following website: www.invescoperpetual.co.uk/investmenttrusts

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