
INVESCO English and International Trust plc
REPORT AND ACCOUNTS
YEAR ENDED 5 APRIL 2006



LD5 *L000IHHP* 237
COMPANIES HOUSE 28/07/2006

INVESCO ENGLISH AND INTERNATIONAL TRUST PLC IS A UK INVESTMENT TRUST LISTED ON THE LONDON STOCK EXCHANGE.

INVESCO ENGLISH AND INTERNATIONAL TRUST INVESTS MAINLY IN UK QUOTED SMALLER COMPANIES. ITS BENCHMARK IS THE HOARE GOVETT SMALLER COMPANIES PLUS AIM (EXCLUDING INVESTMENT TRUSTS) INDEX. IT SEEKS TO INVEST IN COMPANIES OFFERING PARTICULAR VALUE AND HOLDS A LARGE NUMBER OF INVESTMENTS IN ORDER TO MAXIMISE INVESTMENT OPPORTUNITY WHILST CONTROLLING THE IMPACT OF STOCK-SPECIFIC RISK. SECTOR WEIGHTINGS ARE PRIMARILY A CONSEQUENCE OF STOCK SELECTION. THE COMPANY HAS ADOPTED A FLEXIBLE POLICY TOWARDS GEARING.

If you have any queries about INVESCO English and International Trust plc or any of the other Investment Trusts managed by Invesco Perpetual, please contact our Investor Services Team on

☎ 0800 085 8677

🌐 www.invescopetual.co.uk/investmenttrusts

Front Cover: Close up of surface flows of basal, UK

Annual Financial Report 2006 INVESCO English and International Trust plc

02	Financial Information
03	Historical Record of the Group
05	Chairman's Statement
07	Manager's Report
09	Classification of Investments
10	Investments in Order of Valuation
14	Top Ten Investments
15	Directors
16	Advisers
17	Shareholder Information
19	Report and Financial Statements
59	Notice of Annual General Meeting
62	Glossary of Terms

Investment Policy

The Company invests mainly in UK quoted smaller companies. Its benchmark is the Hoare Govett Smaller Companies plus AIM (excluding Investment Trusts) Index. It seeks to invest in companies offering particular value and holds a large number of investments in order to maximise investment opportunity while controlling the impact of stock-specific risk. Sector weightings are primarily a consequence of stock selection. The Company has adopted a flexible policy towards gearing with a usual maximum of 120% and a usual minimum of 90% (i.e. it can be less than fully invested). This ability to vary exposure to the market, depending on the Manager's opportunity to find attractive investments will, the Directors believe, enhance returns to Shareholders.

Share and Loan Capital

The Company's share capital consists of ordinary shares. In addition, during the year under review, the Company had prior charges comprising two debenture stocks. A facility for Shareholders to request redemption of their shares on a quarterly basis at near asset value should reduce the risk that the Company's shares trade at a wide discount to net asset value, and should reduce the volatility of the discount.

ISA and PEP Eligibility

The ordinary shares of the Company are qualifying investments under applicable ISA and PEP regulations. For further details of schemes offered by Invesco Perpetual see page 17.

Glossary

There is a glossary of terms on page 62 which defines some of the more technical references used in the report.

Performance Statistics

	AT 5 APRIL 2006	AT 5 APRIL 2005	% CHANGE
Shareholders' funds (£'000)	220,732	247,072*	-10.7
Gearing†	120	118*	
Effective gearing†	113	109*	
Net asset value† per ordinary share	361.5p	287.1p*	+25.9
Net asset value per ordinary share (with debt at fair value)	345.9p	280.4p*	+23.4
Mid-market price per ordinary share	315.7p	247.3p	+27.7
Discount:†			
– with debt at par	12.7%	13.9%	
– with debt at fair value	8.7%	11.8%	
Hoare Govett Smaller Companies plus AIM [®]			
Index – capital return	3,600.52	2,789.77	+29.1
FTSE SmallCap [®] Index – capital return	3,513.31	2,882.32	+21.9
Portfolio performance			+19.8

(Source: INVESCO Asset Management Limited)

[®] Excluding investment trusts

	ACCOUNTING YEAR TO 5 APRIL	
	2006	2005
Gross income† (£'000)	4,840	5,309
Net revenue available for ordinary shares (£'000)	911	1,555*
Total expense ratio† based on:		
Total assets less current liabilities	1.48%	1.05%*
Shareholders' funds	1.75%	1.25%*
Return per Ordinary Share		
Revenue return	1.22p	1.77p*
Capital return	57.84p	51.28p*
Total return	59.06p	53.05p*
Dividend per Ordinary Share		
Interim paid	0.5p	0.5p
Final proposed	0.8p	0.8p
Total	1.3p	1.3p

Terms marked † are defined in the Glossary on page 62.

*Restated for changes to International Financial Reporting Standards

Historical Record of the Group

03

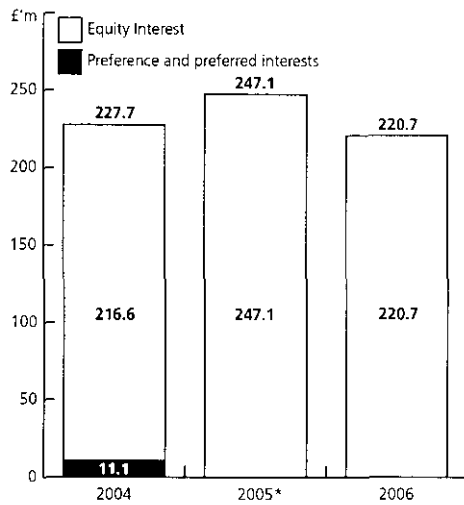
Ten Year Record

Year to 5 April	Gross income† £'000	Net revenue available for ordinary shares† £'000	Dividends on ordinary shares		Total assets less current liabilities† £'000	Net asset value per ordinary share† p	Mid-market price per ordinary share p
			Cost £'000	Rate p			
1997 ⁽¹⁾	5,956	1,443	761	1.2	149,080	192.7	188.0
1998 ⁽²⁾	7,886	2,292	1,086	1.4	246,259	220.9	210.0
1999 ⁽³⁾	7,295	3,411	1,587	1.8	202,748	178.3	133.5
2000	9,716	4,650	1,763	2.0	349,082	344.2	270.0
2001	7,157	2,066	1,940	2.2	266,438	234.4	183.5
2002	6,000	1,105	1,940	2.2	246,414	211.7	155.5
2003	5,254	945	1,058	1.2	169,330	124.2	84.3
2004	5,437	1,289	1,058	1.2	271,669	245.7	190.0
2005 ⁽⁵⁾	5,309	1,555	1,068	1.3	290,929 ⁽⁴⁾	287.1 ⁽⁴⁾	247.3
2006⁽⁶⁾	4,840	911	804	1.3	264,623	361.5	315.7

Terms marked † are defined in the Glossary on page 62.

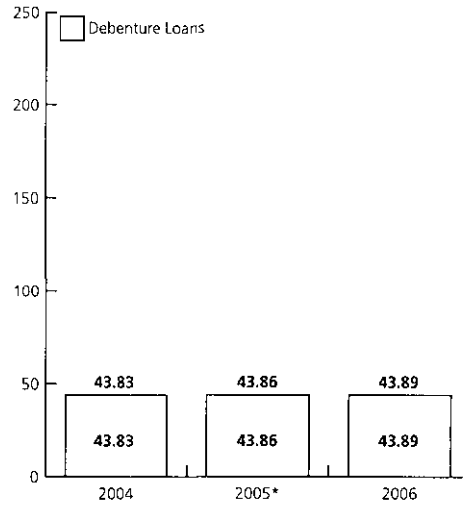
- (1) An issue of 14,408,800 ordinary shares was made in June 1996 to holders of 'C' shares issued in May 1996: both the interim dividends for the year ended 5 April 1997 were paid on 63,394,314 shares.
- (2) On 28 November 1997, 24,771,673 ordinary shares were allotted to shareholders of Saracen Value Trust plc in exchange for their holdings bringing the total number of shares in issue to 88,165,987. The interim dividend for the year ended 5 April 1998 was paid on 63,394,314 shares and the final dividend was paid on 88,165,987 shares.
- (3) From 1999, UK dividends are disclosed net of tax in accordance with FRS 16 and net revenue available for ordinary shares is stated after allocating 50% of management fees and finance costs to capital.
- (4) The accounts have been restated for International Financial Reporting Standards from 5 April 2005 onwards.
- (5) During 2005, 2,115,000 ordinary shares were bought back and cancelled resulting in shares in issue at 5 April 2005 of 86,050,987. A further 7,687,000 ordinary shares were bought back and cancelled after the year end. The interim dividend was thus paid on 88,165,987 shares and the final dividend was paid on 78,363,987 shares.
- (6) During 2006, 24,499,546 ordinary shares were redeemed/bought back and cancelled. A further 500,000 ordinary shares were bought back and held in Treasury. As a result, the ordinary shares in issue at 5 April 2006 were 61,051,441 (excluding Treasury shares). Since the year end 6,098,850 shares were redeemed for £20,198,000 and 3,255,000 shares were bought back for £9,135,000 and held in Treasury. The interim dividend was paid on 78,063,987 shares and the final dividend is payable on 51,697,591 shares.

Analysis of Shareholders' Funds



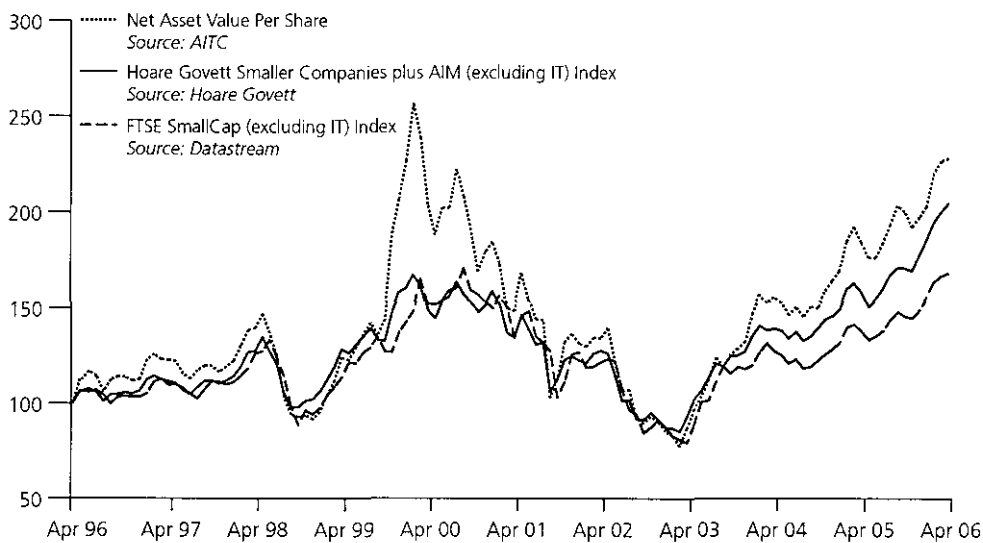
*Restated for change to International Financial Reporting Standard

Debenture Loans

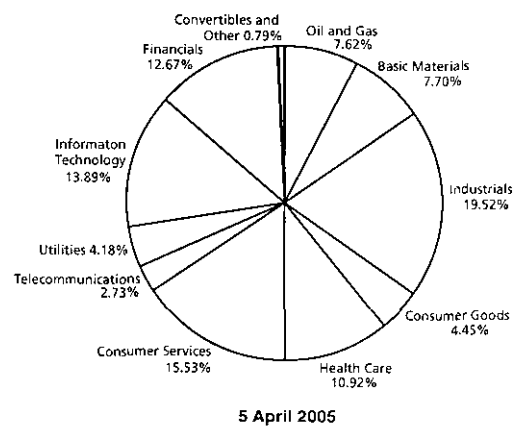
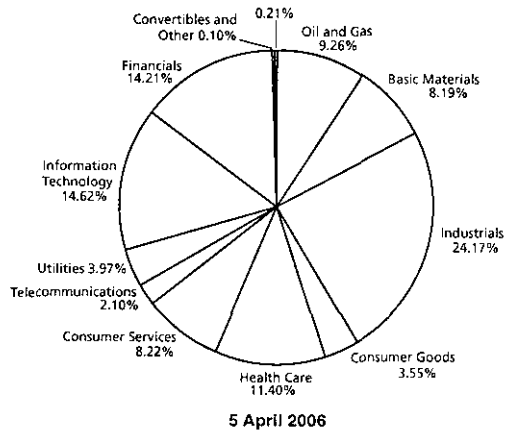


Growth in Net Asset Value Per Share

(All figures rebased to 100 as at 5 April 1996)



Sector Allocation of Portfolio



CHAIRMAN'S STATEMENT

05

Introduction

This is my first annual statement to shareholders since taking over as Chairman in January this year. I should like to start by thanking my predecessor, Jim Findlay, for his long and diligent service to the Company over 28 years as a Director, including the last four as Chairman. During that period, the Company has grown to become one of the largest UK small company Investment Trusts, made significant structural changes that have increased its attractiveness to investors, and seen its share price increase more than tenfold.

Capital Reorganisation

Shareholders will recall that the Company undertook a significant restructuring process during last autumn. The structural changes made, and agreed by shareholders, have led to a significant narrowing of the discount to net asset value ("NAV") per share at which the shares trade in the market. As the shares can be redeemed once a quarter, that discount can be expected to remain narrow and stable.

During the year under review, the Company redeemed a total of 16.8 million shares (21.4% of the Company) at a cost of £48.6 million at the first redemption opportunity in January. The Company also bought back 8.2 million of its own shares through the market; of these, 7.7 million were cancelled and 500,000 are held in Treasury. The cost of these purchases totalled £20.9 million. As the redemption and buy backs occurred at a discount to the published NAV (with debt at fair value), they enhanced the NAV by a total of £6.5 million.

A further 6.1 million shares were redeemed and cancelled after the year end at the second redemption opportunity in April, and another 3.3 million shares bought back into Treasury (making a total of 3.8 million shares so held). This has reduced the number of shares in issue to 51.7 million (excluding those held in Treasury), and enhanced the NAV (with debt at fair value) by a further £2.4 million.

Performance

In absolute terms, the year under review was a good one for shareholders. The NAV per share was up 26% and the share price nearly 28%. This compares to returns of 22% for the FTSE SmallCap (excluding Investment Trusts) Index and 29% for the Company's benchmark Hoare Govett Smaller Companies plus AIM (excluding Investment Trusts) Index. The portfolio underperformed the benchmark, mainly due to having more exposure to the poorly performing AIM market and less exposure to more buoyant FTSE 250 companies than the Index. This underperformance was mitigated, in terms of shareholder return, by gearing in a rising market, share buy backs and redemptions at a discount to NAV per share and a narrowing of the discount to NAV at which the shares trade on the stock market reflecting the new capital structure of the Company.

Markets

Markets performed well, particularly in the second half of the year. By the end of March, the recovery in share prices from their lows in March 2003 had carried the FTSE All-Share Index up 81% and the FTSE 250 a remarkable 159% higher. This recovery, from admittedly very oversold levels, was sustained by high levels of takeover activity, helped by low interest rates, robust corporate profitability and low inflationary expectations. Subsequent to the Company's year end, markets have become much more volatile as speculative investors have attempted to lock in gains in all asset classes. The Company's unaudited NAV per share has fallen 8.4% to 331.1p as at close of business on 26 June 2006.

Dividend

The Board is proposing a final dividend for the year of 0.8p, payable on 31 July 2006 to shareholders on the register as at 7 July 2006. Together with the interim dividend of 0.5p paid to shareholders on 15 January 2006, this would maintain the total dividend for the year ended 5 April 2006 at the previous year's level of 1.3p.

Gearing and Debt

Since the year end, the Board has decided to reduce the Company's structural indebtedness and increase its ability to use more flexible bank financing to implement gearing decisions. Therefore the Company is seeking to repurchase its entire £5 million nominal of 10.625% Debenture Stock 2014, and will keep under review the appropriateness of its remaining long-term debt instruments.

CHAIRMAN'S STATEMENT

continued

During the year under review, the Company remained geared, generally in the range 110% to 115%, which enhanced the NAV performance. Following the reorganisation of the Company's capital, the usual range for effective gearing, going forward, was changed to 90% to 120% (i.e. the Company may have less than 100% exposure to equities if the Manager believes that share prices are likely to fall).

Outlook

While asset prices across most markets have been weak and volatile since the financial year end, UK equities are supported by attractive valuations and robust corporate profitability. The continuing high levels of commodity prices, especially oil, and the likely increases in interest rates around the world suggest caution when looking forward but, ultimately, good businesses generating good returns will lead to good share price performances over the medium term, provided valuations are reasonable. With the Company's new structure, an increase in NAV is likely to be mirrored by an increase in share price. I therefore expect the Company to make further progress this year, albeit more modest than last year.

Annual General Meeting

The Annual General Meeting of the Company will be held at 12 noon on 26 July 2006, at 30 Finsbury Square, London EC2A 1AG. This is an opportunity for shareholders to be briefed on the Company's performance and to ask questions of the Board and the Investment Manager; all shareholders are therefore cordially invited to attend.

The Notice of the Annual General Meeting, which can be found on pages 59 to 61 of this Report and Accounts, includes two items of Special Business to which I should like to draw shareholders' attention.

Special Resolution No. 8 seeks authority for the Directors to issue new shares in the Company, whilst at the same time disapplying pre-emption rights in respect of part of such authority. This will allow the Directors flexibility to issue new shares within prescribed limits more easily than would otherwise be the case. These powers will not be exercised to issue shares at a price below net asset value so that the interests of existing shareholders are not diluted.

Special Resolution No. 9 seeks authority to buy-back up to 14.99% of the Company's issued ordinary shares, subject to the restrictions referred to in the Notice of Annual General Meeting, which again aims to protect the interests of existing shareholders.

The Board believes that all the Resolutions proposed in the Notice of Meeting are in the best interests of the Company and therefore recommend them to shareholders for approval.

I look forward to meeting shareholders at the Annual General Meeting.

John Sands

Chairman

28 June 2006

MANAGER'S REPORT

07

Introduction

The UK stock market was buoyant during the twelve months under review, with the FTSE All-Share Index registering a gain of 24.5%. Apart from a slight retrenchment during October, share prices moved steadily higher over the year. Share prices were supported by reasonable global economic growth leading to strong corporate profitability and cash flow. The predicted slowdown in China failed to materialise. Surging commodity prices did not appear to feed through to more general inflation, and the US consumer remained resilient. High levels of takeover activity, partly driven by large amounts of private equity cash seeking investment opportunities, but also by low interest rates and a willingness of lenders to fund takeovers with high levels of debt, also contributed to share price strength.

Markets

In the UK, the consumer spending was subdued, and the rate of increase of house prices fell sharply. Interest rates were cut by 0.25% in August to 4.5%, reversing the increase of approximately a year earlier. There was a high degree of diversity in the performance of the various areas of the market which make up the small company universe. Over the twelve months, the FTSE 250 Index increased by 38.7% whereas the FTSE AIM Index was up less than 10.5%. The strength of the FTSE 250, which makes up over half of the benchmark Hoare Govett Smaller Companies plus AIM (excluding Investment Trusts) Index, was influenced by the takeover activity mentioned above and also the strength of consumer facing stocks (such as retailers and house builders) in the fourth quarter of 2005, as investors began to believe that the worst of the consumer slowdown had passed. The AIM market was weak, in part because of the high levels of new equity issuance, which undermined prices for existing AIM stocks. By the end of the period, the valuations of the larger small companies were higher in comparison to the market as a whole than for many years, which is likely to limit further outperformance.

Purchases and Sales

During the year, nearly £70 million was spent buying back or redeeming shares. As a consequence of the need to fund this, sales of investments, at £141 million, exceeded purchases by nearly £74 million. Sizeable sales included profit taking on Savills, the property services group; Sportingbet, the on line gambling business; Pendragon, the motor retailer; JKC, the oil and gas company and Arla, the dairy business. The Company has retained important holdings in all of these businesses. Belhaven, the Scottish brewer; East Surrey, the water utility; Easynet, the software and computer services provider and LA Fitness, the operator of gyms, were all taken over, producing considerable profits for the Company. Sizeable new purchases included Fosco, the supplier of consumables to the global steel industry, and Renewable Energy Generation, which funds the creation of wind farms and other renewable energy projects.

Performance

During the year, significant contributors to performance included JKC Oil & Gas, which produces gas in the Ukraine; Chemring, the defence manufacturer and Avocet Mining, the gold mining business. The price of each of these increased by more than 150% over the twelve months. The stock which most detracted from performance was Monterrico Metals, which more than halved as development of its Henry's Hill copper project in Peru was delayed. It is expected, given the scale of the copper reserves, that in time the share price will recover. Another poor stock was CRC; the electronic device repair business fell by nearly three quarters as it issued three profit warnings and lost both its chief executive and its finance director. A new management team has been appointed, and will be putting in place a recovery plan.

In terms of the attribution of performance, the table on page 8 shows that the increase in net asset value per share was some 3.2% less than the benchmark index. This was caused by quite significant underperformance by the portfolio (largely a reflection of its lack of exposure to the buoyant, larger fully listed constituents of the benchmark). This underperformance was partially offset by the buybacks and redemptions of ordinary shares at below asset value and by the gearing, and worsened by the charging of certain costs to capital.

MANAGER'S REPORT

continued

INVESCO English and International Trust plc Performance Attribution for the year to 5 April 2006

	ABSOLUTE %
Net asset value capital return	25.9
Benchmark capital return	29.1
.....
Relative performance	(3.2)
<hr/>	
Analysis of Relative Performance	
Portfolio (under)/outperformance	(9.7)
Net gearing effect	3.3
Costs to capital – interest	(0.9)
Costs to capital – management fees	(0.7)
Costs to capital – restructuring costs	(0.3)
Current year transfer to reserves	(0.1)
Effect of share buy backs	5.2
.....
Total	(3.2)

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

Portfolio (under)/outperformance measures the relative return of the Company's investment portfolio compared to its benchmark.

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

Costs to capital reduce the level of assets and therefore result in a negative effect for relative performance.

Current year transfer to reserves will increase the level of assets and therefore result in a positive effect on relative performance.

Effect of share buy backs measures the effect of ordinary shares bought back on the Company's relative performance.

Outlook

The Manager remains nervous about the outlook for the UK consumer who remains highly borrowed and is facing a squeeze on disposable income. The portfolio therefore continues to have little exposure to retailers and house builders. Given the low yields available on commercial property, the increases in interest rates and the poor outlook for rental growth, there is also little exposure to the property sector. Businesses selling to businesses, for example IT suppliers, are favoured, given that business confidence is good and corporate balance sheets are strong. INVESCO English & International Trust continues to maintain exposure to the resource sectors where commodity prices are likely to remain strong on the back of strong Chinese demand. Exposure to renewable energy and clean energy businesses has also been increased during the year.

Since the end of the period under review, markets have been weak and volatile. Investors have become more risk averse and assets seen as "riskier" such as smaller companies have fallen by more than lower risk and blue chip counters. While equity valuations in general continue to look reasonable, and corporate profitability and cash flow are healthy, worries about a slowdown in global growth, the impact of the substantial increase in interest rates in the US and the continuing strength of the price of oil, will continue to weigh on share prices. However, with such a large universe of stocks, and generally attractive valuations, the Manager is confident that good returns can be made over the medium term.

Andrew Crossley
28 June 2006

CLASSIFICATION OF INVESTMENTS

AT 5 APRIL

	UNITED KINGDOM		NON	2006		2005	
	QUOTED	UNQUOTED	UK	TOTAL		TOTAL	
	%	%	%	%		%	%
Equities							
Oil and Gas							
Oil and Gas Producers	9.26	—	—	9.26		7.62	
Oil and Gas	9.26	—	—	9.26		7.62	
Basic Materials							
Chemicals	0.65	—	—	0.65		0.76	
Mining	6.78	—	—	6.78		6.60	
Industrial Metals	0.76	—	—	0.76		0.34	
Basic Materials	8.19	—	—	8.19		7.70	
Industrials							
Aerospace & Defence	3.04	—	—	3.04		1.94	
Construction & Materials	1.05	—	—	1.05		0.61	
General Industrials	2.66	—	—	2.66		2.88	
Electronic & Electrical							
Equipment	2.39	—	—	2.39		2.61	
Industrial Engineering	3.07	0.22	—	3.29		1.29	
Industrial Transportation	2.46	—	—	2.46		1.77	
Support Services	9.28	—	—	9.28		8.42	
Industrials	23.95	0.22	—	24.17		19.52	
Consumer Goods							
Automobiles & Parts	—	—	0.37	0.37		—	
Beverages	0.20	—	—	0.20		—	
Food Producers & Processors	1.01	—	0.38	1.39		2.66	
Household Goods	0.75	—	—	0.75		0.56	
Leisure Goods	0.84	—	—	0.84		1.23	
Consumer Goods	2.80	—	0.75	3.55		4.45	
Health Care							
Health Care Equipment							
& Services	5.07	—	—	5.07		5.52	
Pharmaceuticals							
& Biotechnology	6.33	—	—	6.33		5.40	
Health Care	11.40	—	—	11.40		10.92	
Consumer Services							
Food & Drug Retailers	0.38	—	—	0.38		0.84	
General Retailers	2.74	—	—	2.74		4.81	
Media	2.39	—	—	2.39		3.34	
Travel & Leisure	2.71	—	—	2.71		6.54	
Consumer Services	8.22	—	—	8.22		15.53	
Telecommunications							
Fixed Line Communications	0.60	—	—	0.60		1.61	
Mobile Communications	1.50	—	—	1.50		1.12	
Telecommunications	2.10	—	—	2.10		2.73	
Utilities							
Electricity	0.70	—	0.17	0.87		0.70	
Gas, Water & Multi Utilities	3.10	—	—	3.10		3.48	
Utilities	3.80	—	0.17	3.97		4.18	
Information Technology							
Software & Computer							
Services	9.94	—	0.54	10.48		10.03	
Technology Hardware							
& Equipment	4.14	—	—	4.14		3.86	
Information Technology	14.08	—	0.54	14.62		13.89	
Financials							
Non Life Insurance	4.68	—	—	4.68		3.07	
Life Insurance	—	—	—	—		—	
Real Estate	1.16	—	—	1.16		2.37	
General Finance	6.65	1.72	—	8.37		7.23	
Financials	12.49	1.72	—	14.21		12.67	
Equities	96.29	1.94	1.46	99.69		99.21	
Fixed Interest	—	—	0.21	0.21		—	
Convertibles	—	—	—	—		0.64	
Other	—	—	0.10	0.10		0.15	
TOTAL 5 April 2006	96.29	1.94	1.77	100.00			
TOTAL 5 April 2005						100.00	

INVESTMENTS IN ORDER OF VALUATION

AT 5 APRIL 2006

INVESTMENT	SECTOR	MARKET VALUE £'000	MARKET VALUE £'000	PERCENTAGE OF PORTFOLIO %
Sterling Energy†	Oil & Gas Producers		3,843	1.5
Northumbrian Water	Gas, Water & Multi Utilities		3,826	1.5
Star Energy†	Oil & Gas Producers		3,814	1.5
Amlin	Nonlife Insurance		3,723	1.5
Chaucer	Nonlife Insurance		3,612	1.5
Chemring	Aerospace & Defence		3,600	1.4
Renewable Energy†	Gas, Water & Multi Utilities			
Ordinary 10p		2,171		
Ordinary 1p		1,391	3,562	1.4
Avocet Mining†	Mining		3,550	1.4
Neutec Pharmaceutical†	Health Care Equipment & Services		3,445	1.4
JKX Oil & Gas	Oil & Gas Producers		3,386	1.4
Aveva	Software & Computer Services		3,386	1.4
Plusnet†	Software & Computer Services		3,344	1.3
Vitec	General Industrials		3,328	1.3
Pendragon	General Retailers		3,130	1.3
Northgate	Industrial Transportation		3,062	1.2
Hamworthy†	Industrial Transportation		2,934	1.2
Savills	Real Estate		2,891	1.2
Hill & Smith	Industrial Engineering		2,865	1.1
SDL	Software & Computer Services		2,834	1.1
Spectris	Electronic & Electrical Equipment		2,770	1.1
Biocompatibles	Health Care Equipment & Services		2,689	1.1
Anglo Pacific	Mining		2,619	1.1
Serco	Support Services		2,608	1.0
Foseco	Industrial Engineering		2,591	1.0
Psion	Technology Hardware & Equipment		2,591	1.0
SVB	Nonlife Insurance		2,576	1.0
RWS†	Support Services		2,565	1.0
Paypoint†	Support Services		2,563	1.0
Monterrico Metal†	Mining		2,551	1.0
IP2IPO†	Support Services		2,512	1.0
Titan Europet	General Industrials		2,400	1.0
Ideal Shopping†	General Retailers		2,380	1.0
Latchways	Support Services		2,235	0.9
Bridgewell*	General Financial		2,211	0.9
Faroe Petroleum†	Oil & Gas Producers		2,149	0.9
Games Workshop	Leisure Goods		2,099	0.8
Cazenove New Europe Fund – Units*	Unit Trusts & Other		2,061	0.8
IFX	General Financial		1,996	0.8
Wolverhampton & Dudley	Travel & Leisure		1,975	0.8
Sportingbet†	Travel & Leisure		1,902	0.8
Mouchel Parkman	Support Services		1,898	0.8
Homebuy†	Household Goods		1,860	0.7
Shore Capital	General Financial		1,840	0.7
VT	Aerospace & Defence		1,834	0.7
Radstone	Technology Hardware & Equipment		1,816	0.7
Royalblue	Software & Computer Services		1,781	0.7
Huntleigh Technology	Health Care Equipment & Services		1,740	0.7
Bristol Water	Gas Water & Multi Utilities		1,735	0.7
Leadcom Integrated†	Mobile Telecommunications		1,720	0.7
Zincor Resources†	Mining		1,708	0.7
Sinclair Pharmaceutical†	Pharmaceuticals & Biotechnology		1,704	0.7
Numist	General Financial		1,700	0.7
Entertainment Rights	Media		1,647	0.7
Renova Energy†	Chemicals		1,625	0.7
Greene King	Travel & Leisure		1,486	0.6
Sthree	Support Services		1,471	0.6

INVESTMENT	SECTOR	MARKET VALUE £'000	MARKET VALUE £'000	PERCENTAGE OF PORTFOLIO %
GTL Resourcest	Oil & Gas Producers		1,470	0.6
ICM Computer	Software & Computer Services		1,458	0.6
Egdon Resourcest	Oil & Gas Producers		1,430	0.6
Vectura†	Pharmaceuticals & Biotechnology		1,429	0.6
Allergy Therapeutical†	Pharmaceuticals & Biotechnology		1,410	0.6
Wint	Mobile Telecommunications		1,400	0.6
Golden Prospect†	Equity Investment Instruments		1,384	0.6
Raymarine	Travel & Leisure		1,380	0.6
Brewin Dolphin	General Financial		1,339	0.5
Netellert	General Financial		1,334	0.5
Beazley	Nonlife Insurance		1,322	0.5
Tissue Sciencet	Health Care Equipment & Services		1,292	0.5
Arbuthnot Banking	General Financial		1,276	0.5
Trading Emissionst	Equity Investment Instruments		1,271	0.5
Staffline Recruitment†	Support Services		1,266	0.5
Begbies Traynort	Support Services		1,261	0.5
Romagt	Construction & Materials		1,260	0.5
Playtech†	Software & Computer Services		1,257	0.5
Melrose Resourcest	Oil & Gas Producers		1,252	0.5
IQEt	Technology Hardware & Equipment		1,243	0.5
Arc International	Technology Hardware & Equipment		1,231	0.5
Arla Foods	Food Producers		1,223	0.5
Ultra Electronic	Aerospace & Defence		1,222	0.5
XKO Group	Software & Computer Services		1,194	0.5
Vastox†	Pharmaceuticals & Biotechnology		1,146	0.5
ATH Resourcest	Mining		1,140	0.5
Torex Retail†	Software & Computer Services		1,128	0.5
Falkland Islandst	General Retailers		1,124	0.5
Datacash Group†	Support Services		1,123	0.5
Quarto	Media		1,122	0.4
CRC†	Software & Computer Services		1,121	0.4
Civica†	Software & Computer Services		1,113	0.4
Augeant	Support Services		1,092	0.4
Interbulk Investment†	General Financial		1,069	0.4
Innovision†	Electronic & Electrical Equipment		1,058	0.4
Amino Technologiest	Fixed Line Telecommunications		1,022	0.4
Evolute†	Pharmaceuticals & Biotechnology		1,020	0.4
Alizyme	Pharmaceuticals & Biotechnology		1,017	0.4
Genust	Pharmaceuticals & Biotechnology		1,002	0.4
Hambledon Mining†	Mining		995	0.4
Morse	Software & Computer Services		989	0.4
Gulfsands Petroleum†	Oil & Gas Producers		979	0.4
Encore Oil†	Oil & Gas Producers		979	0.4
Ecosecurities†	Oil & Gas Producers		971	0.4
Greggs	Food & Drug Retailers		955	0.4
BTG	Pharmaceuticals & Biotechnology		955	0.4
Wogent†	Industrial Metals		954	0.4
1224057 Ontario Inc*	Food Producers		950	0.4
Bateman Engineering†	Construction & Materials		945	0.4
Software Radiot	Technology, Hardware & Equipment			
Ordinary		719		
Warrants		218	937	0.4
European Nickelt	Industrial Metals		935	0.4
Hunting	Aerospace & Defence		926	0.4
Enova Systemst	Automobiles & Parts		923	0.4
Oxford Biomedical†	Pharmaceuticals & Biotechnology		908	0.4
Tenont	General Financial		906	0.4
Ark Therapeutics	Pharmaceuticals & Biotechnology		905	0.4

INVESTMENTS IN ORDER OF VALUATION

continued

INVESTMENT	SECTOR	MARKET VALUE £'000	MARKET VALUE £'000	PERCENTAGE OF PORTFOLIO %
Offshore Hydrocarbonst	General Industrials		892	0.4
Plethora Solutionst	Pharmaceuticals & Biotechnology		887	0.3
Visual Defence	Software & Computer Services		870	0.3
Devro	Food Producers		864	0.3
Advanced Medical Solutionst	Health Care Equipment & Services		859	0.3
Surfcontrol	Software & Computer Services		857	0.3
Premier Research†	Health Care Equipment & Services		824	0.3
Fayrewood†	Technology Hardware & Equipment		787	0.3
Computacenter	Software & Computer Services		774	0.3
Fenner	Industrial Engineering		765	0.3
Cobra Bio Manufacturing†	Pharmaceuticals & Biotechnology		758	0.3
Minorplanet Systemst	Electronic & Electrical Equipment		748	0.3
Careforcet	Health Care Equipment & Services		725	0.3
Synairgent†	Pharmaceuticals & Biotechnology		721	0.3
Cartucho Group†	Industrial Engineering		717	0.3
Pilat Media Global†	Software & Computer Services		713	0.3
Titanium Resourcest	Mining		710	0.3
Intec Telecom Systems	Software & Computer Services		690	0.3
Maximat	General Financial		685	0.3
Antisom	Pharmaceuticals & Biotechnology		677	0.3
AEA Technology	Support Services		669	0.3
Plasmon	Technology Hardware & Equipment		667	0.3
Third Advancet	General Finance			
Ordinary		203		
Preference		454	657	0.3
Taghmen Energy†	Oil & Gas Producers		650	0.3
Angle†	Support Services		646	0.3
Intl Ferro Metalst	Mining		645	0.3
Ardanat	Pharmaceuticals & Biotechnology		637	0.3
Penna Consulting	Support Services		632	0.3
SPG Media	Media		630	0.3
Fonebakt	Mobile Telecommunications		628	0.3
Cozart†	Health Care Equipment & Services		616	0.2
Patagonia Gold†	Mining		613	0.2
Scott Wilson†	Industrial Engineering		610	0.2
Econergy Intl†	General Financial		604	0.2
Eckoh Technologies†	Media		585	0.2
Neptune Mineralst	Mining			
Ordinary		405		
Warrants		169	574	0.2
Scarborough Mineralst	Mining		568	0.2
Wilmington Group	Media		564	0.2
Sarantelt	Technology Hardware & Equipment		562	0.2
Granby Oil & Gas†	Oil & Gas Producers		559	0.2
Morson†	Support Services		546	0.2
Lucy (W.) & Co*	Industrial Engineering		543	0.2
ANT†	Software & Computer Services		540	0.2
World Gaming†	Software & Computer Services		527	0.2
Santa Maria Foods (US) 13% Bd				
May 17 08*	Food Producers		518	0.2
Ceramic Fuel Cellst	Electronic & Electrical Equipment		507	0.2
Telos*	Software & Computer Services			
Class "B" Common		254		
Series A2 Red Prf NPV		140		
Series A1 Red Prf NPV		100	494	0.2
Cosentino Signature†	Beverages		490	0.2
Surface Technology†	Technology Hardware & Equipment		489	0.2
Patientline	Fixed Line Telecommunications		463	0.2
Ridge Mining†	Mining		462	0.2

INVESTMENT	SECTOR	MARKET VALUE £'000	MARKET VALUE £'000	PERCENTAGE OF PORTFOLIO %
Nipson Digital†	Electronic & Electrical Equipment		459	0.2
Arthro Kinetics†	Health Care Equipment & Services		453	0.2
City of London Investment	Media		452	0.2
Alkane Energy†	Oil & Gas Producers		446	0.2
Charlemagne Capital†	General Financial		443	0.2
Ocean Power Technology	Electricity		430	0.2
Inter Link†	Food Producers		421	0.2
Highway Insurance†	Nonlife Insurance		420	0.2
ROC†	Oil & Gas Producers		418	0.2
Microemissive†	Electronic & Electrical Equipment		412	0.2
Ultraframe	Construction & Materials		403	0.2
Air Music & Media†	Media		385	0.1
Europa Oil & Gas†	Oil & Gas Producers			
Ordinary		348		
Warrants		30	378	0.1
Anglo Asian Mining†	Mining		358	0.1
Voller Energy†	Electricity		357	0.1
Wham Energy†	Oil & Gas Producers		355	0.1
Endace†	Software & Computer Services		355	0.1
Portrait Software†	Software & Computer Services		344	0.1
Asterand	Pharmaceuticals & Biotechnology		338	0.1
Deal Group Media†	Media		326	0.1
Reneuron Group†	Pharmaceuticals & Biotechnology			
Ordinary		265		
Warrants		6	271	0.1
TTP Communications	Software & Computer Services		231	0.1
Enterworks	Software & Computer Services		230	0.1
Van Dieman Minest†	Mining		230	0.1
Local Radiot	Media		183	0.1
Home Entertainment†	General Retailers		180	0.1
Goldstone Resource†	Mining			
Ordinary		175		
Warrants		1	176	0.1
Global Oceanic†	Industrial Transportation		122	0.1
Pixology†	Software & Computer Services		120	–
Ringpropt	Industrial Engineering		95	–
Easiert	General Financial		68	–
Milestonet	Media		62	–
Pursuit Dynamicst	General Industrials		19	–
Liverpool Football Club†	Travel & Leisure		14	–
Forever Blue*	Technology Hardware & Equipment		9	–
Oxagen*	Pharmaceuticals & Biotechnology		8	–
Total Value of Investments			249,145	100.0

* Unquoted

† Alternative Investment Market ('AIM')

The total number of holdings in the portfolio (excluding those with nil value) at the year end was 186 (2005: 199).

The holding in AIM stocks was 48.4% (2005: 42.4%) as a percentage of the portfolio (including cash holdings).

TOP TEN INVESTMENTS

AT 5 APRIL 2006

PORTFOLIO RANKING		INVESTMENT	SECTOR	MARKET VALUE	PERCENTAGE OF PORTFOLIO
2006	2005			£'000	%
1	17	Sterling Energy	Oil & Gas Producers	3,843	1.5
2	4	Northumbrian Water	Gas, Water & Multi Utilities	3,826	1.5
3	22	Star Energy	Oil & Gas Producers	3,814	1.5
4	42	Amlin	Nonlife Insurance	3,723	1.5
5	3	Chaucer	Nonlife Insurance	3,612	1.5
6	57	Chemring	Aerospace & Defence	3,600	1.4
7	123	Renewable Energy	Gas, Water & Multi Utilities	3,562	1.4
8	43	Avocet Mining	Mining	3,550	1.4
9	2	Neutec Pharmaceuticals	Health Care Equipment Services	3,445	1.4
10	12	JKX Oil & Gas	Oil & Gas Producers	3,386	1.4

DIRECTORS

Directors

John Sands (Chairman)

Aged 58; joined the Board on 10 May 2004 and was elected Chairman on 3 January 2006. He has a long career at senior management level in the Brewing industry and is a former Chairman of Pubmaster Limited. He is Chairman of the Management Engagement and Nominations Committees.

Dr. Gwyn Jones

Aged 57; joined the Board on 29 September 1993. He is Chairman of Corporate Technologies, SI Corporate Development Ltd. and the Advisory Committee of the North West Equity Fund, and a Director of Unit Superheaters Engineering Ltd. He is a former Director of Tesco plc. He is the Senior Non-Executive Director of the Company and a member of the Audit, Management Engagement and Nominations Committees.

James Cox

Aged 58; joined the Board on 26 November 1999. He was previously a Director and Head of UK Equity Strategy at Schroder Investment Management which he joined in 1987, having been a Fund Manager at Prudential Assurance Company. He is an adviser to Alta Advisors. He is a member of the Audit, Management Engagement and Nominations Committees.

Sarah Bates

Aged 47; joined the Board on 26 November 1999. She was formerly CEO of INVESCO's UK Institutional Business, including its investment trust activities, having previously been a fund manager, Head of UK Equities and joint CIO. She is a Director of Witan Pacific Investment Trust PLC, St James's Place Plc, New India Investment Trust Plc, New India Investment Company (Mauritius) and JPMorgan American Investment Trust plc, and a strategic adviser to both Merseyside Pension Fund and East Riding Pension Fund. She has developed a financial awareness package for 6th Formers and written a guide to investment jargon for pension fund Trustees.

Alan Barber

Aged 58; joined the Board on 15 June 2005. Formerly a Senior Partner at KPMG, he is currently a non-executive director of Management Consultancy Group plc and JPMorgan Fleming Japanese Investment Trust plc. He is Chairman of the Audit Committee and a member of the Management Engagement and Nominations Committees.

ADVISERS

Manager, Company Secretary and Registered Office

INVESCO Asset Management Limited
30 Finsbury Square
London EC2A 1AG

☎ 020 7065 4000

Secretarial contact: John Ellman-Brown

Registered in England and Wales
Number 236895

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to assist you from 8.30 am to 6.00 pm every working day. Please feel free to take advantage of their expertise.

☎ 0800 085 8677

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU

If you hold your shares directly (not through either a Savings Scheme, ISA or PEP) and have queries relating to your shareholding, you should contact the Registrars.

☎ 0870 1623 100

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

Capita Registrars provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This website is www.capitadeal.com

☎ 0870 458 4577

Auditors

Ernst & Young LLP
Registered Auditor
1 More London Place
London SE1 2AF

Stockbrokers

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

Savings Scheme Administrators

The Bank of New York (Europe) Limited
FREEPOST SC02127
12 Blenheim Place
Edinburgh EH7 5JH
☎ 0131 523 9819

ISA and PEP Administration

BNP Paribas Securities Services
Block C, Western House
Lynchwood Business Park
Peterborough PE2 6BP
☎ 0800 085 8677

Custodian

JPMorgan Chase Bank
1 Chaseside
Bournemouth BH7 7DB

SHAREHOLDER INFORMATION

The shares of INVESCO English and International Trust plc are quoted on the UK Stockmarket in much the same way as securities of other companies. Purchases and sales can be arranged in a number of different ways. Here are some examples:

Stockbroker, Bank, Share Shop, On-line Dealing.

In addition to these routes, INVESCO English and International Trust plc is a member of the **Invesco Perpetual Investment Trust Series 2: Savings Scheme**, and the **Invesco Perpetual Investment Trust Series 2: Maxi ISAs and PEPs** (PEP transfers only). Shares in this trust and most other trusts managed by Invesco Perpetual can be purchased and sold via these schemes.

Invesco Perpetual Investment Trust Series 2: Savings Scheme

The Invesco Perpetual Investment Trust Series 2: Savings Scheme allows an investor to make monthly contributions of £25 and above or to make lump sum purchases of £1,000 and above in the shares of INVESCO English and International Trust plc, or any of the trusts managed by INVESCO, in a straightforward and low cost way.

Invesco Perpetual Investment Trust Series 2: Maxi ISAs and PEPs

The Invesco Perpetual Investment Trust Series 2: Maxi ISAs and PEPs allows investment in Maxi ISAs of up to £7,000 in each tax year under current tax legislation. Investors are allowed to make monthly contributions of £50 and above or to make lump sum purchases of £1,000 and above in the shares of INVESCO English and International Trust or any of the trusts managed by Invesco Perpetual.

Investment in PEPs through the Invesco Perpetual Investment Trust Series 2: Maxi ISAs and PEPs continues to be available as a PEP transfer investment only.

For full details of these Investment Schemes contact Investor Services free ☎ 0800 085 8677.

Net Asset Value (NAV) Publication

The NAV is published daily in the *Financial Times* and the *Daily Telegraph*. It is based on the NAV which is calculated as at the close of business on the previous working day.

Share Price Listings

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

Financial Times Investment Companies
Daily Telegraph Investment Trusts

Ordinary Shares
Reuters IEI.L
Bloomberg IEI.LN

Internet addresses
Invesco Perpetual www.invescoperpetual.co.uk/investmenttrusts
TrustNet www.trustnet.co.uk
Interactive Investor www.iii.co.uk

The current share price can also be obtained by calling **0906 003 2470** (calls are charged at 60p per minute at all times).

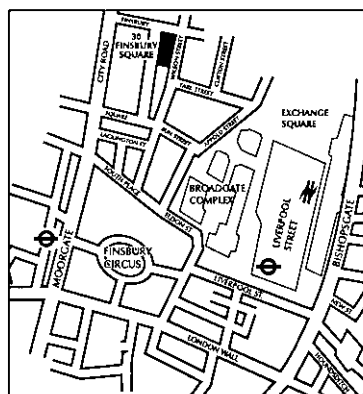
Financial Calendar

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

Announcements	
Interim unaudited results	November
Final preliminary results	June
Ordinary Share Dividends	
Interim payable	January
Final payable	July
Annual General Meeting	July
Year end	5 April

Location of Annual General Meeting

To be held at 12.00 noon on 26 July 2006 at 30 Finsbury Square, London EC2A 1AG.



Report and Financial Statements

- 20 Report of the Directors (incorporating the Business Review)
- 28 Directors' Remuneration Report
- 30 Corporate Governance
- 35 Statement of Directors' Responsibilities
- 36 Independent Auditors' Report
- 38 Consolidated Income Statement
- 39 Consolidated Statement of Changes in Equity
- 40 Company Statement of Changes in Equity
- 41 Consolidated Group and Company Balance Sheet
- 42 Consolidated Group and Company Cash Flow Statement
- 43 Notes to the Financial Statements

REPORT OF THE DIRECTORS (incorporating the Business Review)

FOR THE YEAR ENDED 5 APRIL 2006

Introduction

The Directors have pleasure in presenting their report, together with the audited financial statements of the Company, for the year ended 5 April 2006.

Nature, Objectives and Strategies of the Business

Nature

The Company was incorporated in England and Wales, under the Companies Acts 1907 to 1917, on 2 February 1929 with the name English and International Trust Limited; it subsequently re-registered as a Public Limited Company ('plc') on 15 December 1981. On 27 July 1990 it changed its name to Drayton English and International Trust plc, and on 17 July 1995 to INVESCO English and International Trust plc.

The Company is an Investment Company as defined in section 266 of the Companies Act 1985 and operates as an Investment Trust in accordance with section 842 of the Income and Corporation Taxes Act 1988. HM Revenue and Customs' approval of the Company's status as an Investment Trust, subject to there being no subsequent enquiry under corporation tax self-assessment, has been received in respect of the year ended 5 April 2005. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to be able to seek approval as an Investment Trust in the future.

During the year under review, the Company had three subsidiary undertakings. Two of these, Staple Investment Trust Limited and Anglo-Scottish Securities Limited, had been dormant for a number of years and become surplus to requirements. They were therefore put into liquidation during the course of the year, struck off the Companies House Register under section 652(5) of the Companies Act 1985 on 14 March 2006, and dissolved by notice in the London Gazette dated 21 March 2006. The business of the remaining subsidiary, Anglo-Scottish Amalgamated Corporation Limited, is that of investment dealing.

Objectives and Strategy

The Company invests primarily both in smaller companies quoted on the main London Stock Market, and in stocks quoted on the Alternative Investment Market (AIM). Its investment strategy is to invest in companies that are particularly attractive, irrespective of sector. The Company holds a large number of investments in order to maximise investment opportunities whilst controlling the impact of stock-specific risk. Sector weightings are primarily a consequence of stock selection. The Investment Manager's style is adaptive (that is, it adapts to changing market conditions), often contrarian (that is, the Investment Manager is prepared to behave in opposition to the prevailing market wisdom), and the Company's portfolio is typically highly diversified at the stock level. The Company's benchmark index is the Hoare Govett Smaller Companies plus AIM (excluding Investment Trusts) Index ('the benchmark index').

Gearing policy

The Board believes that one of the advantages of Investment Trust status is the ability to gear the portfolio of the Company. Presently the Company is geared to a level of 120% by the Debenture Stocks. However, £17 million is held in cash which reduces the effective gearing to 113%. It is the policy of the Board to maintain the level of gearing in the range of 90% to 120%.

Restructuring of the Company

During the year under review, the Company made a series of proposals for a restructuring, the purpose of which was to continue to seek to minimise the discount to NAV at which the Company's shares trade, whilst maintaining liquidity. These proposals were approved by shareholders at an Extraordinary General Meeting held on 24 October 2005.

Consequences of the Restructuring

Capital Reorganisation

The Company's share capital has been reorganised. As a result, the authorised share capital of the Company now amounts to £131.3 million, comprising 50,000 Management Shares of 100p each, 125 million Ordinary Shares of 25p each, 100 million "C" Shares of 50p each and 100 million "C1" Shares of 50p each.

The main effect of the reorganisation has been to provide shareholders the opportunity to seek redemption of any or all of their ordinary shares on a quarterly basis. The first such opportunity occurred on 18 January 2006, at which 16.8 million shares were redeemed and cancelled. A further 6.1 million shares were redeemed and cancelled at the second such opportunity on 19 April 2006.

Share buy back powers and Treasury Shares

The proposals included the taking of powers to buy back up to 14.99% of the proposed new Ordinary Shares outstanding immediately following the reorganisation, and the provision that any of the new Ordinary Shares so re-purchased be held in Treasury (rather than being cancelled immediately). This was a renewal of the powers granted to the Directors at the Annual General Meeting on 19 July 2005.

Articles of Association

In order to give effect to the proposals, it was necessary to amend the Articles of Association to reflect the new capital structure of the Company, to create two classes of Conversion Shares and, following recent developments in company law, to amend the provisions already contained within the Articles relating to the indemnification of the Directors.

Key Performance Indicators

The Board reviews performance by reference to a number of Key Performance Indicators that include the following, discussed below:

Relative Asset Performance

Dividend Policy

Peer Group Performance

Discount

Total Expense Ratio

Relative Asset Performance

In reviewing the performance of the assets of the Company's portfolio, the Board currently monitors the NAV (adjusted for prior charges at fair value) and its performance relative to that of the benchmark index. There are some 2,000 companies in the investment universe within which the Company's portfolio is invested, ranging from AIM to the FTSE 250 Index. Thus, the Investment Manager has plenty of scope to find interesting companies with strong growth potential.

At the year end, 48.4% of the portfolio (including cash holdings) was invested in companies quoted on AIM, as compared to 31% in the benchmark index.

The NAV of the Company rose by 25.9% during the course of the year compared with a rise of 29.1% in the benchmark index.

Dividend Policy

As an Investment Trust under section 842 of the Income and Corporation Taxes Act 1988, the Company is not permitted to retain more than 15% of its income from shares and securities. The Company's dividend policy is to distribute most of its income. The dividend level is therefore dependent on the level of income generated from underlying investments.

Details of the dividends paid and proposed for the year are given in the Revenue and Dividends section on page 24.

Peer Group Performance

There are currently some 309 Investment Trusts in the UK, of which some 28 fall into the UK Smaller Companies category. This peer group is quite diverse in its objectives and structures. The Board monitors the performance of the Company in relation to both the sector as a whole and to those companies within its peer group (that is, those which most closely match its objectives and structure). As at 5 April 2006, the Company ranked 16th over 1 year, 4th over 3 years and 11th over 5 years in its peer group (Source: Cazenove).

Discount

The Board monitors the premium/discount at which the Company's shares trade in relation to its assets and how this compares to other peer group Investment Trusts. During the year, the Company's

REPORT OF THE DIRECTORS (incorporating the Business Review)

continued

shares traded at a discount to NAV (with debt at par) in the range 11.4% to 19.3% and discount to NAV (with debt at fair value) in the range 8.0% to 16.2%. At the year end the discount to NAV (with debt at par) was 12.7% and discount to NAV (with debt at fair value) was 8.7%. The average discount for the peer group at the year end was 11%.

Through the mechanisms put in place in the year under review, the Board believes there is a greater likelihood that the value of the Company's shares will reflect the prospects of its own investment strategy rather than the discounts applying to the shares of other Investment Trusts.

Total Expense Ratio

The expenses of managing the Company, known as the Total Expense Ratio ('TER') are reviewed by the Board at every meeting. It is the intention of the Board to minimise the TER without impairing the performance of the Company. At the year end the TER was 1.75% (2005: 1.25% (restated)) as a percentage of Shareholders' funds and 1.48% (2005: 1.05% (restated)) as a percentage of total assets less current liabilities.

Current and Future Development and Performance

Portfolio performance is substantially dependent on the performance of the securities of UK quoted smaller companies. The prices of these securities are influenced by many factors, including the general health of the UK economy, interest rates, inflation, government policies and the health of UK consumer demand. The Manager strives to maximise the total return from the stocks in which it invests, but these securities are influenced by market conditions and the Board acknowledges the external influences on portfolio performance. For a fuller discussion of the economic and market conditions facing the Company and the current and future performance of the portfolio of the Company, please see both the Chairman's Statement and Manager's Report on pages 5 and 7.

As part of its overall strategy, the Company seeks to manage its affairs so as to maximise returns for Shareholders. One of the Board's longer term objectives is to increase the size of the assets of the Company in a manner consistent with seeking to maximise returns for Shareholders. This would act to reduce the TER. The Directors believe that increasing the assets of the Company in this way will make the Company's shares more attractive to investors and improve the liquidity of the shares.

The Directors believe that the capital reorganisation which took place during the year might provide the opportunity for the Company to grow by offering its shares as a merger or rollover option for other Investment Trusts in the sector.

Resources

The Company is an Investment Trust which outsources its management and administrative functions. As a result the Company has no employees. Through the contractual arrangements in place, a full range of services is available to it. The most significant contract is with the Manager, INVESCO Asset Management Limited, to whom responsibility for the investment management, company secretarial and administration of the portfolio is delegated. The day-to-day responsibility for the management of the portfolio rests with the Investment Manager. The Board has adopted guidelines within which the Manager is permitted wide discretion; decisions made outside these parameters are referred to the Board. The Board has the power to replace the Manager and reviews the contract formally every year. The outcome of this review is reported in the Assessment of the Manager on page 26.

Other contractual arrangements govern relationships with the Broker, Registrar and Custodian. These contracts are also reviewed in relation to agreed service standards on a regular basis, and more formally on an annual basis.

Principal Risks and Uncertainties

The Company's fixed asset investments are principally comprised of securities traded on the UK stockmarkets. The principal risk for investors in the Company is a significant fall in the securities markets and/or a prolonged period of decline in the markets relative to other forms of investment. If the Company is geared at the time, a fall in the value of the assets of the Company will normally have a larger negative affect on the net asset value of the Ordinary Shares than if the Company is not geared. Other significant risks include consistent underperformance by the Manager or the market rating of the Company's shares failing to reflect net asset value performance.

Investors should be aware that, in certain circumstances, ongoing redemptions may lead to a more concentrated and less liquid portfolio; this in turn may adversely affect the Company's performance and value. Furthermore, ongoing redemptions may also adversely affect the secondary market liquidity in the Company's shares.

While the Board obviously cannot influence market movements, it is vigilant in monitoring and taking steps to mitigate the effects of falls in markets should they occur. The performance of the Manager is carefully monitored by the Board, and the continuation of its mandate is revisited each year. The Board has established guidelines to ensure that the investment policy that it has approved is pursued by the Manager. The Board and Manager maintain an active dialogue with the aim of ensuring that the market rating of the Company's shares reflects the underlying net asset value, and both buy-back and issuance facilities help the management of this process.

Additionally, the Board with the Manager's advice will seek to ensure that the redemption of shares adversely affects neither continuing investors' prospects nor the Company's investment strategy.

The Risks and Risk Management Policies are also detailed in note 18 to the Accounts on page 53.

Relationships

Through the Annual and Interim Reports, monthly fact sheets and the publication of a daily net asset value, the Board endeavours to ensure that shareholders understand the Company's investment objectives and policies and that the Board, both independently and through the Manager, reviews its objectives and policies in the light of feedback from shareholders.

Advisers

The Company's main supplier of services is the Manager who provides Investment Management Services as well as Company Secretarial and Administrative support. In addition, the Company currently has the following other business relationships:

- UBS as Corporate Broker;
- Ernst & Young as Auditors;
- Capita Registrars as Registrar; and
- JPMorgan Chase as Banker and Custodian.

Further details of the advisers can be found on page 16.

Environmental and Social Policies Policy

As an Investment Trust company with no employees, property or activities outside investment management, environmental policy has limited application.

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

While a company's policy towards the environment and social responsibility is considered as part of the overall assessment of risk and the suitability of the company for the portfolio, the Manager does not necessarily preclude an investment being made on these grounds alone.

Financial Position

Assets and Liabilities

As at 5 April 2006 the Company's assets, which comprised a portfolio of quoted equity investments, unquoted investments and cash, were valued at £264.6 million. During the year under review the Company had an uncommitted bilateral bank loan facility of £10 million (currently undrawn), as well as two Debenture Stocks in issue: £40 million nominal of 6.75% Debenture Stock 2023 and £5 million nominal of 10.625% Debenture Stock 2014.

Since the financial year end on 5 April 2006, it has been decided to seek approval from stockholders for the early redemption of the 2014 stock and a Circular dated 9 June 2006 has been sent to stockholders in this regard. The Board will continue to keep under review the appropriateness of the Company's debt profile, including the consideration of such factors as fixed or floating rates, and short or long term debt.

REPORT OF THE DIRECTORS (incorporating the Business Review)

continued

Gearing policy is under the control of the Board which has established gearing parameters of 90% to 120% of total assets. Gearing levels are regularly reviewed.

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sales of investments, and the income from investments against which must be set the costs of borrowing and management expenses. In addition, during the year the Company bought back/redeemed 24,999,546 of its own Ordinary Shares.

The Company has prepared its Financial Statements in accordance with International Financial Reporting Standards for the year ended 5 April 2006. Previously these were prepared in accordance with UK GAAP. Details of the accounting policies and restatements are given in notes 1 and 19 to the Financial Statements on pages 43 and 54.

Revenue and Dividends

The results of the Group are shown in the Consolidated Income Statement on page 38.

An interim dividend of 0.5p (2005: 0.5p) per share was paid on 15 January 2006 to shareholders on the register on 9 December 2005. Subject to shareholder approval at the forthcoming Annual General Meeting ("AGM"), a final dividend of 0.8p (2005: 0.8p) per share will be paid on 31 July 2006 to shareholders on the register on 7 July 2006.

Ordinary Share Valuations

On 5 April 2006 the mid-market price and the net asset value per 25p ordinary share were 315.7p and 361.5p respectively. The comparable figures on 5 April 2005 were 247.3p and 287.1p (restated). The net asset value per ordinary share has been calculated by including investments of the subsidiaries at their market values. The debenture stock have been deducted at their nominal values.

Buy Back, Redemption and Cancellation, and Holding in Treasury of Ordinary Shares of 25p each

The circular to shareholders dated 27 September 2005 in respect of the restructuring of the Company contained proposals for buy backs, redemptions and the holding in Treasury of ordinary shares, until the next AGM of the Company. These proposals were approved by shareholders at an Extraordinary General Meeting held on 24 October 2005.

The maximum price that may be paid on the repurchase of any shares will be determined in accordance with the UK Listing Authority's Listing Rules which currently provide that the maximum price which may be paid is 105% of the average market values of the shares for the five business days immediately preceding the date of the relevant purchase or the higher of (i) the price of the last independent trade and (ii) the highest current bid price at the time of the purchase. The minimum price which the Company may pay for an ordinary share is 25p. Any ordinary shares purchased may be held in Treasury to the extent of permissible laws and regulations.

From 6 April 2005 to date, 28 June 2006, a total of 34.35 million ordinary shares have been bought back. Of these, 3.75 million are being held in Treasury; the remaining 30.6 million have been cancelled (including 22.9 million redeemed and cancelled as part of the redemption opportunities).

The number of ordinary shares remaining in issue at 28 June 2006 is 51.7 million (excluding those held in Treasury).

Special Business at the Annual General Meeting

Shareholders will find on page 59 the Notice of the forthcoming AGM of the Company to be held on 26 July 2006. In addition to the ordinary business of the meeting, two resolutions are proposed as special business and will be proposed as Special Resolutions.

Resolution 8 seeks the renewal of the Directors' authority to allot new shares in the Company, whilst disapplying pre-emption rights in respect of part of such authority. The Directors intend to limit their power to issue new ordinary shares for cash on a non-pre-emptive basis in accordance with the Association of British Insurer's ("the ABI") guidelines. Accordingly, issues of ordinary shares for cash on

a non-pre-emptive basis will be limited to not more than 5% of the Company's existing ordinary issued share capital in any financial year. The Directors will also seek to comply with the ABI guidelines when issuing any 'C' shares and/or 'C1' shares, having regard to the number of ordinary shares which are likely to arise on their conversion and any other new ordinary shares issued, but recognising that the precise number of ordinary shares which will be issued on conversion will not be known until conversion occurs. To take account of the possibility of Treasury shares, the disapplication of pre-emption rights has been extended to apply to the resale of Treasury shares (if any) in the same way as to the allotment of new securities. The Directors will not use the authority to dilute the interests of existing shareholders by issuing shares at a price which is less than the net asset value (which may be unaudited) attributable to shares at the time of issue.

Resolution 9 seeks the renewal of the Directors' authority to purchase up to 14.99% of the Company's issued share capital, this being 7,749,468 of its own shares as at 28 June 2006. As companies may now hold shares repurchased as Treasury shares with a view to possible resale at a future date as an alternative to simply having to cancel them, the Directors will consider holding repurchased shares as Treasury shares with a view to possible resale.

Substantial Share Interests

	%
AMVESCAP PLC discretionary and non-discretionary clients	15.81
M&G Investment Management	14.72
Royal London Asset Management	10.12
Insight Investment	8.35
Legal and General Investment Management	5.39
Man Financial	4.69

Interests in the issued share capital of the Company at 31 May 2006 are set out above.

Directors

After 28 years on the Board, the last 4 as Chairman, James Findlay retired on 3 January 2006 and was succeeded as Chairman by John Sands.

The current members of the Board, all of whom served throughout the year except for Alan Barber who was appointed a Director on 15 June 2005, are shown on page 15.

In accordance with the Statement of Compliance with the Combined Code on Corporate Governance and the Code of Corporate Governance published by the Association of Investment Trust Companies on pages 30 to 34, Sarah Bates and Gwyn Jones will retire at this year's AGM and, being eligible, offer themselves for re-election. James Cox will retire at the AGM in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

None of the Directors has a service contract with the Company.

Directors' Interests

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

	5 APRIL 2006	6 APRIL 2005
Ordinary Shares		
John Sands	–	–
Alan Barber	296†	–
Sarah Bates	7,000	7,000
James Cox	10,000	10,000
James Findlay*	78,553‡	78,553‡
Gwyn Jones	4,000	4,000

*As at the date of retirement

†As at date of appointment

‡40,000 non-beneficial

REPORT OF THE DIRECTORS (incorporating the Business Review)

continued

Save as aforesaid, no Director had an interest, beneficial or otherwise, in the Debenture Stock of the Company.

No other changes in the above interests occurred between the year end and 28 June 2006.

Disclosable Interests

No Director was a party to or had an interest in any contract or arrangement with the Company at any time during the year.

Statement of Manager's Responsibilities

INVESCO Asset Management Limited ("IAML") is appointed as Manager and as Administrator under an agreement dated 14 September 1992 as amended. This agreement is terminable by either party on one year's notice. The Manager is generally responsible for the day to day investment management activities of the Company, seeking and evaluating investment opportunities and analysing the results of investee companies. The Manager has full discretion to manage the assets of the Company in accordance with the Company's stated objectives and policies, as determined from time to time by the Board. Within the guidelines specified by the Board, the Manager has discretion to make purchases and sales, make and withdraw cash deposits, enter into underwriting commitments, and exercise all rights over the investment portfolio. The Manager also advises on currency exposures and borrowings.

As Administrator, IAML provides full company secretarial and accounting services, ensuring that the Company complies with all legal and regulatory requirements and attending on the Directors at Board meetings and shareholders' meetings. The Manager maintains records of the Company's investment transactions and portfolio and all monetary transactions, from which it prepares interim and annual financial statements on behalf of the Company.

Assessment of the Manager

The management contract is subject to annual review by the Management Engagement Committee which reports its findings and recommendations to the Board. The performance of the Manager in the roles of Investment Manager, Secretary and Administrator is subject to continual review by the Board.

The Board has reviewed the Manager's performance and, taking into account the performance of the portfolio against its benchmark index, the other services provided by the Manager and the risk and governance environment in which the Company operates, the Board has approved the continuation of the management contract as being in the best interests of the Company and its shareholders.

Report of the Audit Committee

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process; the systems of internal control and management of financial risks, the audit process, relationships with the external auditors, the Company's processes for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Committee has also received a satisfactory report on the Manager's internal operations from the Manager's Compliance and Internal Audit Officer.

The audit programme and timetable is drawn-up and agreed with the Auditors in advance of the Company's financial year end. At this stage, matters for audit focus are discussed and agreed. These matters are given particular attention during the audit process and among other matters they are reported on by the Auditors in their audit review to the Committee. The audit review is considered by the Committee and discussed with the Auditors and the Manager prior to approving and signing the financial statements.

The Committee has reviewed the financial statements for the year ended 5 April 2006 with the Manager and the Auditors at the conclusion of the audit process.

Details of the audit fee, fees for taxation services and fees for advisory services are shown in note 4 to the financial statements on page 47. Non-audit work undertaken on behalf of the Company during the year by the auditors includes the Company's taxation affairs and advice in respect of the recent restructuring.

The Committee has considered the non-audit services provided by the auditors and has concluded that they do not impinge on the objectivity of the audit process or affect the independence of the auditors.

Individual Savings Account ("ISA") and Personal Equity Plan ("PEP") Eligibility

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

International Financial Reporting Standards ("IFRS")

As advised in the financial statements for the year ended 5 April 2005, the financial statements for the year ended 5 April 2006 have been prepared in accordance with IFRS. The interim accounts for the six months ended 5 October 2005 were the first financial statements in this form sent to shareholders.

The main effects are:

- the valuation of the investments on a fair value (bid) basis;
- the recognition of equity dividends on an approved as opposed to a proposed basis; and
- the recognition of debenture issue costs on an effective interest basis.

Directors' and Officers' Liability Insurance

The Company maintains a Directors' and Officers' liability insurance policy.

Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. There were no trade creditors at 5 April 2006 (2005: Nil).

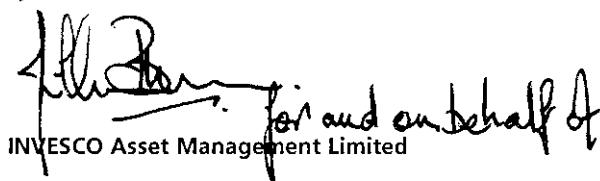
Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditors and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

 for and on behalf of
INVESCO Asset Management Limited

Secretary

30 Finsbury Square
London EC2A 1AG

28 June 2006

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 5 APRIL 2006

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

Your Company's Auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The Auditors' opinion is included in their Report on pages 36 and 37.

Remuneration Committee

The Board as a whole considers directors' remuneration on a regular basis. Accordingly a committee to consider matters relating to directors' remuneration has not been appointed. The Board seeks advice from the Secretary, INVESCO Asset Management Limited, when considering the level of Directors' fees and takes into account remuneration levels in existence within the wider Investment Trust universe.

At its recent review, the Board acknowledged the increasingly onerous legal, regulatory and corporate governance responsibilities, and hence the increased workload, that each Director faces in carrying out the duties of a director. It has also recognised the greater responsibilities faced by the Chairman of the Board and the Chairman of the Audit Committee in fulfilling their respective roles, over and above those faced by the remaining Directors. Accordingly, the Board has concluded that, with effect from 1 August 2006, Directors' remuneration be increased as follows; Chairman – £25,000 (from £20,000); Audit Chairman – £20,000 (from £15,000); Other Directors – £17,000 (from £15,000).

No Director voted on his or her own remuneration.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of Directors should be fair and reasonable in relation to that of other investment trust companies. It is intended that this policy will continue for the year ending 5 April 2007 and subsequent years.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association, the maximum being £125,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

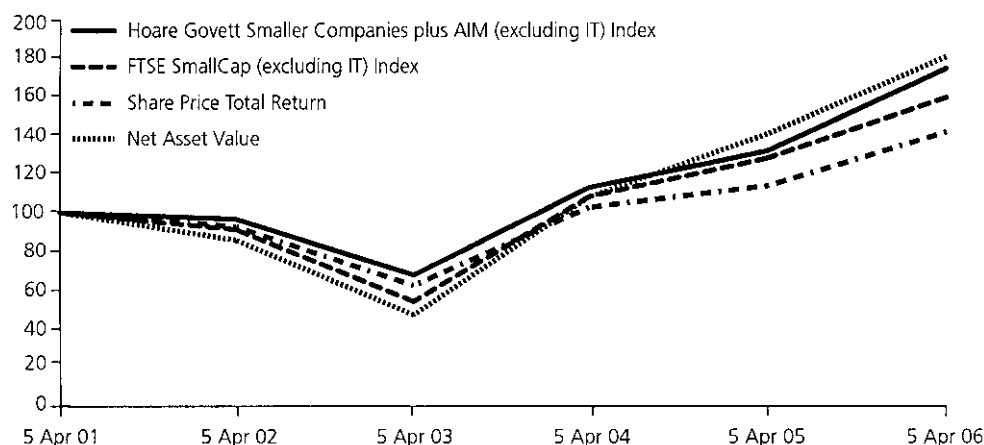
Directors' Service Contracts

It is the Board's policy that no Director has a service contract. The terms of the Directors' appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after appointment and at least every three years thereafter. The terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

Your Company's Performance

The graph on page 29 plots the total return to ordinary shareholders compared to the total return of the Hoare Govett Smaller Companies plus AIM (excluding Investment Trusts) Index and the FTSE SmalCap (excluding Investment Trusts) Index over the five years to 5 April 2006. These indices are the benchmarks, on a total return basis, adopted by the Company for performance measurement purposes. Figures have been rebased to 100 at 5 April 2001.

NAV and Share Price versus Indices (Total Return)



Source: Datastream

Directors' Emoluments for the Year (audited)

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

	2006 £'000	2005 £'000
John Sands* – appointed 10 May 2004	22	13
Alan Barber** – appointed 15 June 2005	17	—
Sarah Bates	20	15
James Cox	20	15
James Findlay – retired 3 January 2006	20	20
Gwyn Jones	20	15
Total	119	78

* Chairman of the Board, Management Engagement Committee and Nominations Committee

**Chairman of the Audit Committee

During the year under review, each Director received an additional fee of £5,000 in recognition of the considerable personal responsibility, liability and extra work involved in the successful restructuring of the Company (as disclosed in the Circular to Shareholders dated 27 September 2005).

Approval

The Directors' Remuneration Report on pages 28 and 29 was approved by the Board of Directors on 28 June 2006.

Alan Barber

Signed on behalf of the Board of Directors

CORPORATE GOVERNANCE

Directors' Statement of Compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code") and the new Code of Corporate Governance published by the Association of Investment Trust Companies (AITC) in February 2006 ("the AITC Code")

The Principles

The Directors are accountable to Shareholders for the governance of the Company's affairs. The Directors are committed to maintaining high standards of corporate governance and this Statement describes how the principles of the Code have been applied in the affairs of the Company. In applying the principles of the Code, the Directors have also taken account of the recommendations of the AITC Code, which establishes a framework of best practice specifically for the boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AITC Code is more flexible for investment trust companies. Where the Directors have relied on the AITC Code, any variance from the Code has been highlighted in this Statement.

The Company, throughout the year under review, has complied with the provisions of both the Code and the AITC Code save in respect of those matters discussed below as having been implemented during the course of the year.

Directors

Independence

The Board currently consists of five Directors, all of whom are non-executive and four of whom are considered independent. Sarah Bates was, until 2003, an executive of the Company's Manager and, by virtue of that fact, is not considered to be independent under the terms of the AITC Code; accordingly she will be seeking re-election annually.

The Board considers that the independence of Gwyn Jones, having served 12 years as a Director, is not compromised by length of service but, to the contrary, is strengthened by his experience. In this respect the Board has relied on the AITC Code; accordingly he will be seeking re-election annually.

Board Balance

The Directors have a range of business, financial, asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 15.

The Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that the Company's policies and activities are in the best interests of the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

Chairman

The Chairman is John Sands, who succeeded James Findlay on the latter's retirement on 3 January 2006. He is a non-executive Director who has no conflicting relationships. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Senior Non-Executive Director

The Board has appointed Gwyn Jones as the Senior Non-Executive Director to act as a channel for communication with shareholders.

Supply of Information

The Manager ensures that Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets on a regular basis at least six times each year and additional meetings are arranged as necessary. Regular contact is maintained between the Manager and 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, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, corporate governance, marketing and shareholder relations, and industry and other issues.

Board Responsibilities

The Board is responsible 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. A formal schedule of matters reserved for decision by the Board and detailing the responsibilities of the Board has been established. The main responsibilities include: setting the Company's objectives and standards, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure, setting long-term objectives and strategy, reviewing investment performance, approving loans and borrowing, and controlling risks.

The Manager is responsible for the day-to-day investment management decisions of the Company and for provision of Company Secretarial and Accounting Services. A statement of the Manager's responsibilities is shown on page 26.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, INVESCO Asset Management Limited. The Secretary is responsible for ensuring that Board and Committee procedures are followed and that all applicable regulations are observed. The Secretary is also responsible for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met.

There is an agreed procedure for Directors, in the furtherance of their duties, to take legal advice at the Company's expense up to an initial cost of £5,000, having first consulted the Chairman.

Nominations Committee, Appointment, Re-election and Tenure of Directors

As the Board is considered small for the purposes of the Code, all independent Directors are members of the Nominations Committee under the Chairmanship of John Sands. The main responsibilities of the Nominations Committee are to review the size and structure of the Board and to make recommendations with regard to any changes considered necessary or new appointments. The Committee has written terms of reference, which clearly define its responsibilities and duties. The terms of reference of the Nominations Committee will be available for inspection at the AGM.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment, copies of which are available for inspection at the Registered Office of the Company and which will be available at the AGM.

The Articles of Association require that each Director shall retire at an AGM every three years after appointment or (as the case may be) last re-appointment, and shall offer themselves for re-election. No Director serves a term of more than three years before re-election. A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued service on the Board of an individual Director is in the best interests of the Company and its shareholders, in which case a long-serving Director will stand for annual re-election at the Company's AGM. The Articles of Association provide that the Directors may, by notice in writing, remove any Director from the Board without compensation.

On appointment to the Board, Directors are fully briefed as to their responsibilities and are kept informed throughout their terms in office of industry and regulatory developments. The Manager and the Board have formulated and put in practice a programme of induction for newly-appointed Directors. The ongoing training requirements of Directors are kept under regular review and are being addressed as and when necessary.

Board and Directors' Performance Appraisal

The Company has in place a system of performance evaluation which is undertaken by the Board annually through questionnaires and discussion. During the year, the Directors have undergone an appraisal process to evaluate the performance both of the Board as a whole and of individual Directors. The results of the appraisal process were satisfactory and the Board confirms that the performance of Directors continues to be effective and that each Director has demonstrated commitment to their role and responsibilities.

CORPORATE GOVERNANCE

continued

Board and Committee Meeting Attendance

The following table sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each Director and member of each Committee.

A number of additional Board meetings were also held, specifically in connection with the restructuring of the Company approved on 24 October 2005, and these are indicated in the columns entitled 'Additional Board'. As these meetings were *ad hoc* and often called at short notice, not all Directors were able to attend every meeting.

	Formal Board		Additional Board		Audit Committee		Management Engagement Committee		Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
	While a member		While a member		While a member		While a member		While a member	
Alan Barber	7	7	5	5	1	1	n/a	n/a	n/a	n/a
Sarah Bates	8	8	6	6	n/a	n/a	n/a	n/a	n/a	n/a
James Cox	8	8	6	4	2	2	1	1	1	1
James Findlay	4	4	6	6	n/a	n/a	1	1	1	1
Gwyn Jones	8	8	6	4	2	2	1	1	1	0
John Sands	8	8	6	4	2	2	1	1	1	0

None of the Directors has a service contract with the Company.

Directors' Remuneration

As the Board has no executive directors and no employees and is comprised solely of non-executives, it does not have a Remuneration Committee. The Company therefore is not required to comply with the principles of the Code in respect of executive directors' remuneration. The Board as a whole determines and approves directors' fees following proper consideration (having regard to the level of fees payable to non-executive directors in the industry generally), the role that individual directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. In accordance with the Combined Code and the Company's Articles of Association, no director voted on the terms of his/her own remuneration.

The Company's Articles of Association limit the aggregate fees payable to the Board to a total of £125,000 per annum. Detailed information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report on pages 28 and 29.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 35. The Auditors' Report appears on pages 36 and 37.

Audit Committee

The Audit Committee comprises Alan Barber, James Cox and Gwyn Jones. The Chairman is Alan Barber, a Chartered Accountant with many years experience at senior partnership level who was appointed to the Committee as Chairman on 6 October 2005, succeeding James Cox (who has remained on the Audit Committee) in that role. John Sands relinquished his position as a member of the Audit Committee on his succession as Chairman of the Board on 3 January 2006. Committee members consider that, collectively, they are appropriately experienced to fulfil the role required. The Committee has written terms of reference which clearly define its responsibilities. The terms of reference of the Audit Committee, including its role and authority, will be available for inspection at the AGM and can be inspected at the Registered Office of the Company.

The Committee meets at least twice each year to review the internal financial and non-financial controls, to approve the contents of the draft interim and annual reports to shareholders and to review the accounting policies. In addition, the Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of the services of the service providers to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. At each meeting, representatives of the Manager's internal audit and compliance teams are present. Representatives of Ernst & Young LLP, the Company's auditors, attend the Committee meeting at which the draft annual report and financial statements are reviewed.

Internal Financial and Non-Financial Controls

The Directors acknowledge that they are responsible for the Company's system of internal financial and non-financial controls in accordance with the Turnbull guidance, which have been in place throughout the year and up to the date of this report. The effectiveness of the Company's operations has been reviewed, and the control systems codified to facilitate regular monitoring and management of risks and to facilitate regular review by the Committee.

As stated earlier, the Board meets regularly and reviews financial reports and performance against revenue forecasts, stock market indices and the Company's peer group. In addition, the Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Internal Audit and Compliance Departments of the Manager. Formal reports on the internal controls and procedures in place for custodial, investment management and accounting activities are reviewed annually by the Board.

The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risk of failure to achieve business objectives.

Internal Audit Function

As the Company employs a manager to undertake its investment management and administration functions, which are subject to the Managers' internal Compliance and Internal Audit review, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function.

Auditors' Non-Audit Services

The Company's auditors also provide taxation and other advisory services to the Company. The cost of providing these services is stated in note 4 to the Financial Statements on page 47. In the opinion of the Committee, the Auditors' role in providing taxation and other advisory services to the Company does not compromise their objectivity and independence in carrying out their audit function.

The Management Engagement Committee

As the Board is considered small for the purposes of the Code, all independent Directors are members of the Management Engagement Committee. The Chairman of the Committee is John Sands. The Management Engagement Committee has written terms of reference which clearly define its responsibilities and duties. The Committee meets annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager.

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 interim and annual Reports and Accounts which aim to provide shareholders with a full understanding of the Company's activities and results. This information is supplemented by the daily calculation of the net asset value of the Company's ordinary shares, which is published via the Stock Exchange, and by a monthly factsheet. In addition, at each AGM a presentation is made by the Manager following the business of the meeting. Shareholders have the opportunity to address questions to the Chairman and the Chairmen of the Committees of the Board at the AGM and all shareholders are encouraged to attend.

There is a regular dialogue with individual institutional shareholders and general presentations to both institutional shareholders and analysts following publication of the annual results. All meetings between the Manager and institutional shareholders are reported to the Board.

It is the intention of the Board that report and accounts be issued to shareholders so as to provide twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or in writing to the Company Secretary at the address given on page 16. At other times the Company responds to letters from shareholders on a range of issues.

CORPORATE GOVERNANCE

continued

Institutional Voting

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

Socially Responsible Investing

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

While an investee company's policy towards the environment and social responsibility is considered as part of the overall assessment of risks and suitability of the company for the portfolio, the Manager does not necessarily preclude an investment being made in the company on these grounds alone.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors who held office at the date of approval of the Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Electronic Publication

The financial statements are published on www.invescoperpetual.co.uk/investmenttrusts, a website maintained by the Company's investment manager. The work carried out by the auditors does not involve consideration of the maintainance 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 their or other jurisdictions.

INDEPENDENT AUDITORS' REPORT

to the Members of INVESCO English and International Trust plc

We have audited the Group and parent company financial statements (the "financial statements") of INVESCO English and International Trust plc for the year ended 5 April 2006 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Changes in Equity, Consolidated Group and Company Balance Sheet, the Consolidated Group and Company Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view, the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes the Business Review.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial Information, Historical Record of the Group, Chairman's Statement, Manager's Report, Investments in Order of Valuation, Directors and Advisers, Shareholder Information, Report of Directors, the unaudited part of the Directors' Remuneration Report, Notice of Annual General Meeting and Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

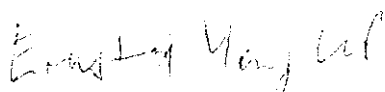
Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 5 April 2006 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 5 April 2006;
- the Group financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

As explained in Note 1 to the Group financial statements, the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 5 April 2006 and of its profit for the year then ended.



Ernst & Young LLP

Registered Auditor

London

28 June 2006

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 5 APRIL

	NOTES	2006			2005 RESTATED*		
		REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments held at fair value through profit or loss	9	–	46,734	46,734	–	48,039	48,039
Realised gains on foreign exchange		–	17	17	–	–	–
Income	2	4,840	–	4,840	5,309	–	5,309
Investment management fee	3	(1,268)	(1,268)	(2,536)	(1,281)	(1,281)	(2,562)
Other expenses	4	(1,027)	(539)	(1,566)	(371)	–	(371)
<hr/>							
Profit before finance costs and taxation		2,545	44,944	47,489	3,657	46,758	50,415
Finance costs	5	(1,634)	(1,634)	(3,268)	(2,102)	(1,670)	(3,772)
<hr/>							
Profit before tax		911	43,310	44,221	1,555	45,088	46,643
Tax	6	–	–	–	–	–	–
<hr/>							
Profit after tax		911	43,310	44,221	1,555	45,088	46,643
<hr/>							
Return per ordinary share	8	1.22p	57.84p	59.06p	1.77p	51.28p	53.05p

The total column of this statement represents the Group's Income Statement, prepared in accordance with International Financial Reporting Standards. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Trust Companies. All items in the above statement derive from continuing operations and the Group has no other gains or losses. No operations were acquired or discontinued in the year.

**Restated for changes to International Financial Reporting Standards*

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 5 APRIL

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE – REALISED £'000	CAPITAL RESERVE – UNREALISED £'000	REVENUE RESERVE £'000	TOTAL EQUITY £'000
Restated* equity							
Shareholders' funds							
at 6 April 2004	33,143	67,825	4,844	91,032	18,707	8,519	224,070
Profit for the year	–	–	–	22,982	22,106	1,555	46,643
Transfer on disposal of investments	–	–	–	(337)	337	–	–
Transfer of subsidiary capital reserves to revenue reserves	–	–	–	(142)	–	142	–
Ordinary shares cancelled	(529)	–	529	(5,281)	–	–	(5,281)
Preference and Preferred share capital reduction	(11,101)	–	(4,844)	(1,974)	–	–	(17,919)
Dividends on Ordinary shares	–	–	–	–	–	(441)	(441)
Restated* Shareholders' funds at 5 April 2005	21,513	67,825	529	106,280	41,150	9,775	247,072
Restated* Shareholders' funds at 6 April 2005	21,513	67,825	529	106,280	41,150	9,775	247,072
Profit for the year	–	–	–	34,754	8,556	911	44,221
Ordinary shares cancelled	(6,125)	–	6,125	(68,137)	–	–	(68,137)
Ordinary shares held in Treasury	–	–	–	(1,407)	–	–	(1,407)
Dividends on Ordinary shares	–	–	–	–	–	(1,017)	(1,017)
Shareholders' funds at 5 April 2006	15,388	67,825	6,654	71,490	49,706	9,669	220,732

*Restated for changes to International Financial Reporting Standards.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 5 APRIL

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE – REALISED £'000	CAPITAL RESERVE – UNREALISED £'000	REVENUE RESERVE £'000	TOTAL EQUITY £'000
Restated* equity							
Shareholders' funds							
at 6 April 2004	33,143	67,825	4,844	91,028	18,707	6,175	221,722
Profit for the year	–	–	–	22,982	22,106	1,701	46,789
Transfer on disposal of investments	–	–	–	(337)	337	–	–
Ordinary shares cancelled	(529)	–	529	(5,281)	–	–	(5,281)
Preference and Preferred share capital reduction	(11,101)	–	(4,844)	(1,974)	–	–	(17,919)
Dividends on Ordinary shares	–	–	–	–	–	(441)	(441)
Restated* Shareholders' funds at 5 April 2005	21,513	67,825	529	106,418	41,150	7,435	244,870
Restated* Shareholders' funds at 6 April 2005	21,513	67,825	529	106,418	41,150	7,435	244,870
Profit for the year	–	–	–	34,754	8,556	911	44,221
Ordinary shares cancelled	(6,125)	–	6,125	(68,137)	–	–	(68,137)
Ordinary shares held in Treasury	–	–	–	(1,407)	–	–	(1,407)
Dividends on Ordinary shares	–	–	–	–	–	(1,017)	(1,017)
Shareholders funds at 5 April 2006	15,388	67,825	6,654	71,628	49,706	7,329	218,530

*Restated for changes to International Financial Reporting Standards.


CONSOLIDATED GROUP AND COMPANY BALANCE SHEET

AS AT 5 APRIL

	NOTES	2006 GROUP £'000	2005 RESTATED* GROUP £'000	2006 COMPANY £'000	2005 RESTATED* COMPANY £'000
Non-current assets					
Investments held at fair value through profit or loss	9	249,145	269,542	250,107	270,954
Current assets					
Other receivables	10	1,183	7,872	1,344	8,372
Cash and cash equivalents		17,134	15,959	17,131	15,957
		18,317	23,831	18,475	24,329
Total assets		267,462	293,373	268,582	295,283
Current liabilities					
Other payables	11	(2,839)	(2,444)	(6,161)	(6,556)
Total assets less current liabilities		264,623	290,929	262,421	288,727
Non-current liabilities					
Interest bearing borrowings	12	(43,891)	(43,857)	(43,891)	(43,857)
Net assets		220,732	247,072	218,530	244,870
Issued capital and reserves attributable to equity holders					
Ordinary share capital	13	15,388	21,513	15,388	21,513
Share premium account	15	67,825	67,825	67,825	67,825
Capital redemption reserve	15	6,654	529	6,654	529
Capital reserve – realised	15	71,490	106,280	71,628	106,418
Capital reserve – unrealised	15	49,706	41,150	49,706	41,150
Retained earnings	15	9,669	9,775	7,329	7,435
Total Shareholders' funds		220,732	247,072	218,530	244,870
Net asset value per ordinary share	14	361.5p	287.1p	357.9p	284.6p

These financial statements were approved and authorised for issue by the Board of Directors on 28 June 2006.

Signed on behalf of the Board of Directors



Alan Barber

Director

**Restated for changes to International Financial Reporting Standards*

The accompanying notes are an integral part of these financial statements

CONSOLIDATED GROUP AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 5 APRIL

	NOTES	2006 GROUP £'000	2005 RESTATED* GROUP £'000	2006 COMPANY £'000	2005 RESTATED* COMPANY £'000
Cash flow from operating activities					
Profit before tax		44,221	46,643	44,221	46,789
Adjustments for:					
Purchases of investments		(67,276)	(86,316)	(67,276)	(86,316)
Sales of investments		141,072	117,951	141,072	117,951
		73,796	31,635	73,796	31,635
Gains on investments		(46,734)	(48,039)	(46,734)	(48,039)
Realised gains on foreign exchange		(17)	–	(17)	–
Financing Costs		3,268	3,696	3,268	3,696
Transfer of subsidiary capital reserves		–	–	–	(142)
Operating cash flows before movements in working capital		74,534	33,935	74,534	33,939
Increase/(decrease) in receivables		42	(84)	172	(84)
Increase/(decrease) in payables		376	49	245	64
Net cash from operating activities before tax		74,952	33,900	74,951	33,919
Tax paid		–	(52)	–	(52)
Net cash from operating activities after tax		74,952	33,848	74,951	33,867
Cash flows from financing activities					
Shares purchased for cancellation		(69,544)	(23,200)	(69,544)	(23,200)
Interest paid on borrowings		(3,233)	(3,233)	(3,233)	(3,233)
Distributions in respect of preference and preferred shares		–	(445)	–	(445)
Equity dividends	7	(1,017)	(441)	(1,017)	(441)
Net cash used in financing activities		(73,794)	(27,319)	(73,794)	(27,319)
Net increase in cash and cash equivalents		1,158	6,529	1,157	6,548
Cash and cash equivalents at the beginning of the year		15,959	9,430	15,957	9,409
Effects of foreign exchange movements		17	–	17	–
Cash and cash equivalents at end of the year		17,134	15,959	17,131	15,957

*Restated for changes to International Financial Reporting Standards

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 5 APRIL 2006

1. Significant Accounting Policies

The Financial Statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and Standing Interpretation Committee and International Financial Reporting Interpretation Committee interpretations issued by the International Accounting Standards Board ("IASB") effective for the Group's reporting for the year ended 5 April 2006.

(a) Basis of Preparation

The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Trusts ("AITC") in December 2005 is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement, in accordance with guidance issued by the AITC.

The general principle that should be applied on the first time adoption of IFRS is that standards in force at the first reporting date (for INVESCO English and International Trust plc ("the Company") this is 5 April 2006) should be applied retrospectively. However, IFRS 1 'First Time Adoption of International Financial Reporting Standards' ("IFRS 1") contains a number of exemptions which companies are permitted to apply. The Company has elected not to present certain comparative information in accordance with IAS 32 'Financial Instruments: Recognition and Measurement'.

The restated information of the years ended 5 April 2005 and 2004 is based on IFRS, except that the preference shares at 5 April 2004 were accounted for on the basis of previous UK GAAP as allowed by IFRS 1. The disclosures required by IFRS 1 are given in note 19.

Further information on the principal differences between IFRS and the Group's previous accounting policies under UK GAAP and the effect of their adoption on the Group's previously published information is given in note 19(a).

(b) Principal activity

The principal activity of the Company remains that of an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. The principal activity of its subsidiary undertaking, Anglo-Scottish Amalgamated Corporation Limited, is investment dealing.

(c) Basis of consolidation

The Consolidated Financial Statements, incorporating the Financial Statements of the Company and its subsidiary, are made up to the same accounting date. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated. A separate revenue account for the Company, excluding its subsidiary undertakings, has not been included, as permitted by Section 230 of the Companies Act 1985. The consolidated retained profit for the year includes a profit after tax of £44,221,000 (2005: £46,789,000 (restated)) which is dealt with in the accounts of the Company.

(d) Investee companies

Details of the Company's holdings in investee companies in excess of 5% of allotted share capital or securities are shown in note 9(d). Investments are made such that the Group often has the right, directly or indirectly, to influence the overall direction of an investee company. However, the Group does not participate in the day-to-day management of such companies and accordingly under IAS 28 they are not considered to be associated undertakings.

NOTES TO THE FINANCIAL STATEMENTS

continued

(e) Segmental reporting and functional currency

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 operating and generating revenue mainly in the UK and, therefore, no segmental reporting is provided.

The Company's functional currency is pounds sterling as its operating activities are based in the UK and substantially all of its income and expenses are in sterling, which is also the currency in which these accounts are prepared.

(f) Income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established, normally the ex-dividend date. UK dividends are stated net of related tax credits. Interest income is taken to account on an accruals basis and underwriting commission is recognised as earned.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AITC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under Section 266 of the Companies Act 1985, net capital returns may not be distributed by way of a dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

(g) Expenses and finance costs

All expenses are accounted for on an accruals basis. Expenses have been charged to the Income Statement and shown in revenue, except as follows:

- expenses are presented as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and, accordingly, the investment management fee and finance costs (excluding the distribution on preference and preferred shares) have been allocated equally to revenue and capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company; and
- issue costs and discounts relating to the £40,000,000 6.75% debenture stock are deducted from proceeds and charged equally to revenue and capital using the effective interest method over the stock's 25 year life.

(h) Taxation

Tax expense represents the sum of the tax currently payable and deferred tax. Any tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date. Any allocation of tax relief to capital is based on the marginal basis.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investment trusts which have approval under Section 842 of the Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

(i) Dividends payable

Dividends are recognised when paid or approved by Shareholders and are shown in the Statement of Changes in Equity.

(j) Investments held at fair value through profit or loss

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are classified as fair value through profit or loss. As the Group's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are, on initial recognition, designated as fair value through profit or loss.

After initial recognition, investments which are designated as fair value through profit or loss, are measured at subsequent reporting dates at fair value. Gains or losses on investments classified as at fair value through profit or loss are recognised in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established with regard to the International Private Equity and Venture Capital Valuation Guidelines by using valuation methodologies such as recent transactions, net assets and earnings multiples. Where no reliable fair value can be estimated for such unquoted instruments, they are carried at cost, subject to any provision for impairment.

IAS 39 "Financial Instruments: Measurement" requires that transaction costs for financial investments at fair value through profit or loss be expensed. The Company's policy is to capitalise transaction costs on acquisition and the profit or loss on disposal is calculated net of transaction costs on disposal. Whilst there is no overall impact on the total return for the year or net assets, this does result in an overstatement of investment bookcost and a misallocation between realised and unrealised capital reserves. This departure from IAS 39 does not have a material impact on the Company's results and details of transaction costs are disclosed in note 9(f).

Any gains or losses whether realised or unrealised, arising on fixed asset investments are taken through the Income Statement and shown in capital.

(k) Other receivables and payables

Other receivables and payables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(l) Interest bearing borrowings

Interest bearing borrowings, being debenture stocks issued by the Company, are recognised at amortised cost, using the effective interest method.

(m) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and short-term deposits with an original maturity of three months or less.

(n) Financial Instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments. The Company offsets financial assets and financial liabilities if the Company has a legally enforceable right to set-off the recognised amounts and interests and intends to settle on a net basis. Financial assets and liabilities are de-recognised when the Company settles its obligations relating to the instrument.

(o) Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rate ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Income

	2006 £'000	2005 £'000
Income from investments		
UK dividends	3,704	4,443
Overseas dividends	714	229
Unfranked investment income – interest	–	112
	4,418	4,784
Other income		
Deposit interest	120	1
Underwriting commissions	12	24
Investment dealing profits of subsidiary undertakings	290	500
	422	525
Total income	4,840	5,309
Total income comprises:		
Dividends	4,418	4,672
Interest	120	113
Other income	302	524
	4,840	5,309
Income from investments		
Listed UK	3,757	4,366
Unlisted	649	406
Unquoted	12	12
	4,418	4,784

3. Investment management fee

	2006			2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,079	1,079	2,158	1,090	1,090	2,180
Irrecoverable VAT thereon	189	189	378	191	191	382
	1,268	1,268	2,536	1,281	1,281	2,562

INVESCO Asset Management Limited acts as Manager and Administrator to the Company under an agreement dated 14 September 1992 as amended. This agreement is terminable by either party on one year's written notice.

The management fee is payable in arrears for the period 1 January to 5 April then on 30 June, 30 September and 31 December in each year and calculated at the rate of 0.8% per annum (plus VAT) by reference to the total gross assets of the Group less current liabilities (excluding short term liabilities for investment purposes) save that on unquoted investments a fee of 0.75% (plus VAT) per annum and on cash (including STIC cash), a fee of 0.4% (plus VAT) per annum will be charged at the end of each such period to 5 April or calendar quarter date. To avoid any double charging, the gross assets of the Group are deemed to exclude the value of any investment in other funds managed by the Manager. At 5 April 2006 £627,000 (2005: £708,000) was accrued as owing to the Manager.

4. Other expenses

	2006			2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
General expenses	809	515	1,324	251	–	251
Aggregate Directors' emoluments (see below)	119	–	119	78	–	78
Auditors' remuneration						
– for audit services	41	–	41	35	–	35
– for advisory services	50	24	74	–	–	–
– for taxation	8	–	8	7	–	7
	1,027	539	1,566	371	–	371

Included in general expenses are costs in relation to the capital reorganisation of the Company of £1,010,000 which are allocated 50% to capital and 50% to revenue. Auditors' advisory services of £74,000 (2005: nil) is in relation to review of the interim accounts under IFRS of £26,000 and costs in relation to the advice on the capital reorganisation of the Company of £48,000 allocated 50% to revenue and 50% to capital.

The Directors' emoluments authorised by the Articles of Association are £125,000 per annum. The Directors' Remuneration Report is on page 28.

5. Finance costs

	2006 £'000	2005 Restated £'000
Interest payable on borrowings repayable as follows:		
Bank loans repayable within 1 year, not by instalment	1	76
Debenture stock repayable after more than 5 years, not by instalment	3,233	3,233
Amortisation of issue costs and discount on 6.75% debenture stock	34	31
Distribution in respect of cumulative preference shares and preferred shares	–	432
	3,268	3,772
Revenue	1,634	2,102
Capital	1,634	1,670
Total finance costs	3,268	3,772

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Tax

There is no liability to corporation tax for the year ended 5 April 2006 (2005: nil). UK dividends are not subject to UK corporation tax and other income is offset by administrative expenses of the year.

	2006 £'000	2005 Restated £'000
Total return on ordinary activities before taxation	44,221	46,643
Theoretical tax at UK Corporation Tax rate of 30% (2005: 30%)	13,266	13,993
Effects of:		
– Gains on investments not taxable	(14,025)	(14,412)
– UK dividends which are not taxable	(1,118)	(1,333)
– Movements in excess management expenses and non-trading loan relationship debits	1,715	1,752
– Expenses not deductible for tax purposes	162	–
Actual current tax amount	–	–

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

Factors that may affect future tax charges:

The Company has excess management expenses of £14,587,000 (2005: £13,010,000) and excess non-trading loan relationship debits of £24,233,000 (2005: £21,777,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of these amounts since it is considered too uncertain that there will be sufficient future taxable revenue against which these amounts can be offset.

7. Dividends

	Group 2006 £'000	Group 2005 £'000
Amounts recognised and distributions to equity holders in the year:		
Final for 2005 of 0.8p paid on 78,363,987 shares	627	–
Interim of 0.5p paid on 78,063,987 shares (2005: 0.5p paid on 88,165,987 shares)	390	441
	1,017	441

Set out below are the dividends payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

	2006 £'000	2005 £'000
Interim of 0.5p paid on 78,063,987 shares (2005: 0.5p paid on 88,165,987 shares)	390	441
Final of 0.8p payable on 51,697,591 shares (2005: 0.8p payable on 78,363,987 shares)	414	627
	804	1,068

8. Return per share

Total return per ordinary share is based on the profit after tax, revenue return per ordinary share is based on the revenue profit after tax and capital return per ordinary share is based on capital profit after tax. All three returns are based on 74,872,440 (2005: 87,933,686) weighted average number of shares in issue during the year.

9. Investments held at fair value through the profit or loss

(a) Analysis of investments

	Group	Group Restated	Company	Company Restated
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Shares in subsidiary undertakings (see (c) below)	—	—	962	1,412
Other investments:				
Listed:				
In United Kingdom	110,714	141,196	110,714	141,196
Elsewhere	2,681	2,383	2,681	2,383
Unlisted (including AIM)	128,956	121,109	128,956	121,109
Unquoted at Directors' valuation:				
In equity share capital	6,276	4,449	6,276	4,449
In other investments	518	405	518	405
	249,145	269,542	250,107	270,954

(b) Analysis of investment gains:

	Group	Group Restated	Company	Company Restated
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Opening valuation	269,542	263,250	270,954	264,662
Movements in the year:				
Additions at cost	67,296	83,012	67,296	83,012
Disposals – proceeds	(134,427)	(124,759)	(134,877)	(124,759)
– realised gains on sales	38,178	25,596	38,178	25,596
Movement in unrealised appreciation	8,556	22,443	8,556	22,443
Closing valuation	249,145	269,542	250,107	270,954
Closing cost of investments	(199,439)	(228,392)	(200,401)	(229,804)
Closing unrealised appreciation	49,706	41,150	49,706	41,150
Realised gains on sales	38,178	25,596	38,178	25,596
Amounts recognised as unrealised in the previous year	(338)	337	(338)	337
Realised gains based on carrying value in the previous year	37,840	25,933	37,840	25,933
Movement in unrealised appreciation in the year	8,556	22,443	8,556	22,443
Less: amounts recognised in the previous year	338	(337)	338	(337)
Net movement in unrealised appreciation	8,894	22,106	8,894	22,106
Gains on investments	46,734	48,039	46,734	48,039

(c) Subsidiary undertakings

The Company holds directly 100% of the ordinary share capital of Anglo-Scottish Amalgamated Corporation Limited (consisting of £333,255 ordinary stock). During the year the Company's other subsidiary undertakings of Staple Investment Trust Limited and Anglo-Scottish Securities Limited were wound up and struck off at Companies House. All the aforementioned companies were registered and operated in England and Wales.

NOTES TO THE FINANCIAL STATEMENTS

continued

(d) Registration of investments

The investments of the Company are registered in the name of the Company or in the name of nominees and held to the order of INVESCO English and International Trust plc.

(e) Holdings in excess of 5%

The Company holds 5% or more of any class of allotted share capital or securities in the following companies, other than holdings with a valuation of nil.

Name	Country of Incorporation	Class of capital	% of class held
Advanced Medical Solutions	England and Wales	Ordinary	5.5
Cobra Bio Manufacturing	England and Wales	Ordinary	9.2
CRC	England and Wales	Ordinary	7.0
Easier	England and Wales	Ordinary	5.5
Europa Oil & Gas	England and Wales	Warrants	9.1
Goldstone Resource	England and Wales	Warrants	9.7
IFX	England and Wales	Ordinary	5.4
Innovision	England and Wales	Ordinary	5.4
Milestone	England and Wales	Ordinary	5.6
Renewable Energy	England and Wales	Ordinary	5.3
Ringprop	England and Wales	Ordinary	8.3
SPG Media	England and Wales	Ordinary	7.0
Telos	U.S.A.	'B' Common	9.6
Zincox Resources	England and Wales	Ordinary	5.1

In the opinion of the Directors, neither the results nor the financial position of the above investments have a significant effect on the results shown in these financial statements.

(f) Transaction costs

Transaction costs on purchases were £162,000 (2005: £353,000) and on sales were £306,000 (2005: £280,000)

10. Other receivables

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Amounts due from brokers	686	7,331	686	7,331
Investments of dealing subsidiary	129	—	—	—
Prepayments and accrued income	368	541	368	541
Amount due from subsidiary	—	—	290	500
	1,183	7,872	1,344	8,372

11. Other payables

	Group 2006 £'000	Group Restated 2005 £'000	Company 2006 £'000	Company Restated 2005 £'000
Amounts due to brokers	1,366	1,347	1,366	1,347
Amounts owed to subsidiary	—	—	3,454	4,113
Accruals and deferred income	1,473	1,097	1,341	1,096
	2,839	2,444	6,161	6,556

12. Non-current liabilities

	Group 2006 £'000	Group Restated 2005 £'000	Company 2006 £'000	Company Restated 2005 £'000
Interest bearing borrowings finally repayable as follows:				
more than 5 years				
£5m 10.625% debenture stock 2014	5,000	5,000	5,000	5,000
£40m 6.75% debenture stock 2023				
less unamortised discount and issue costs	38,891	38,857	38,891	38,857
	43,891	43,857	43,891	43,857

Both the 6.75% and the 10.625% debenture stocks are secured by a Deed creating a first floating charge in favour of the Trustee over the Company's assets. The debentures are recognised at amortised costs using the effective interest method.

13. Share capital of the Group

(a) Called up share capital

	2006 £'000	2005 £'000
Authorised		
125,000,000 (2005: 169,592,004) ordinary shares of 25p each	31,250	42,398
50,000 (2005: nil) management shares of 100p each	50	—
100,000,000 (2005: nil) C shares of 50p each	50,000	—
100,000,000 (2005: nil) C1 shares of 50p each	50,000	—
	131,300	42,398
Allotted, called up and fully paid		
61,551,441 (2005: 86,050,987) ordinary shares of 25p each	15,388	21,513
	15,388	21,513

The Company issued a circular on 27 September 2005 detailing proposals by the Company to reorganise its share capital so that investors will be able to request redemption of part or all of their shareholdings on a quarterly basis. Costs in respect of this restructuring were £1,058,000 and have been charged equally to revenue and capital.

During the year 24,499,546 ordinary shares of 25p each were repurchased/redeemed and cancelled at an average price of 276.6p. Since the year end 6,098,850 shares were redeemed for £20,198,000. In addition, ordinary shares were repurchased and held in Treasury as shown in note 13(b) below.

(b) Own shares held in Treasury

	Number	£'000
At 6 April 2005	—	—
Additions during the year	500,000	1,407
At 5 April 2006	500,000	1,407

Since the year end, 3,255,000 shares were repurchased for £9,135,000 and are held in Treasury.

NOTES TO THE FINANCIAL STATEMENTS

continued

14. Net asset value of the Group

The net asset value per ordinary share, based on 61,051,441 shares (2005: 86,050,987), excluding Treasury shares, has been calculated by including investments of the subsidiaries at their market value and deducting the debenture stocks at their nominal values.

	Net asset value per share		Net assets attributable	
	2006 Pence	2005 Restated Pence	2006 £'000	2005 Restated £'000
Ordinary shares	361.5	287.1	220,732	247,072

15. Reserves

	Share premium account	Capital redemption reserve	Capital reserve – realised restated	Capital reserve – unrealised restated	Retained earnings restated
	£'000	£'000	£'000	£'000	£'000
Group					
As previously stated at 5 April 2005	67,825	529	106,206	45,095	9,074
Effects arising from the adoption of IFRS:					
– final dividend for 2005	–	–	–	–	627
– debenture stock recognised using effective interest method	–	–	74	–	74
– investments at fair value	–	–	–	(3,945)	–
At 5 April 2005 (as restated)	67,825	529	106,280	41,150	9,775
Net gain on realisation of investments	–	–	37,840	–	–
Movement in unrealised appreciation	–	–	–	8,894	–
Transfer on disposal of investments	–	–	338	(338)	–
Redemption of ordinary shares	–	–	(48,851)	–	–
Shares purchased for cancellation	–	6,125	(19,286)	–	–
Ordinary shares repurchased and held in Treasury	–	–	(1,407)	–	–
Management fee charged to capital	–	–	(1,268)	–	–
Interest charged to capital	–	–	(1,634)	–	–
Costs of capital restructure	–	–	(529)	–	–
Dealing charges charged to capital	–	–	(10)	–	–
Exchange differences on bank balances	–	–	17	–	–
Revenue return for the year	–	–	–	–	911
Equity dividend paid in the year	–	–	–	–	(1,017)
At 5 April 2006	67,825	6,654	71,490	49,706	9,669
Company					
As previously stated at 5 April 2005	67,825	529	106,344	45,095	6,734
Effects arising from the adoption of IFRS:					
– final dividend for 2005	–	–	–	–	627
– debenture stock recognised using effective interest method	–	–	74	–	74
– investments at fair value	–	–	–	(3,945)	–
At 5 April 2005 (as restated)	67,825	529	106,418	41,150	7,435
Net gain on realisation of investments	–	–	37,840	–	–
Movement in unrealised appreciation	–	–	–	8,894	–
Transfer on disposal of investments	–	–	338	(338)	–
Redemption of ordinary shares	–	–	(48,851)	–	–
Shares purchased for cancellation	–	6,125	(19,286)	–	–
Ordinary shares repurchased and held in Treasury	–	–	(1,407)	–	–
Management fee charged to capital	–	–	(1,268)	–	–
Interest charged to capital	–	–	(1,634)	–	–
Costs of capital restructure	–	–	(529)	–	–
Dealing charges charged to capital	–	–	(10)	–	–
Exchange differences on bank balances	–	–	17	–	–
Revenue return for the year	–	–	–	–	911
Equity dividend paid in the year	–	–	–	–	(1,017)
At 5 April 2006	67,825	6,654	71,628	49,706	7,329

16. Contingent liabilities

At 5 April 2006 there were Group contingent liabilities of £nil (2005: £nil) in respect of investments carrying an obligation for future payments and underwriting commitments.

17. Related party transactions

INVESCO Asset Management Limited, a wholly owned subsidiary of AMVESCAP plc, acts as Manager and Secretary to the Company. Details of INVESCO services and fees are given in note 3 to the accounts on page 46. Full details of related transactions and balances with Directors of the Company are set out in the Report of the Directors on pages 20 to 27.

18. Financial instruments

Risk management

As an investment trust, the Company invests in securities for the long term. Trading in investments is conducted by the Company's sterling denominated investment dealing subsidiaries. The holding of securities, investing activities and associated financing undertaken pursuant to the investment policy involves certain inherent risks. Events may occur that would result in either a reduction in the Group's net assets or a reduction of revenue profits available for dividend.

Set out below are the principal risks inherent in the Group's activities and the actions taken to manage these risks.

The main risk arising from the Group's financial instruments is market price risk incorporating foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing these risks and these are summarised below. These policies have remained substantially unchanged since last year.

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Group's business. It represents the potential loss the Group might suffer through holding market positions in the face of price movements and, to a lesser extent, movements in exchange rates. The risk is monitored by the Board on a regular basis and on a daily basis by the Manager.

The majority of the Group's financial instruments are denominated in sterling with only approximately 1% of the Group's portfolio denominated in other currencies.

No hedging of the currency exposure is undertaken. Any hedging is subject to prior Board approval.

Interest rate risk is the risk that the value of the Group's financial assets and liabilities will fluctuate because of changes in interest rates, however, it is limited by the Group's financial structure, with operations mainly financed through its share capital, share premium and retained profits including realised and unrealised capital profits. Additional financing has been provided during the year in the form of nominal £45 million of debenture stocks and a loan facility for £10 million from Allied Irish Bank plc. At the year end there were no drawings under this facility.

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. This risk is minimised by only using Manager approved counterparties.

Liquidity risk is the risk that the Group cannot realise assets or otherwise raise funds to meet commitments and cashflow risk is the risk that future cashflows generated will fluctuate in amount. Both these risks are minimised as the majority of the Group's assets comprise readily realisable securities which can be sold to meet funding commitments as necessary. Short-term flexibility is achieved through the availability of the loan facility. The majority of the Group's borrowings is set out below.

Financial assets and liabilities

The Group's assets and liabilities comprise financial instruments which include:

- cash £17,134,000 (2005: £15,959,000). The Group uses investments in the Short-Term Investments Company (Global Series) PLC ("STIC") a subsidiary of Amvescap. The balance on STIC at the year end was £17,000,000 (2005: £15,925,000) and has been treated as cash at bank in the balance sheet. Interest received on cash balances is variable and is dependant on the base rate of the custodian.

NOTES TO THE FINANCIAL STATEMENTS

continued

- investments principally comprising equity shares, which neither pay interest nor have a maturity date, together with a relatively small proportion of fixed interest securities (see table on page 9 for the portfolio breakdown). These are held in accordance with the Group's investment policy.
- debenture stock. The purpose of this stock is to finance the Group's investment activities. Full details of the debenture stock are shown in note 12 and the Report of the Directors.

The fair value of current assets and current liabilities is represented by their carrying values in the balance sheet.

Financial liabilities

The Group had no floating rate or non-interest bearing liabilities at the year end (2005: nil). The interest rate profile of the Group's fixed rate financial liabilities at the balance sheet date is as follows:

	Fixed Rate Financial Liabilities (£'000)		Weighted Average Interest Rate (%)		Weighted Average Years to Maturity	
	restated					
CURRENCY	2006	2005	2006	2005	2006	2005
Sterling	43,891	43,857	7.2	7.2	16	17

The fair value of the long-term financial liabilities are as follows:

	Book Value (£'000)		Fair Value (£'000)	
	restated			
	2006	2005	2006	2005
£5 million 10.625% debenture stock 2014	5,000	5,000	6,792	6,547
£40 million 6.75% debenture stock 2023	38,891	38,857	46,639	43,113

Effective interest rate on the £40 million debenture is 7.03%.

The fair values have been determined based on the market value of the financial liabilities concerned as at the balance sheet date. After deduction of the debenture stocks at their fair value, the net asset value is 345.9p (2005 restated: 280.4p) per ordinary share.

19. Adoption of International Financial Reporting Standards**(a) Differences between previous accounting standards and IFRS presentation**

In order to reflect better the activities of an investment trust company, and in accordance with guidance issued by the AITC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under Section 266 of The Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988.

Under previous accounting standards, the profit and loss account of the Group was the revenue column of the statement of total return. However, under IFRS the profit and loss account is now the total column of the income statement. As a result, all of the items in the capital column of the consolidated income statement form part of the profit and loss account of the Group.

Under previous accounting standards, the listed investments were valued on the basis of quoted mid prices. Under IFRS investments held at fair value through profit or loss are valued on the basis of quoted bid prices.

Under previous accounting standards, the dividends declared by the Company were recognised in the period to which they related. Under IFRS dividends declared by the Company are only recognised when the Shareholders' right to receive the dividend has been established and dividends paid to equity Shareholders are now recognised in the statement of changes in equity rather than in the income statement.

Under previous accounting standards, the debentures were held at amortised cost, with issue costs and discounts being deducted from the proceeds and charged equally to the revenue account and capital reserve using the straight line method over the debentures' life. Under IFRS, the accounting is the same except that the issue costs and discounts are charged using the effective interest method.

(b) Restatement of Opening Balances at 5 April 2004

At 6 April 2005 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1, First Time Adoption of Financial Reporting Standards, the following is a reconciliation of the figures at 5 April 2004 previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice.

Group	Notes	Previously reported 5 April 2004 £'000	Adjustments £'000	Restated 5 April 2004 £'000
Fixed Assets				
Investments held at fair value through profit or loss	i	267,024	(3,774)	263,250
Current assets		10,410	—	10,410
Current liabilities		(5,765)	—	(5,765)
Total assets less current liabilities		271,669	(3,774)	267,895
Non-current liabilities	ii	(43,949)	124	(43,825)
		227,720	(3,650)	224,070
Capital and reserves				
Called up share capital		33,143	—	33,143
Share premium account		67,825	—	67,825
Capital redemption reserve		4,844	—	4,844
Other capital reserves	i,ii	113,451	(3,712)	109,739
Revenue reserve	ii	8,457	62	8,519
		227,720	(3,650)	224,070
Net asset value per ordinary share		245.7p	(4.1)p	241.6p
Company				
Fixed Assets				
Investments held at fair value through profit or loss	i	268,436	(3,774)	264,662
Current assets		10,734	—	10,734
Current liabilities		(9,849)	—	(9,849)
Total assets less current liabilities		269,321	(3,774)	265,547
Non-current liabilities	ii	(43,949)	124	(43,825)
		225,372	(3,650)	221,722
Capital and reserves				
Called up share capital		33,143	—	33,143
Share premium account		67,825	—	67,825
Capital redemption reserve		4,844	—	4,844
Other capital reserves	i,ii	113,447	(3,712)	109,735
Revenue reserve	ii	6,113	62	6,175
		225,372	(3,650)	221,722
Net asset value per ordinary share		243.0p	(4.1)p	238.9p

NOTES TO THE FINANCIAL STATEMENTS

continued

Notes to the reconciliation

- i Investments are all classified as held at fair value under IFRS, being bid price for all listed investments. Previously they were carried at mid value. The resultant difference of £3,774,000 is included in capital reserves – unrealised. This change in accounting policy does not impact the investment balances or the results of the Company for the year.
- ii The debenture stocks are recognised under IFRS at amortised cost, using the effective interest method. They were previously recognised at cost with issue costs and discounts being deducted from the proceeds and charged using the straight line method. Under both methods, the costs and discounts are charged equally to revenue reserve and capital reserve. The resultant effect is to decrease both the cumulative charge to reserves and the amount of the debenture shown in the balance sheet by £124,000.

(c) Restatement of Year Ended 5 April 2005 Results***Restatement of balances at 5 April 2005***

At 6 April 2005 the Company adopted International Financial Reporting Standards.

In accordance with IFRS 1, First Time Adoption of Financial Reporting Standards, the following is a reconciliation of the figures at 5 April 2005 previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice.

Group	Notes	Previously reported 5 April 2005 £'000	Adjustments £'000	Restated 5 April 2005 £'000
Investments held at fair value through profit or loss	i	273,487	(3,945)	269,542
Current assets		23,831	—	23,831
Current liabilities	ii	(3,071)	627	(2,444)
.....				
Total assets less current liabilities		294,247	(3,318)	290,929
Non-current liabilities	iii	(44,005)	148	(43,857)
.....				
		250,242	(3,170)	247,072
Capital and reserves				
Called up share capital		21,513	—	21,513
Share premium account		67,825	—	67,825
Capital redemption reserve		529	—	529
Other capital reserves	i,iii	151,301	(3,871)	147,430
Revenue reserve	ii,iii	9,074	701	9,775
.....				
		250,242	(3,170)	247,072
Net asset value per ordinary share				
		290.8p	(3.7)p	287.1p

Company	Notes	Previously reported 5 April 2005 £'000	Adjustments £'000	Restated 5 April 2005 £'000
Investments held at fair value through profit or loss	i	274,899	(3,945)	270,954
Current assets		24,329	—	24,329
Current liabilities	ii	(7,183)	627	(6,556)
Total assets less current liabilities		292,045	(3,318)	288,727
Non-current liabilities	iii	(44,005)	148	(43,857)
		248,040	(3,170)	244,870
Capital and reserves				
Called up share capital		21,513	—	21,513
Share premium account		67,825	—	67,825
Capital redemption reserve		529	—	529
Other capital reserves	i, iii	151,439	(3,871)	147,568
Revenue reserve	ii, iii	6,734	701	7,435
		248,040	(3,170)	244,870
Net asset value per ordinary share		288.3p	(3.7)p	284.6p

Notes to the reconciliation

- i Investments are all classified as held at fair value under IFRS, being bid price for all listed investments. Previously they were carried at mid value. The resultant difference of £3,945,000 is included in other capital reserves – unrealised. This change in accounting policy does not impact the investment balances or the results of the Company for the year.
- ii Under IFRS dividends are not recognised until they are declared and approved by shareholders. No provision is made for the final dividend and it is added back to revenue reserves for the year.
- iii The debenture stocks are recognised under IFRS at amortised cost, using the effective interest method. They were previously recognised at cost with issue costs and discounts being deducted from the proceeds and charged using the straight line method. Under both methods, the costs and discounts are charged equally to revenue reserve and capital reserve. The resultant effect is to decrease both the cumulative charge to reserves and the amount of the debenture shown in the balance sheet by £148,000.

Reconciliation of the Statement of Total Return to the Income Statement for the year ended 5 April 2005

Under IFRS the Income Statement is the equivalent of the Statement of Total Return as reported previously.

	Notes	£'000	Pence per share
Total transfer from reserves per Statement of Total Return		45,722	52.00
Add back dividends paid and proposed for year ended 5 April 2005	ii	1,068	1.21
		46,790	53.21
Change from mid to fair value basis at 5 April 2004	i	3,774	4.29
Change from mid to fair value basis at 5 April 2005	i	(3,945)	(4.49)
Debenture issue costs and discount using the effective interest method	iii	24	0.03
Net profit per Income Statement		46,643	53.04

NOTES TO THE FINANCIAL STATEMENTS

continued

Notes to the reconciliation

- i Investments are all classified as held at fair value under IFRS, being bid price for all listed investments. Previously they were carried at mid value.
- ii Under IFRS dividends are not recognised until they are declared and approved by shareholders. No provision is made for the final dividend and it is added back to revenue reserves for the year.
- iii The debenture stocks are recognised under IFRS at amortised cost, using the effective interest method. They were previously recognised at cost with issue costs and discounts being deducted from the proceeds and charged using the straight line method. Under both methods, the costs and discounts are charged equally to revenue reserve and capital reserve. The resultant effect is to decrease both the cumulative charge to reserves and the amount of the debenture issue costs and discount of £24,000.

Reconciliation of the Cash Flow Statement for the year ended 5 April 2005

Group	Notes	Previously reported cash flows	Adjustments	Adjusted cash flows
		2005 £'000	2005 £'000	2005 £'000
Net cash inflow from operating activities	i,ii	2,341	(128)	2,213
Returns on investments and servicing of finance	i,iv	(3,754)	3,754	—
Taxation	ii	(52)	52	—
Net cash inflow from financial investment		31,635	—	31,635
Equity dividends paid	iii	(441)	441	—
Net cash inflow before financing activities		29,729	4,119	33,848
Financing activities	iii,iv	(23,200)	(4,119)	(27,319)
Increase in cash		6,529	—	6,529

Notes to the reconciliation

- i Bank interest paid of £76,000 is now shown under operating activities rather than servicing of finance.
- ii Taxation paid is now disclosed under operating activities.
- iii Dividends paid are now disclosed under financing activities as there is no longer a separate heading for equity dividends.
- iv Interest paid on borrowings of £3,233,000 and distributions on preference and preferred shares of £445,000 are now disclosed under financing activities.

20. Post balance sheet events

Details of the 6,098,850 ordinary shares redeemed and cancelled and the 3,255,000 ordinary shares bought back into Treasury after the year end are shown in note 13 on page 51.

As stated in the Report of the Directors on page 23, it has been decided to seek stockholder approval for the early redemption of the £5 million nominal of 10.625% Debenture Stock 2014 at an Extraordinary General Meeting of the Company to be held on 3 July 2006.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting of INVESCO English and International Trust plc will be held at 30 Finsbury Square, London EC2A 1AG on 26 July 2006 at 12 noon for the following purposes:

Ordinary Business

1. To receive the Directors' Report and Accounts for the year ended 5 April 2006.
2. To declare a final dividend as recommended.
3. To approve the Directors' Remuneration Report for the year ended 5 April 2006.
4. To re-elect Gwyn Jones a Director of the Company.
5. To re-elect Sarah Bates a Director of the Company.
6. To re-elect James Cox a Director of the Company.
7. To reappoint the Auditors and authorise the Directors to determine their remuneration.

Special Business

To consider, and if thought fit, to pass the following resolutions:

Special Resolutions

8. THAT:
 - (a) the Directors of the Company be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £27,726,290, provided that: (a) the maximum number of Ordinary Shares of 25p each in the capital of the Company ("Ordinary Shares") which may be allotted pursuant to this authority will be 18,484,190; and (b) the maximum number of 'C' Shares of 50p each in the capital of the Company ("C' Shares") and/or 'C1' Shares of 50p each in the capital of the Company ("C1' Shares") which may be allotted pursuant to this authority will be 55,452,590 in aggregate and provided further that the authority shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting to be held in 2007 (unless previously revoked, varied or extended by the Company in general meeting), but so that such authority shall allow the Company to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;
 - (b) pursuant to and during the period of the authority referred to in paragraph (a) above, the Directors be and they are hereby empowered pursuant to section 95 of the Act to sell relevant shares in the Company wholly for cash (as defined in section 162D(2) of the Act) if, immediately before the sale, such shares are held by the Company as Treasury shares (as defined by section 162A(3) of the Act) and to allot equity securities wholly for cash as if section 89(1) of the Act did not apply to any such allotment:
 - (i) in connection with a rights issue; and
 - (ii) otherwise in connection with a rights issue, provided that:
 - (A) the maximum number of Ordinary Shares which may be sold or allotted pursuant to this authority will be 2,772,629; and
 - (B) the maximum number of 'C' Shares and/or 'C1' Shares which may be sold or allotted pursuant to this authority will be 8,317,880 in aggregate,

and such power will expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next Annual General Meeting to be held in 2007 (unless previously revoked, varied or extended by the Company in general meeting), except that the Company may before such expiry make offers or agreements which would or might require equity securities to be sold or allotted after such expiry; and

 - (c) for the purposes of this resolution:
 - (i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors of the Company to (i) holders on the register on a fixed record date of Ordinary Shares in proportion to their respective holdings and (ii)

NOTICE OF ANNUAL GENERAL MEETING

continued

holders on the register on a fixed record date of other equity securities to the extent expressly required or (if considered appropriate by the Directors) permitted by the rights attached thereto, but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and

- (ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights; and
- (iii) words and expressions defined in or for the purposes of Part IV of the said Act shall bear the same meaning herein.

9. THAT:

the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of section 163 of the Act) of its issued Ordinary Shares of 25p each in the capital of the Company ("Shares"):

PROVIDED ALWAYS THAT

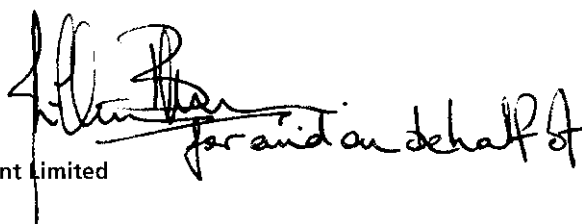
- (a) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of the Company's issued shares, this being 7,749,468 at 28 June 2006;
- (b) the minimum price which may be paid for a Share shall be 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be not more than the lower of (a) the amount determined by the rules of the UK Listing Authority at the time of purchase (which currently set a maximum equal to 5% above the average of the market values of a Share as derived from the Daily Official List of London Stock Exchange plc for the 5 business days before the purchase is made or the higher of (i) the price of the last independent trade and (ii) the highest current independent bid at the time of purchase), and (b) the Dealing Value per Ordinary Share (as such term is defined in the Company's Articles of Association) on a date determined by the Directors of the Company being not more than 10 days before the day on which the purchase is made;
- (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 in 2007;
- (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 the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) and any applicable regulations of the United Kingdom Listing Authority, be held (or otherwise dealt with in accordance with section 162D of the Companies Act 1985) as Treasury shares.

Dated this 28 June 2006

By order of the Board

INVESCO Asset Management Limited

Secretary



for and on behalf of

Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company at close of business on 24 July 2006 shall be entitled to attend and/or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Securities after that time on 24 July 2006 shall be disregarded in determining the rights of any person to attend or vote at the Meeting. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
2. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the Company. The number of votes cast by proxy for each resolution will be communicated to shareholders at or following the AGM and will be available on request.
3. A form of proxy is enclosed and to be valid must be lodged with the Registrar of the Company not less than 48 hours before the time fixed for the meeting. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person.
4. The Register of Directors' Interests kept by the Company in accordance with section 325 of the Companies Act 1985 will be open for inspection at the AGM.
5. By attending the meeting, members and their proxies and representatives are understood by the Company to have confirmed their agreement to receive any communications (including communications relating to the Company's securities) made at the meeting.
6. The Registered Office of the Company is 30 Finsbury Avenue, London EC2A 1AG.

Documents for Inspection

A copy of the current Articles of Association and the Directors' Letters of Appointment are available for inspection at the registered office of the Company during normal business hours on any business day (excluding public holidays) until the close of the Annual General Meeting and will also be available at the Annual General Meeting for at least 15 minutes prior to and during the meeting.

GLOSSARY OF TERMS

Benchmark Index

The Benchmark Index is the Hoare Govett Smaller Companies plus AIM (excluding Investment Trusts) Index.

Discount

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

Gearing

The term applied to the effect of borrowings and prior charge share capital on assets that will increase the return on investment when the value of the Company's investments is rising but reduce the return when values are declining. A gearing level of 100 or 0% indicates there is no gearing.

Gearing – reflects the amount of loans already arranged and in use by the Company. This is the gearing figure published by the Association of Investment Trust Companies. It is calculated by dividing the aggregate of Shareholders' funds and all drawdown loans by Shareholders' funds.

Effective Gearing – reflects the amount of loans actively invested in assets and not held in cash. It is calculated by dividing fixed assets investments by Shareholders' funds.

Market Capitalisation

For a company is calculated by multiplying the stockmarket price of an ordinary share by the number of ordinary shares in issue.

In the UK, Large Caps are the largest, blue chip companies based on market capitalisation, such as those in the FTSE 100 Index. Mid Caps are normally taken to be the next 250 companies below the FTSE 100. Small Caps are companies with relatively small market capitalisations compared to their larger counterparties.

Net Asset Value

Also described as Shareholder's funds, the net asset value is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The net asset value per share is calculated by dividing the net asset value including, where applicable, investments of the subsidiaries at their market value by the number of ordinary shares in issue.

Premium

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

Prior Charge

The term given to borrowings or any class of share which, in a winding-up of a company, rank ahead of the final beneficiary of surplus assets, usually the ordinary shares.

Shareholders' Funds

Also called equity Shareholders' funds. The amount due to the ordinary shareholders.

Total Expense Ratio

Total expenses (excluding interest) incurred, including those charged to capital, divided by average total assets less current liabilities or shareholders' funds.

Gross Income

Gross income is the total income from investments, deposit interest, underwriting commissions and investment dealing profits of subsidiary undertakings shown in revenue in the Income Statement.

Net revenue available for ordinary shares

This is the profit after tax as shown in revenue in the Income Statement.

Total assets less current liabilities

This includes, where applicable, investments of subsidiaries at their market value.



THE MANAGER OF INVESCO ENGLISH AND INTERNATIONAL TRUST PLC IS INVESCO ASSET MANAGEMENT LIMITED, A MEMBER OF THE AMVESCAP GROUP.*

AMVESCAP IS ONE OF THE WORLD'S LARGEST INDEPENDENT GLOBAL INVESTMENT MANAGEMENT FIRMS, WITH FUNDS UNDER MANAGEMENT IN EXCESS OF £236 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.

* AMVESCAP is a company listed in the UK and the US whose subsidiaries include INVESCO Asset Management Limited which is authorised and regulated by the Financial Services Authority.

** Funds under Management as at 31 March 2006.

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

Investing for Income, Income Growth and Capital Growth

City Merchants High Yield Trust plc

Aims to provide investors with a high rate of income by investing in certain interest bearing securities including, but not restricted to, equities, preference shares and redeemable or convertible loan stocks, corporate bonds and government stocks. The Trust is geared.

INVESCO Income Growth Trust plc

Objective is to provide shareholders with long-term growth in both income and capital from an above-average yielding portfolio consisting mainly of UK equities and equity-related securities. Seeks to achieve a total return in excess of the FTSE All-Share Index. The Trust is geared by way of a 4.75% Subordinated Convertible Unsecured Loan Stock.

Keystone Investment Trust plc

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

Perpetual Income and Growth Investment Trust plc*

Aims to generate capital growth with a higher than average income from investment in the UK equity market. It is intended that the Company will provide real dividend growth over the medium term by investing mainly in above-average yield equities. The Trust is geared by a Debenture Stock and bank debt.

Investing in Smaller Companies

INVESCO English and International Trust plc

Invests mainly in UK quoted and unquoted smaller companies, and in US smaller companies. It pursues a relatively risk averse stock selection strategy holding a well diversified portfolio. The Trust is geared by way of Debenture Stocks.

INVESCO Japan Discovery Trust plc

(see below).

INVESCO PERPETUAL AiM VCT plc

The Company was launched in August 2004. Objective is to provide a tax free dividend return to shareholders primarily through the realisation of capital gains while maintaining the capital value of shares.

INVESCO Perpetual UK Smaller Companies Investment Trust plc*

Aims to achieve long-term capital growth through investment in quoted investments drawn predominantly from the UK equity markets. Investments will normally be in smaller companies. The pursuit of income remains of secondary importance. The Trust is geared.

Investing Outside the UK

INVESCO Asia Trust plc

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

INVESCO Japan Discovery Trust plc

Aims to provide long-term capital growth by investing in a diversified portfolio of smaller Japanese companies. The Trust is geared.

Invesco Perpetual European Absolute Return Trust plc*

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

Perpetual Japanese Investment Trust plc*

Aims to achieve long-term capital growth by investing in a diversified portfolio of quoted Japanese securities. The Trust is geared.

Investing in Property

INVESCO UK Property Income Trust Limited

The Company is a newly established closed-ended investment company with limited liability incorporated in Jersey. The objective is to provide ordinary shareholders with an attractive level of income together with the prospect of income and capital growth from investment in commercial properties in the United Kingdom. The Trust is highly geared.

Real Estate Opportunities Limited

The portfolio is predominantly invested in the UK and Irish property markets.

Investing in Split Capitalisation Funds

INVESCO Perpetual Recovery Trust 2011 plc

Aims to meet the capital entitlements of the Zero Dividend Preference Shares and to maximise the capital and income returns of the Ordinary Shares by investing primarily in equities but also debt securities which are considered to

offer recovery prospects. Returns to Ordinary Shareholders are geared by the prior charge of the Zero Shares. The Trust has an initial life projected to end in 2011.

Investing for High Income

City Merchants High Yield Trust plc

(see above)

INVESCO Leveraged High Yield Fund Limited

Aims to provide a high yield of income whilst seeking to maximise total returns through investing in a diversified portfolio of high yield corporate and government bonds. The Trust is highly geared.

Most of the Invesco Perpetual specialist funds listed above are eligible for inclusion in the Invesco Perpetual Investment Trust Series 2: Maxi ISAs and PEPs and the Invesco Perpetual Investment Trust Series 2: Savings Scheme. The Invesco Perpetual Investment Trust Series 1: ISAs and PEPs and the Invesco Perpetual Investment Trust Series 1: Savings and Investment Plan offers access to the trusts marked with a *.

In addition, most of the above trusts are available for PEP and/or ISA transfers via the Schemes listed above. Keystone Investment Trust is available as an ISA investment via the Invesco Perpetual Investment Trust Series 1: ISAs and PEPs product or as a savings plan via the Invesco Perpetual Investment Trust Series 2: Savings Scheme.

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