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INVESCO English and International Trust plc  
Report and Accounts  
Year Ended 5 April 2005

INVESCO English and International Trust plc

Report and Accounts 2005

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COMPANIES HOUSE


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

 0800 085 8677

 Website: [www.invesco.co.uk/investmenttrusts](http://www.invesco.co.uk/investmenttrusts)

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 is geared, which the Directors believe will enhance returns to Ordinary Shareholders in the longer term.

### 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 is geared, which Directors believe will enhance returns to ordinary shareholders in the longer term.

### Share and Loan Capital

The Company's share capital consists of ordinary shares. In addition, the Company has prior charges comprising two debenture stocks.

### 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 see page 15.

### Glossary

There is a glossary of terms on page 49 which defines some of the more technical references used in the report.

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## Financial Information Performance Statistics

Terms marked † are defined in the Glossary

	At 5 April 2005	At 5 April 2004	% change
<b>Capital</b>			
Shareholders' funds	250,242	227,720	+9.9
Actual gearing†	118	125	
Asset gearing†	109	123	
Net asset value† per ordinary share	290.8p	245.7p	+18.4
Mid-market price per ordinary share	247.3p	190.0p	+30.1
Discount† per ordinary share	15.0%	22.7%	
Hoare Govett Smaller Companies plus AIM* Index – capital return	2,789.77	2,450.63	+13.8
FTSE Small Cap* Index – capital return	2,882.32	2,664.15	+8.2
Portfolio performance			+20.4
<i>(Source: INVESCO Asset Management Limited)</i>			

\* Excluding investment trusts

	Accounting Year to 5 April		
	2005	2004	
<b>Revenue</b>			
Gross income (£'000)	5,309	5,437	-2.4
Net revenue available for ordinary shares (£'000)	1,543	1,289	+19.7
Total expense ratio† based on:			
Total assets less current liabilities	1.04%	1.12%	
Shareholders' funds	1.23%	1.40%	
<b>Total Return Per Ordinary Share</b>			
Revenue return	1.75p	1.46p	
Capital return	51.46p	122.40p	
Total return	53.21p	123.86p	

Analysis of Shareholders' Funds

Debenture Loans

## Growth in Net Asset Value Per Share

(All figures rebased to 100 as at 5 April 1995)

- Net Asset Value Per Share  
*Source: AITC*
- Hoare Govett Smaller Companies plus AIM (excluding Investment Trusts) Index  
*Source: Hoare Govett*
- FTSE All-Share Index  
*Source: Datastream*

## Sector Allocation of Portfolio

## Historical Record of the Group – Last Ten Years

YEAR	REVENUE				CAPITAL		
	Gross Income £'000	Net revenue available for ordinary shares £'000	Dividends on ordinary shares Cost £'000	Rate p	Total assets less current liabilities† £'000	Net asset value per ordinary share†† p	Mid- market price per ordinary share p
To 5 April							
1996	4,954	1,452	490	1.0	105,336	162.1	157.0
1997 <sup>(1)</sup>	5,956	1,443	761	1.2	149,080	192.7	188.0
1998 <sup>(2)</sup>	7,886	2,292	1,086	1.4	246,259	220.9	210.0
1999 <sup>(3)</sup>	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 <sup>(4)</sup>	5,309	1,543	1,068	1.3	294,247	290.8	247.3

- (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) 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 is payable on 78,363,987 shares.

† Includes investments of dealing subsidiary undertakings at market value.

†† The basis of the calculation of the net asset value per ordinary share is explained under "Ordinary Share Valuations" in the Directors' Report.

## Chairman's Statement

It is pleasing to note that over the twelve months under review the net asset value per share (NAV) increased by 18.4% to 290.8p. This represented good outperformance of the Hoare Govett Smaller Companies Index, plus AIM, excluding investment trusts which increased by 13.8%. Perhaps, more importantly for shareholders, the share price increased by over 30%, to 247.25p, as the discount reduced from 22.7% to 15%.

The reduction in the level of the discount, which has been a priority of the Board for some time, was encouraging. INVESCO English and International has moved over the year from trading at a larger than sector average discount, to one which tends to be smaller. *This improvement is a reflection of the strong investment performance of the Company as well as the structural actions which the Board has taken to make the Company more attractive to investors.* These actions included the buying in of the outstanding Preferred and Preference Share capital in September 2004, which simplified the capital structure and has made the Company's gearing more flexible. The cost of this buyback was £17.8 million, and because these shares were purchased at a price in excess of their nominal value, this resulted in a reduction in net asset value per ordinary share (with prior charges at nominal value) of approximately 3%. Following this action, the Company has been able to buy in ordinary shares, and over the year purchased a total of 2,115,000 shares at a cost of £5.3 million. These purchases made at an average discount to asset value of some 14.5% not only increased the net asset value per share, but have also helped provide evidence to the market of the Company's commitment to managing the discount.

The Board continues to seek means to ensure that the discount adequately reflects the strengths of the Company's good performance and its style of investment.

The Company's gearing began the year at 123, towards the top of the range of 110-125 that the Company has indicated is usual. Gearing was reduced during the year in the face of rising markets. The year end figure of 109 represented a temporary low point, as equities were sold, ahead of expected further buy-backs of ordinary shares.

It is proposed that the final dividend be increased by 0.1p to 0.8p per share making a total dividend for the year of 1.3p (2004: 1.2p). This is the first dividend increase proposed by the Board for several years and is well-covered by earnings generated during the year. The revenue account benefited from the reduction in gearing which occurred over the 12 months.

### Outlook

Since March, stock markets in the UK have been weak, especially for smaller companies. This reflects a high level of new issue activity; draining liquidity from the market; a global reduction in risk tolerance; a rapid slow down in consumer spending and the persistence of high oil prices. While valuations continue to look attractive, and interest rate expectations are coming down, which are supportive for the medium term outlook for share prices, the factors mentioned above counsel a cautious outlook for the next few months.

### The Board

Alan Barber who, until recently, was a senior partner at KPMG, has agreed to join the Board with effect from 15 June 2005. He will seek election from shareholders at the Annual General Meeting (AGM) on 19 July 2005. Alan is a non-executive director and audit committee chairman of lastminute.com and Management Consultancy Group and a former non-executive director of Teather & Greenwood.

On a personal note, it is my intention to retire from the Board before the AGM in 2006. An announcement in respect of my successor will be made in due course.

**James W. Findlay**  
Chairman

17 June 2005

## Manager's Report

### Manager's Review

The year under review was a good one for INVESCO English and International Trust plc. This was reflected in the Company winning the PLC Award for the best performing small company fund (unit or investment trust) for its performance over calendar 2004. This is the second time that the Company has won this award, the last time being in 1994, for its performance in 1993. After a dull first half, with the net asset value per share falling, a decline made greater by the impact of the buy back of the Preferred and Preference shares, the second half was much stronger, leading to a good result for the twelve months. The portfolio return was 20.4% some 6.6% better than the benchmark return of 13.8%. Enhanced by the gearing the net asset value per share return was 18.4%, and the share price increased by some 30% as the discount narrowed.

Over the twelve months, the FTSE 100 increased by some 10.3% less than the performance of the HGSC plus AIM (ex investment trusts) but ahead of that of the FTSE Small Cap (ex investment trusts) index which increased by 8.2%. The HGSC plus AIM (ex investment trusts) performance was aided by the stronger performance of both the AiM market and the FTSE250, part of which falls into the HGSC, but which is excluded from the FTSE Small Cap index. Markets were lacklustre over the summer months, with small companies underperforming, having had a good first quarter in 2004. However, during the autumn and winter months, markets were strong, peaking in March. This strength was a reflection of generally good trading by companies, for example small companies grew their dividends by 14% in 2004.

The table analyses the performance of the Company's NAV relative to the index.

### INVESCO English and International Trust plc Performance Attribution for the year to 5 April 2005

	<i>Absolute %</i>
Net asset value capital return	18.4
Benchmark capital return	13.8
<b>Relative performance</b>	<b>4.6</b>
<b>Analysis of Relative Performance</b>	
Portfolio outperformance	6.6
Net gearing effect	1.9
Costs to capital – interest	(0.8)
Costs to capital – expenses	(0.6)
Current year transfer to reserves	0.3
Ordinary share buy backs	0.4
Preference share buy backs	(3.2)
<b>Total</b>	<b>4.6</b>

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

*Portfolio outperformance* measures the relative effect of the Company's investment portfolio against that of its benchmark.

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

*Cost 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, preference and preferred shares bought back on the Company's relative performance.



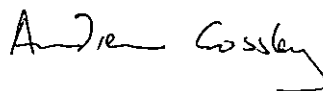
The major contributors to the performance of the Company were the positions in the resources sectors (oil and gas; mining) and leisure and hotels. The proportion of the portfolio invested in mining shares declined over the second half of the year as profits were taken after strong performances. The main driver behind the performance of the leisure and hotels sector was the increase in the share price of Sportingbet which climbed from 81p to 233p over the year. This increase was a reflection of the rapid growth in Sportingbet's online betting operations and its acquisition of an online poker business. Although, a majority of the holding was sold over the twelve months, Sportingbet remained an important holding at the year end. The weakest area of the portfolio were the biotech companies, which in aggregate produced a negative return.

A noteworthy feature of the UK smaller company environment in recent years has been the increasing importance of the AiM market. Most small company IPO activity is now onto AiM rather than the Full List, and indeed for companies with a market capitalisation of less than £100 million, an IPO onto the Full List is now extremely rare. The capitalisation of AiM by 5 April had increased to over £30 billion. As AiM has grown more important, the number of small companies quoted on the Full List has declined. This increasing importance of AiM is reflected in the Company's portfolio, which by the year end was over 40% invested in companies listed on AiM.

The Manager has believed for some time that the UK housing market was likely to enter a period of weakness, and this factor, coupled with an expected increase in the tax burden would make trading conditions more difficult for consumer facing businesses. The Company therefore has no exposure to house builders, and little exposure to general retailers. Exposure to the property sector is also low, reflecting the high prices (low yields) investors are willing to pay for buildings coupled with a poor outlook for rental growth.

#### Outlook

There are signs that economic activity worldwide is slowing, and with US interest rates increasing and oil prices remaining high, it is likely that the immediate outlook will continue to be rather choppy. However, valuations of UK smaller companies, in general, remain attractive, and the medium term outlook good.



**Andy Crossley**  
17 June 2005

## Classification of Investments

at 5 April

	United Kingdom		Non	2005		2004	
	Quoted	Unquoted	UK	Total		Total	
Equities	%	%	%	%	%	%	%
<b>Resources</b>							
Mining	6.61	—	—	6.61		7.30	
Oil and Gas	8.16	—	—	8.16		5.83	
<b>Resources</b>	<b>14.77</b>	<b>—</b>	<b>—</b>	<b>14.77</b>		<b>13.13</b>	
<b>Basic Industries</b>							
Chemicals	0.24	—	—	0.24		0.71	
Construction & Building Materials	0.61	—	—	0.61		2.67	
Steel & Other Metals	0.34	—	—	0.34		0.21	
<b>Basic Industries</b>	<b>1.19</b>	<b>—</b>	<b>—</b>	<b>1.19</b>		<b>3.59</b>	
<b>General Industrials</b>							
Aerospace & Defence	1.92	—	—	1.92		1.75	
Diversified Industrials	0.28	—	—	0.28		0.30	
Electronic & Electrical Equipment	2.62	—	—	2.62		2.39	
Engineering & Machinery	3.69	0.19	—	3.88		3.36	
<b>General Industrials</b>	<b>8.51</b>	<b>0.19</b>	<b>—</b>	<b>8.70</b>		<b>7.80</b>	
<b>Cyclical Consumer Goods</b>							
Automobiles	2.03	—	—	2.03		3.15	
Household Goods & Textiles	2.17	—	—	2.17		2.83	
<b>Cyclical Consumer Goods</b>	<b>4.20</b>	<b>—</b>	<b>—</b>	<b>4.20</b>		<b>5.98</b>	
<b>Non Cyclical Consumer Goods</b>							
Food Producers & Processors	2.34	—	0.31	2.65		2.78	
Health	5.80	—	—	5.80		5.00	
Pharmaceuticals	5.03	—	—	5.03		4.15	
<b>Non Cyclical Consumer Goods</b>	<b>13.17</b>	<b>—</b>	<b>0.31</b>	<b>13.48</b>		<b>11.93</b>	
<b>Cyclical Services</b>							
General Retailers	2.73	—	—	2.73		1.30	
Leisure, Entertainment & Hotels	6.48	—	—	6.48		7.34	
Media & Photography	3.00	—	—	3.00		4.60	
Support Services	7.99	—	—	7.99		9.51	
Transport	1.76	—	—	1.76		1.03	
<b>Cyclical Services</b>	<b>21.96</b>	<b>—</b>	<b>—</b>	<b>21.96</b>		<b>23.78</b>	
<b>Non Cyclical Services</b>							
Food & Drug Retailers	0.83	—	—	0.83		1.43	
Telecommunications	2.75	—	—	2.75		2.46	
<b>Non Cyclical Services</b>	<b>3.58</b>	<b>—</b>	<b>—</b>	<b>3.58</b>		<b>3.89</b>	
<b>Utilities</b>							
Electricity	0.53	—	0.17	0.70		0.00	
Utilities – Other	3.46	—	—	3.46		2.51	
<b>Utilities</b>	<b>3.99</b>	<b>—</b>	<b>0.17</b>	<b>4.16</b>		<b>2.51</b>	
<b>Information Technology</b>							
Information Technology Hardware	3.86	—	—	3.86		2.38	
Software & Computer Services	10.45	—	0.17	10.62		7.10	
<b>Information Technology</b>	<b>14.31</b>	<b>—</b>	<b>0.17</b>	<b>14.48</b>		<b>9.48</b>	
<b>Financials</b>							
Insurance	3.07	—	—	3.07		4.69	
Life Assurance	—	—	—	—		0.65	
Investment Companies	1.14	—	—	1.14		1.08	
Real Estate	2.36	—	—	2.36		5.24	
Speciality & Other Finance	5.59	0.53	—	6.12		5.54	
<b>Financials</b>	<b>12.16</b>	<b>0.53</b>	<b>—</b>	<b>12.69</b>		<b>17.20</b>	
<b>Equities</b>	<b>97.84</b>	<b>0.72</b>	<b>0.65</b>	<b>99.21</b>		<b>99.29</b>	
<b>Fixed Interest</b>							
Convertibles	0.64	—	—	0.64		0.58	
Loans and Debenture Stock	—	—	0.15	0.15		0.13	
<b>Fixed Interest</b>	<b>0.64</b>	<b>—</b>	<b>0.15</b>	<b>0.79</b>		<b>0.71</b>	
<b>TOTAL 5 April 2005</b>	<b>98.48</b>	<b>0.72</b>	<b>0.80</b>	<b>100.00</b>			
<b>TOTAL 5 April 2004</b>	<b>97.71</b>	<b>1.22</b>	<b>1.07</b>			<b>100.00</b>	

## Investments in Order of Valuation

at 5 April 2005

UK listed and ordinary shares unless otherwise stated

<i>Investment</i>	<i>Sector</i>	<i>Market Value £'000</i>	<i>Market Value £'000</i>	<i>Percentage of Portfolio %</i>
Monterrico Metals <sup>†</sup>	Mining		5,644	2.1
Neutec Pharmaceuticals <sup>†</sup>	Health		5,261	1.9
Chaucer	Insurance			
Ord 25p		2,499		
8.5% Cnv. Bd. Dec 31 2008		1,567	4,066	1.5
Northumbrian Water	Utilities Other		3,959	1.4
CRC <sup>†</sup>	Software & Computer Services		3,836	1.4
Sportingbet <sup>†</sup>	Leisure & Hotels		3,773	1.4
Savills	Real Estate		3,687	1.3
Greene King	Leisure & Hotels		3,653	1.3
Anglo Pacific	Mining		3,584	1.3
Biocompatibles	Health		3,405	1.2
Games Workshop	Household Goods & Textiles		3,376	1.2
JKX Oil & Gas	Oil & Gas		3,375	1.2
East Surrey	Utilities Other		3,263	1.2
Pendragon	Automobiles & Parts		3,247	1.2
Hill & Smith	Engineering & Machinery		2,966	1.1
LA Fitness	Leisure & Hotels		2,880	1.1
Sterling Energy <sup>†</sup>	Oil & Gas		2,863	1.0
Aveva	Software & Computer Services		2,858	1.0
Serco	Support Services		2,847	1.0
Spectris	Electronic & Electrical Equipment		2,819	1.0
Arla Foods	Food Producers & Processors		2,814	1.0
Star Energy <sup>†</sup>	Oil & Gas		2,762	1.0
Wolverhampton & Dudley	Leisure & Hotels		2,734	1.0
Psion	Information Technology Hardware		2,706	1.0
Latchways	Support Services		2,695	1.0
IP2IPO <sup>†</sup>	Support Services		2,627	1.0
Northgate	Transport		2,601	1.0
The Game Group	General Retailers		2,587	0.9
Faroe Petroleum <sup>†</sup>	Oil & Gas		2,551	0.9
Vitec	Engineering & Machinery		2,474	0.9
Ideal Shopping <sup>†</sup>	General Retailers		2,360	0.9
SDL	Software & Computer Services		2,346	0.9
Lookers	Automobiles & Parts		2,300	0.8
Greggs	Food & Drug Retailers		2,280	0.8
Bristol Water	Utilities Other		2,235	0.8
Huntleigh Technology	Health		2,207	0.8
Plusnet <sup>†</sup>	Software & Computer Services		2,207	0.8
Hamworthy <sup>†</sup>	Transport		2,204	0.8
Belhaven	Leisure & Hotels		2,170	0.8
SVB	Insurance		2,147	0.8
Burren Energy	Oil & Gas		2,136	0.8
Amlin	Insurance		2,092	0.8
Avocet Mining <sup>†</sup>	Mining		2,067	0.8
Brewin Dolphin	Speciality & Other Finance		2,062	0.8
Innovision <sup>†</sup>	Electronic & Electrical Equipment		2,031	0.7
Titan Europe <sup>†</sup>	Engineering & Machinery		2,004	0.7
Falkland Islands <sup>†</sup>	General Retailers		1,990	0.7

## Investments in Order of Valuation

*continued*

<i>Investment</i>	<i>Sector</i>	<i>Market Value £'000</i>	<i>Percentage of Portfolio %</i>
Primary Health	Real Estate	1,959	0.7
Tissue Science Lab <sup>†</sup>	Health	1,935	0.7
Zinc Resources <sup>†</sup>	Mining	1,878	0.7
Maclellan <sup>†</sup>	Support Services	1,866	0.7
UK Coal	Mining	1,836	0.7
Golden Prospect <sup>†</sup>	Investment Companies	1,832	0.7
Radstone	Information Technology Hardware	1,816	0.7
Arc International	Information Technology Hardware	1,767	0.6
Venture Production	Oil & Gas	1,710	0.6
Chemring	Aerospace & Defence	1,695	0.6
Inter Link Foods <sup>†</sup>	Food Producers & Processors	1,682	0.6
IFX	Speciality & Other Finance	1,679	0.6
Neteller <sup>†</sup>	Speciality & Other Finance	1,677	0.6
Offshore Hydrocarbons <sup>†</sup>	Engineering & Machinery	1,675	0.6
Numis <sup>†</sup>	Speciality & Other Finance	1,672	0.6
Biofuels <sup>†</sup>	Oil & Gas	1,666	0.6
ICM Computer	Software & Computer Services	1,639	0.6
Deal Group Media <sup>†</sup>	Software & Computer Services	1,610	0.6
Sinclair Pharma <sup>†</sup>	Pharmaceuticals & Biotech	1,605	0.6
RWS <sup>†</sup>	Media & Entertainment	1,579	0.6
Allergy Therapeutical <sup>†</sup>	Pharmaceuticals & Biotech	1,578	0.6
Amino Technologies <sup>†</sup>	Telecommunication Services	1,573	0.6
Paypoint <sup>†</sup>	Support Services	1,548	0.6
Royalblue	Software & Computer Services	1,539	0.6
Pipex <sup>†</sup>	Telecommunication Services	1,518	0.6
Torex Retail <sup>†</sup>	Software & Computer Services	1,512	0.6
Quarto (US)	Media & Entertainment	1,501	0.5
Secure Trust Banking	Speciality & Other Finance	1,501	0.5
Patientline	Telecommunication Services	1,470	0.5
Mouchel Parkman	Support Services	1,469	0.5
D1 Oils <sup>†</sup>	Oil & Gas	1,460	0.5
VT	Aerospace & Defence	1,454	0.5
Augeant <sup>†</sup>	Support Services	1,443	0.5
Cazenove New Europe Fund			
– Units*	Unit Trusts & Other	1,440	0.5
Raymarine <sup>†</sup>	Leisure & Hotels	1,426	0.5
Cardpoint <sup>†</sup>	Speciality & Other Finance	1,371	0.5
Dicom	Software & Computer Services	1,366	0.5
Collins Stewart Tullett	Speciality & Other Finance	1,350	0.5
Thus	Telecommunication Services	1,350	0.5
Angle <sup>†</sup>	Support Services	1,327	0.5
PHS	Support Services	1,320	0.5
Nipson Digital <sup>†</sup>	Electronic & Electrical Equipment	1,300	0.5
Melrose Resources <sup>†</sup>	Oil & Gas	1,282	0.5
Aero Inventory <sup>†</sup>	Aerospace & Defence	1,276	0.5
ATH Resources <sup>†</sup>	Mining	1,258	0.5
Bridgewell*	Speciality & Other Finance	1,250	0.5
Cobra Bio <sup>†</sup>	Pharmaceuticals & Biotech	1,236	0.5
Tenon <sup>†</sup>	Speciality & Other Finance	1,231	0.5
Win <sup>†</sup>	Telecommunication Services	1,228	0.4

<i>Investment</i>	<i>Sector</i>	<i>Market Value £'000</i>	<i>Percentage of Portfolio %</i>
Oxford Biomedica	Pharmaceuticals & Biotech	1,189	0.4
Civica <sup>†</sup>	Software & Computer Services	1,181	0.4
Ark Therapeutics	Pharmaceuticals & Biotech	1,180	0.4
Devro	Food Producers & Processors	1,178	0.4
Computacenter	Software & Computer Services	1,164	0.4
Entertainment Rights	Media & Entertainment	1,152	0.4
Shore Capital	Investment Entities	1,141	0.4
Bowleven <sup>†</sup>	Oil & Gas	1,105	0.4
Morse	Software & Computer Services	1,074	0.4
Romag <sup>†</sup>	Construction & Building Materials	1,070	0.4
Centaur <sup>†</sup>	Media & Entertainment	1,055	0.4
Cozart <sup>†</sup>	Health	1,032	0.4
Wilmington	Media & Entertainment	1,022	0.4
Air Music & Media <sup>†</sup>	Household Goods & Textiles	1,011	0.4
Ant <sup>†</sup>	Software & Computer Services	985	0.4
Beazley	Insurance	979	0.4
Pursuit Dynamics <sup>†</sup>	Engineering & Machinery	970	0.4
Datacash <sup>†</sup>	Support Services	945	0.3
Fayrewood <sup>†</sup>	Information Technology Hardware	945	0.3
Intechology <sup>†</sup>	Software & Computer Services	893	0.3
Capital Management & Investment <sup>†</sup>	Speciality & Other Finance	886	0.3
Sarantel <sup>†</sup>	Information Technology Hardware	885	0.3
Microemissive Displays <sup>†</sup>	Electronic & Electrical Equipment	882	0.3
Churchill China <sup>†</sup>	Household Goods & Textiles	851	0.3
Center Parcs <sup>†</sup>	Leisure & Hotels	847	0.3
Ontario (US)*	Food Producers & Processors	844	0.3
Renewable Energy <sup>†</sup>	Electricity	840	0.3
Ultra Electronic	Aerospace & Defence	838	0.3
Easynet	Software & Computer Services	838	0.3
Mitie	Support Services	827	0.3
Acambis	Pharmaceuticals & Biotech	807	0.3
Alizyme	Pharmaceuticals & Biotech	807	0.3
Evolutec <sup>†</sup>	Pharmaceuticals & Biotech	804	0.3
Teesland	Real Estate	802	0.3
IQE <sup>†</sup>	Information Technology Hardware	799	0.3
Clearspeed Technology <sup>†</sup>	Information Technology Hardware	793	0.3
Vectura <sup>†</sup>	Pharmaceuticals & Biotech	779	0.3
Advanced Medical Solutions <sup>†</sup>	Health	771	0.3
C.I. Traders <sup>†</sup>	Diversified Industrials	766	0.3
Vastox <sup>†</sup>	Pharmaceuticals & Biotech	747	0.3
Pixology <sup>†</sup>	Software & Computer Services	737	0.3
Sygen	Food Producers & Processors	730	0.3
Europa Oil & Gas <sup>†</sup>	Oil & Gas	727	0.3
European Nickel <sup>†</sup>	Steel & Other Metals	724	0.3
Staffline Recruitment <sup>†</sup>	Support Services	703	0.3
Homebuy <sup>†</sup>	Household Goods & Textiles	687	0.3
Wellington Underwriting	Insurance	683	0.3
Scapa	Chemicals	667	0.2
Surfcontrol	Software & Computer Services	661	0.2

## Investments in Order of Valuation

*continued*

<i>Investment</i>	<i>Sector</i>	<i>Market Value £'000</i>	<i>Market Value £'000</i>	<i>Percentage of Portfolio %</i>
Pharmagene	Health		640	0.2
XKO	Software & Computer Services		632	0.2
Voller Energy <sup>†</sup>	Electricity		622	0.2
Plasmon	Information Technology Hardware		612	0.2
Ardana <sup>†</sup>	Pharmaceuticals & Biotech		609	0.2
Ultraframe	Construction & Building Materials		597	0.2
Corin	Health		586	0.2
Penna Consulting	Support Services		582	0.2
Synairgen <sup>†</sup>	Pharmaceuticals & Biotech		573	0.2
Gulfsands Petroleum <sup>†</sup>	Oil & Gas		571	0.2
SPG Media	Media & Entertainment		570	0.2
Antisoma	Pharmaceuticals & Biotech		543	0.2
Home Entertainment <sup>†</sup>	General Retailers		536	0.2
Ridge Mining <sup>†</sup>	Mining		528	0.2
Lucy (W.) & Co.*	Engineering & Machinery		527	0.2
Eckoh Technologies <sup>†</sup>	Media & Entertainment		488	0.2
Patagonia Gold <sup>†</sup>	Mining		481	0.2
Ocean Power Technology (US)	Electricity		475	0.2
BTC	Support Services		467	0.2
Zoo Digital <sup>†</sup>	Software & Computer Services		431	0.2
Whitehead Mann	Support Services		425	0.2
Biofocus <sup>†</sup>	Pharmaceuticals & Biotech		414	0.2
Plethora Solutions <sup>†</sup>	Pharmaceuticals & Biotech		414	0.2
Yoomedia <sup>†</sup>	Software & Computer Services		413	0.2
Santa Maria Foods (US)				
Bd 13% 17 May 2008*	Food Producers & Processors		404	0.1
Telit Communications	Telecommunication Services		375	0.1
Mice	Support Services		375	0.1
Local Radio <sup>†</sup>	Media & Entertainment		374	0.1
Telos*	Software & Computer Services			
Com Stk Class 'B'		237		
Ser 'A-2' Red Prf NPV		79		
Ser 'A-1' Red Prf NPV		56	372	0.1
GW Pharmaceuticals <sup>†</sup>	Pharmaceuticals & Biotech		369	0.1
Mice	Support Services		351	0.1
Milestone <sup>†</sup>	Media & Entertainment		349	0.1
Van Dieman Mines <sup>†</sup>	Mining		341	0.1
AIT <sup>†</sup>	Software & Computer Services		334	0.1
Springboard <sup>†</sup>	Speciality & Other Finance		326	0.1
Pilat Media Global <sup>†</sup>	Software & Computer Services		296	0.1
Easier <sup>†</sup>	Speciality & Other Finance		277	0.2
Goldstone Resource <sup>†</sup>	Mining			
Ordy 1p		226		
Warrants 30 Sept 2006		14	240	0.1
Liverpool FC <sup>†</sup>	Leisure & Hotels		230	0.1
Surface Technology <sup>†</sup>	Information Technology Hardware		225	0.1
Ultrasis	Software & Computer Services			
Bd 6% 31 Dec 2008		179		
Ordy 0.1p		41	220	0.1
Marakand Minerals <sup>†</sup>	Mining		216	0.1

<i>Investment</i>	<i>Sector</i>	<i>Market Value £'000</i>	<i>Percentage of Portfolio %</i>
African Copper <sup>†</sup>	Steel & Other Metals	212	0.1
Pan African Resources <sup>†</sup>	Investment Companies	150	0.1
Minorplanet System	Electronic & Electrical Equipment	122	0.0
Contentfilm <sup>†</sup>	Media & Entertainment	121	0.0
Europa Oil & Gas – Warrants <sup>†</sup>	Oil & Gas	96	0.0
Osmetech <sup>†</sup>	Pharmaceuticals & Biotech	95	0.0
Enterworks (US)	Software & Computer Services	83	0.0
Whitehead Mann			
– Rights 28 April 2005	Support Services	29	0.0
Pace Micro	Electronic & Electrical Equipment	23	0.0
Deltex Medical <sup>†</sup>	Health	20	0.0
Foreverblue Technology*	Information Technology Hardware	9	0.0
Oxagen*	Pharmaceuticals & Biotech	8	0.0
<b>Total Value of Investments</b>		<b>273,487</b>	<b>100.0</b>

\* Unquoted

† Alternative Investment Market

The total number of holdings in the portfolio (excluding those with nil value) at the year end was 199 (2004: 198).

## Directors and Advisers

### Directors

#### **James W. Findlay** (Chairman)

Aged 61, joined the Board in 1977. He was formerly a Partner of stockbrokers Cazenove and is a Director of Martin Currie Enhanced Income Trust plc, Moorgate Enhanced Companies Income Trust. He is Chairman of the Management Engagement Committee and Nominations Committee.

#### **Dr. Gwyn Jones**

Aged 56, joined the Board on 29 September 1993. He is Director of Corporate Technologies, SI Corporate Development Ltd., Unit Superheaters Engineering Ltd. and Chairman of both Press Red Ltd. and Oxford English Limited. He is a former Director of Tesco plc. He is the Senior Independent Director for the Company, a member of the Audit Committee, Management Engagement Committee and Nominations Committee.

#### **James Cox**

Aged 57, 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 Chairman of the Audit Committee and a member of the Management Engagement Committee and Nominations Committee.

#### **Sarah Bates**

Aged 46, 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 now a Director of Witan Pacific Investment Trust, St James's Place Capital Plc, New India Investment Trust Plc and New India Investment Company (Mauritius) and a strategic adviser to

Merseyside Pension Fund and East Riding Pension Fund. She has developed a financial awareness package for 6th Formers, has written a guide to investment jargon for pension fund Trustees and is working with the NAPF on Trustee training.

#### **John Sands**

Aged 57, joined the Board on 10 May 2004. He was formerly Chairman of Pubmaster Limited and has a long career at senior management level in the Brewing industry. He is a member of the Audit Committee, Management Engagement Committee and Nominations Committee.

#### **Alan Barber**

Aged 57, joined the Board on 15 June 2005. Formerly a Senior Partner at KPMG, he is a non-executive director of Management Consultancy Group plc and lastminute.com plc.

### **Manager, Company Secretary and Registered Office**

#### **INVESCO Asset Management Limited**

30 Finsbury Square  
London EC2A 1AG

☎ 020 7065 4000

Secretarial contacts: Kerstin Rucht / Kelly Chandler

#### **Registered in England and Wales**

Number 236895

#### **INVESCO Investor Services**

INVESCO 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 direct and not through 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](http://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](http://www.capitadeal.com)

☎ 0870 458 4577

#### **Auditors**

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

#### **Stockbrokers**

JP Morgan Cazenove  
20 Moorgate  
London EC2R 6DA

#### **Savings Scheme Administrators**

The Bank of New York Europe Limited  
P.O. Box 23026  
12 Blenheim Place  
Edinburgh EH7 5ZR  
☎ 0131 525 9819

#### **ISA and PEP Administration**

BNP Paribas Fund Services UK Ltd  
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 Investment Trust Savings Scheme**, the **INVESCO Investment Trust ISA** and the **INVESCO Investment Trust PEP**. Shares in this trust and most other trusts managed by INVESCO can be purchased and sold via these schemes.

Investment through the INVESCO Investment Trust PEP continues to be available as a PEP transfer investment only.

### INVESCO Investment Trust Savings Scheme

The INVESCO Investment Trust 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.

For those investors who use professional advisers the scheme allows for a payment of 3% commission on lump sum purchases.

### The INVESCO Investment Trust ISA

The INVESCO Investment Trust ISA is a Maxi ISA allowing investment of up to £7,000 in the 2004/05 and 2005/06 tax years. 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.

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 [www.invesco.co.uk/investmenttrusts](http://www.invesco.co.uk/investmenttrusts)  
Trust net [www.trustnet.co.uk](http://www.trustnet.co.uk)  
Interactive Investor [www.iii.co.uk](http://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).

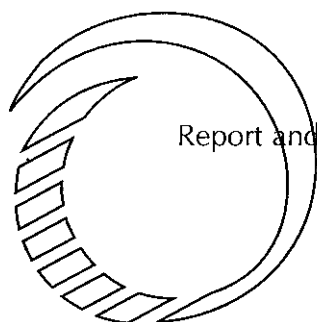
### Financial Calendar

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 Tuesday, 19 July 2005 at 30 Finsbury Square, London EC2A 1AG.



## Report and Financial Statements

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## Report of the Directors

*for the year ended 5 April 2005*

### Introduction

The Directors present their report together with the audited financial statements of the Company for the year ended 5 April 2005.

The Company was incorporated and registered in England and Wales, under the Companies Acts 1908 and 1917, on 2 February 1929 under the name of English and International Trust Limited and became a public limited company on 15 December 1981. On 27 July 1990, the Company changed its name to Drayton English and International Trust plc and on 17 July 1995 to INVESCO English and International Trust plc.

### Company's Business

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. The Inland Revenue has approved the Company as an investment trust in respect of the year ended 5 April 2004. 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.

The business of the Company's subsidiary undertaking Anglo-Scottish Amalgamated Corporation Limited is that of investment dealing. The other two subsidiary undertakings, Staple Investment Trust Limited and Anglo-Scottish Securities Limited did not trade.

During the financial year under review the Board has pursued the investment policy as summarised on the inside front cover. No significant changes are currently envisaged.

The review of the business is detailed in the Chairman's Statement on page 5 and the Manager's Report on pages 6 and 7.

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue and Dividend</b>		
Net revenue after tax for the financial year	1,975	2,407
Dividends on the cumulative preference and preferred shares		
amount to	(432)	(1,118)
Dividends of 1.3p (2004: 1.2p) per ordinary share amount to	(1,068)	(1,058)
.....		
Transfer to reserves	475	231

An interim dividend of 0.5p per share was paid on 14 January 2005 to shareholders on the register on 10 December 2004. The final dividend of 0.8p per share will be paid on 22 July 2005 to shareholders on the register on 24 June 2005.

### Ordinary Share Valuations

On 5 April 2005 the mid-market price and the net asset value per 25p ordinary share were 247.3p and 290.8p respectively. The comparable figures on 5 April 2004 were 190.0p and 245.7p. The net asset value per ordinary share has been calculated by including investments of the subsidiaries at their market values. The debenture stock and, where applicable, the cumulative preference and preferred shares have been deducted at their nominal values.

### Change of Articles of Association

On 13 July 2004, a circular was sent to shareholders of the Company with a number of proposals for their consideration. One of the proposals was an amendment of the Company's Articles of Association in order to reflect recent legislative developments relating to (among others) uncertificated shares, electronic communications, shareholder meetings and the holding of shares in Treasury.

At the Extraordinary General Meeting held on 6 August 2004, the proposals were approved by the shareholders and revised Articles of Association were adopted.

**Cancellation of 8.875% Cumulative Preference Shares of £1 and 5.5% Cumulative Preferred Shares of £1**

On 14 April 2004, 93,046 8.875% Cumulative Preference Shares of £1 were bought back in the market for cancellation at 117p each.

Further to the proposals in the circular to Shareholders dated 13 July 2004 and Class Meetings of the holders of the preference shares and preferred shares held on 6 August 2004, the Courts have approved the reduction of the Company's capital. Following that approval, the Company's 10,800,854 8.875% cumulative preference shares of £1 each and 206,949 5.5% cumulative preferred shares of £1 each were cancelled on 16 September 2004.

Cheques in respect of the payment of 162p per preference share and 100p per preferred share were posted on 16 September 2004.

**Buy Back and Cancellation of Ordinary Shares of 25p each**

The circular to shareholders dated 13 July 2004 also contained proposals for buy backs of ordinary shares in the market from time to time, until the next Annual General Meeting of the Company. These proposals were approved by shareholders at an Extraordinary General Meeting held on 6 August 2004.

The maximum price which may be paid on any purchase of ordinary shares through the market is 105% of the average of the mid-market price (as derived from the London Stock Exchange Daily Official List) of the ordinary shares for the five business days immediately preceding the date of the relevant purchase for which a price is shown. 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.

To date, 15 June 2005, a total of 9,802,000 ordinary shares have been bought back and cancelled by the Company:

<i>Date</i>	<i>Number</i>	<i>Price (p)</i>
9 December 2004	100,000	209.00
16 December 2004	150,000	210.50
20 January 2005	140,000	221.50
28 February 2005	650,000	251.75
10 March 2005	150,000	258.50
15 March 2005	425,000	259.25
17 March 2005	250,000	259.75
24 March 2005	250,000	254.00
12 April 2005	4,500,000	251.75
15 April 2005	150,000	251.50
18 April 2005	400,000	250.00
19 April 2005	600,000	250.00
21 April 2005	200,000	250.00
28 April 2005	1,437,000	244.00
5 May 2005	400,000	235.00
Total purchased	<u>9,802,000</u>	

The number of ordinary shares remaining in issue at 15 June 2005 is 78,363,987.

**Special Business at the Annual General Meeting**

Shareholders will find on page 46 the notice of the forthcoming Annual General Meeting ("AGM") of the Company to be held on 19 July 2005. 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 up to 5% of the issued ordinary share capital, this being an aggregate nominal amount of £979,549 new ordinary shares as at 15 June 2005 whilst disapplying pre-emption rights. To take account of the possibility of treasury shares, the

## Report of the Directors

*continued*

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 11,746,760 of its own shares as at 15 June 2005. 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 might consider holding repurchased shares as treasury shares with a view to possible resale.

### Substantial Holdings in the Company

At 15 June 2005 the Company had been notified of the following holdings under sections 198 and 199 of the Companies Act 1985:

	%
Laxey Partners	16.01
M&G Investment Management	10.27
Royal London Asset Management	7.33
Legal and General Group	3.40

### Directors

The present members of the Board, all of whom served throughout the year, except for Mr John Sands who was appointed a Director on 10 May 2004 and Mr Alan Barber who was appointed a Director on 15 June 2005, are shown on page 14.

In accordance with the Board's tenure policy set out in the Statement of Compliance with the Combined Code on Corporate Governance on page 26, Mr James Findlay and Dr Gwyn Jones will retire at this year's AGM and, being eligible, will offer themselves for re-election. Mr Barber will also retire at the AGM and, being eligible, will offer himself for election.

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

	Board Meetings		Audit Committee Meetings		Management Engagement		Nominations Committee Meetings	
					Committee Meetings		Held Attended	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
	While being a member		While being a member		While being a member		While being a member	
James Findlay	8	8	–	–	1	1	2	2
Sarah Bates	8	8	–	–	–	–	–	–
Jim Cox	8	8	2	2	1	1	2	2
Gwyn Jones	8	8	2	2	1	1	2	2
John Sands	8	8	2	2	1	1	1	1

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 at 5 April are set out below:

Ordinary Shares	2005	2004
Mr James W. Findlay	78,553*	78,553*
Mrs Sarah C. Bates	7,000	7,000
Mr James M. Cox	10,000	10,000
Dr. M. Gwyn Jones	4,000	4,000
Mr John Sands	–	–
Mr Alan Barber	–	–

\*40,000 Non-beneficial

As at the date of his appointment on 15 June 2005, Mr Alan Barber had an interest in 296 ordinary shares of the Company.

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 15 June 2005.

#### **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 is appointed Manager and Secretary under an agreement dated 2 April 1974, subsequently revised on 14 September 1992, 5 March 1996, 6 April 2000, 18 July 2003 and 2 February 2005. This agreement is terminable by either party at 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. The Manager also advises on borrowings.

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

#### **Assessment of the Manager**

The management contract is subject to regular annual review by the Management Engagement Committee; however, 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<sup>†</sup>, 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 shareholders.

#### **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

<sup>†</sup> See Glossary

## Report of the Directors

*continued*

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 2005 with the Manager and the Auditors at the conclusion of the audit process.

Details of the audit fee and fees for taxation services are shown in Note 4 to the financial statements on page 38. Non-audit work undertaken on behalf of the Company by the auditors is restricted to the Company's taxation affairs.

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")**

The financial statements for the year ended 5 April 2005 have been prepared in accordance with UK GAAP. Further to widely reported developments in the accounting world, the financial statements of the Company will in future be prepared in accordance with IFRS commencing with the year ending 5 April 2006. Thus, the interim accounts for the six months ending 5 October 2005 will be the first financial statements in this form sent to shareholders.

In the lead up to this, the Company has identified the accounting and disclosure issues that arise. 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 proposed basis; and
- the movement of the preference and preferred share capital from equity to debt (this item will only affect comparative figures for the year ending 5 April 2006).

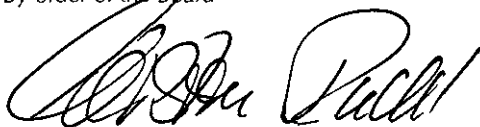
### **Creditor Payment Policy**

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 2005 (2004: Nil).

### **Auditors**

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

*By order of the Board*



**INVESCO Asset Management Limited**

*Secretary*

30 Finsbury Square  
London EC2A 1AG

17 June 2005

## Directors' Remuneration Report

for the year ended 5 April 2005

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 29 and 30.

### Remuneration Committee

All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. The Board seeks advice from the Secretary, INVESCO Asset Management Limited, when considering the level of Directors' fees.

The Board reviewed Directors' remuneration during the year and agreed the emoluments as detailed on page 24.

### 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 2006 and subsequent years.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. Following the adoption of amended Articles of Association at the EGM held on 6 August 2004, the maximum dictated by the Company's Articles is £125,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

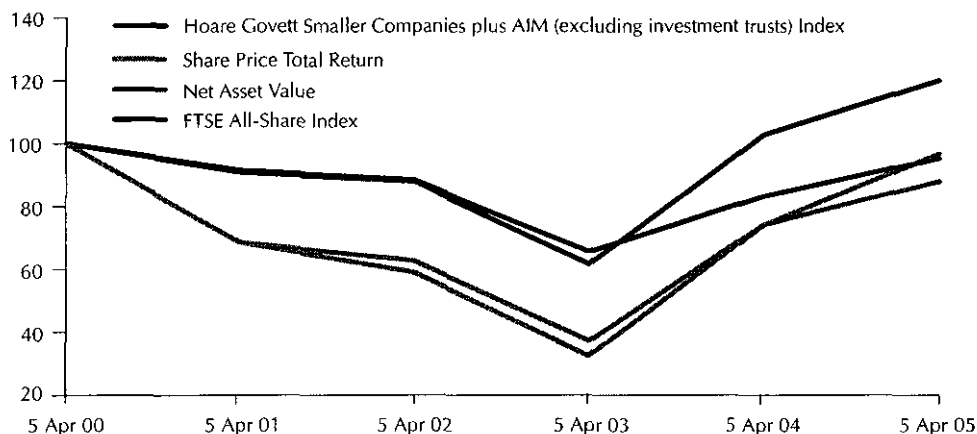
### Directors' Service Contracts

It is the Board's policy that none of the Directors 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 below 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 Small Cap (excluding investment trusts) Index over the five years to 5 April 2005. These indices are the benchmarks adopted by the Company for performance measurement purposes. Figures have been rebased to 100 at 5 April 2000.

#### NAV and Share Price versus Indices (Total Return)





## Directors' Remuneration Report

*continued*

### Directors' Emoluments for the Year (audited)

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

	2005 £'000	2004 £'000
Mr James W Findlay*	20	18
Dr Gwyn Jones	15	13
Mr Alan G Turner CBE – retired 31 July 2003	—	5
Mr James Cox**	15	13
Mrs Sarah Bates	15	13
Mr John Sands – appointed 10 May 2004	13	—
<b>Total</b>	<b>78</b>	<b>62</b>

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

\*\*Chairman of the Audit Committee.

Of the Directors' emoluments disclosed above, £nil (2004: £4,000) was paid to a third party in respect of Mrs Sarah Bates' services as a Director.

Mr Alan Barber was appointed on 15 June 2005, after the Company's year end.

### Approval

The Directors' Remuneration Report on pages 23 and 24 was approved by the Board of Directors on 17 June 2005.



**James W. Findlay**

*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 Code of Corporate Governance published by the Association of Investment Trust Companies (AITC) ("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 six Directors, all of whom are non-executive and five of whom are considered independent. Mrs 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 Code.

The Board considers that the independence of Mr James Findlay and Dr Gwyn Jones, having served 28 years and 11 years respectively as Directors, is not compromised by length of service but, to the contrary, is strengthened by their experience. In this respect the Board has relied on the AITC Code and, going forward, Mr Findlay and Dr Jones will be seeking re-election annually.

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 14.

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 Mr James Findlay, 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.

The Chairman will be present at the Annual General Meeting to answer questions.

#### Senior Independent Director

The Board has appointed Dr Gwyn Jones as the Senior Independent 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, marketing and shareholder relations and industry and other issues.

## Corporate Governance

*continued*

### 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, 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, controlling risks.

### The Manager's Responsibilities

The Manager is responsible for the day-to-day investment management decisions of the Company and for provisions of the Company Secretarial and Accounting Services. Details of the Management Agreement are set out in Note 3 to the accounts on page 37.

### 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 the 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.

### Appointment, Re-election and Tenure of Directors

Because the Board is considered small for the purposes of the Code, all independent Directors are members of the Nominations Committee under the Chairmanship of Mr James Findlay. 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 Annual General Meeting 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 ongoing 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.

#### **Directors' Remuneration**

Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report pages 23 and 24.

#### **Accountability and Audit**

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 29. The Auditors' Report appears on pages 29 and 30.

#### **Audit Committee**

The Audit Committee comprises Mr James Cox, Chairman, Dr Gwyn Jones and Mr John Sands who was appointed to the Committee on 9 June 2004. 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 Annual General Meeting 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 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 above 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 are also produced on the internal controls and procedures in place for custodial, investment management and accounting activities and 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**

The Directors have reviewed the need for the Company to establish an internal audit function, but consider that such a function is not necessary for this Company.

#### **Auditors' Non-audit Services**

The Company's auditors' also provide taxation services to the Company. The cost of providing these services is stated in Note 4 to the Financial Statements on page 38. In the opinion of the Committee, the Auditors' role in providing taxation services to the Company does not compromise their objectivity and independence in carrying out their audit function.

The Chairman of the Audit Committee will be present at the Annual General Meeting to deal with questions relating to the accounts.

## Corporate Governance

*continued*

### **The Management Engagement Committee**

Because 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 Mr James Findlay.* 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 report and accounts which aim to provide shareholders with a full understanding of the Company's activities and their results. This information is supplemented by the daily calculation of the net asset value of the Company's ordinary shares which is published via the Stock Exchange and by a monthly factsheet. A presentation is made by the Manager following the business of the AGM each year. Shareholders have the opportunity to address questions to the Chairman 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 14. At other times the Company responds to letters from shareholders on a range of issues.

### **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.

### **Social, Environmental and Ethical Responsibilities**

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

While a company's policy towards its environmental, social and ethical responsibilities 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.

### **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.

## Statement of Directors' Responsibilities

### *in respect of the preparation of financial statements*

The Directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results for the year to that date. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable United Kingdom accounting standards have been followed, 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The financial statements are published on [www.invesco.co.uk/investments](http://www.invesco.co.uk/investments) website, which is a website maintained by the Company's investment manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

## Independent Auditors' Report to the Members of INVESCO English and International Trust plc

We have audited the Group's financial statements for the year ended 5 April 2005, which comprise the Consolidated Statement of Total Return, Reconciliation of Movement in Shareholders' Funds, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared on the basis of 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, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

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, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, 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. This other information comprises Financial Information, Historical Record of the Group, Chairman's Statement, Manager's Report, Classification of Investments, Investments in Order of Valuation, Directors and Advisers, Shareholder Information, the Report of the Directors and the unaudited part of the Directors' Remuneration Report, Corporate Governance Statement, 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

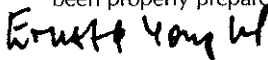
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 5 April 2005 and of the revenue of the Group for the year then ended; and
- the financial statements and part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young LLP**  
*Registered Auditor*  
London

17 June 2005



Consolidated Statement of Total Return (incorporating the revenue account)  
for the year ended 5 April

		2005			2004		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	—	48,210	48,210	—	110,655	110,655
Income	2	5,309	—	5,309	5,437	—	5,437
Investment management fee	3	(1,281)	(1,281)	(2,562)	(1,092)	(1,092)	(2,184)
Other expenses	4	(371)	—	(371)	(294)	—	(294)
<hr/>							
<b>Net return before finance costs and taxation</b>		<b>3,657</b>	<b>46,929</b>	<b>50,586</b>	<b>4,051</b>	<b>109,563</b>	<b>113,614</b>
Interest payable and similar charges	5	(1,682)	(1,682)	(3,364)	(1,644)	(1,644)	(3,288)
<hr/>							
<b>Return on ordinary activities before and after taxation</b>		<b>1,975</b>	<b>45,247</b>	<b>47,222</b>	<b>2,407</b>	<b>107,919</b>	<b>110,326</b>
Dividends and other appropriations in respect of non-equity shares	7	(432)	—	(432)	(1,118)	—	(1,118)
<hr/>							
<b>Return attributable to equity shareholders</b>		<b>1,543</b>	<b>45,247</b>	<b>46,790</b>	<b>1,289</b>	<b>107,919</b>	<b>109,208</b>
Dividends in respect of equity shares	7	(1,068)	—	(1,068)	(1,058)	—	(1,058)
<hr/>							
<b>Transfer to reserves</b>	15	<b>475</b>	<b>45,247</b>	<b>45,722</b>	<b>231</b>	<b>107,919</b>	<b>108,150</b>
<hr/>							
<b>Return per ordinary share</b>	8	<b>1.75p</b>	<b>51.46p</b>	<b>53.21p</b>	<b>1.46p</b>	<b>122.40p</b>	<b>123.86p</b>

The revenue column of this statement is the consolidated profit and loss account of the Group. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

Reconciliation of Movement in Shareholders' Funds  
for the year ended 5 April

	2005 £'000	2004 £'000
Revenue transfer to reserves	475	231
Capital return for the year	45,247	107,919
Shares purchased for cancellation	(23,200)	(5,866)
<hr/>		
Net movement in Shareholders' funds	22,522	102,284
Opening Shareholders' funds	227,720	125,436
<hr/>		
<b>Closing Shareholders' funds</b>	<b>250,242</b>	<b>227,720</b>

The accompanying notes are an integral part of these financial statements

## Balance Sheets

as at 5 April

	Notes	2005 Group £'000	2004 Group £'000	2005 Company £'000	2004 Company £'000
<b>Fixed assets</b>					
Investments	9	273,487	267,024	274,899	268,436
<b>Current assets</b>					
Debtors	10	7,872	980	8,372	1,325
Cash at bank		15,959	9,430	15,957	9,409
		23,831	10,410	24,329	10,734
<b>Creditors: amounts falling due within one year</b>	11	(3,071)	(5,765)	(7,183)	(9,849)
<b>Net current assets</b>		20,760	4,645	17,146	885
<b>Total assets less current liabilities</b>		294,247	271,669	292,045	269,321
<b>Creditors: amounts falling due after more than one year</b>	12	(44,005)	(43,949)	(44,005)	(43,949)
		250,242	227,720	248,040	225,372
<b>Capital and reserves</b>					
Called up share capital	13	21,513	33,143	21,513	33,143
Share premium account	15	67,825	67,825	67,825	67,825
Capital redemption reserve	15	529	4,844	529	4,844
Capital reserve – realised	15	106,206	90,970	106,344	90,966
Capital reserve – unrealised	15	45,095	22,481	45,095	22,481
		241,168	219,263	241,306	219,259
Revenue reserves	15	9,074	8,457	6,734	6,113
<b>Shareholders' funds</b>		250,242	227,720	248,040	225,372
<b>Analysis of Shareholders' funds</b>					
Equity interests (ordinary shares)		250,242	216,619	248,040	214,271
Non-equity interests (cumulative preference and preferred shares)		—	11,101	—	11,101
		250,242	227,720	248,040	225,372
<b>Net asset value per ordinary share</b>					
Basic	14	290.8p	245.7p	288.3p	243.0p

These financial statements were approved by the Board of Directors on 17 June 2005.

James W. Findlay  
James M. Cox

Signed on behalf of the Board of Directors

The accompanying notes are an integral part of these financial statements

**Consolidated Cash Flow Statement**  
*for the year ended 5 April*

		<b>2005</b>	<b>2004</b>
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>
<b>Cash flow from operating activities</b>	<b>16(a)</b>	<b>2,341</b>	<b>3,375</b>
<b>Returns on investments and servicing of finance</b>	<b>16(b)</b>	<b>(3,754)</b>	<b>(4,351)</b>
<b>Taxation</b>		<b>(52)</b>	<b>—</b>
<b>Net financial investment</b>	<b>16(b)</b>	<b>31,635</b>	<b>(9,112)</b>
<b>Equity dividends paid</b>		<b>(441)</b>	<b>(1,675)</b>
<hr/>			
<b>Cash inflow/(outflow) before financing</b>		<b>29,729</b>	<b>(11,763)</b>
<b>Financing</b>	<b>16(b)</b>	<b>(23,200)</b>	<b>(5,866)</b>
<hr/>			
<b>Increase/(decrease) in cash in the year</b>		<b>6,529</b>	<b>(17,629)</b>
<hr/>			
<b>Reconciliation of net cash flow to movement in net debt</b>			
		<b>2005</b>	<b>2004</b>
		<b>£'000</b>	<b>£'000</b>
Increase/(decrease) in cash in year		<b>6,529</b>	<b>(17,629)</b>
Debenture stock non-cash movement		<b>(56)</b>	<b>(55)</b>
<hr/>			
<b>Movement in net debt in the year</b>		<b>6,473</b>	<b>(17,684)</b>
Net debt at start of year		<b>(34,519)</b>	<b>(16,835)</b>
<hr/>			
<b>Net debt at end of year</b>	<b>16(c)</b>	<b>(28,046)</b>	<b>(34,519)</b>

*The accompanying notes are an integral part of this statement*

## Notes to the Financial Statements

*for the year ended 5 April 2005*

### **1. Accounting policies**

The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom.

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and in the preceding year is set out below:

#### **(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention modified to include the revaluation of fixed assets and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies", issued by the Association of Investment Trust Companies in 2003.

The SORP recommends that dividends on non-equity shares are recognised on an accruals basis. The Directors do not consider that the Group's departure from the SORP in this respect materially affects the net revenue return on ordinary activities before tax.

#### **(b) Valuation of investments**

Listed investments comprise those quoted on a recognised Stock Exchange. These investments have been valued at middle market prices and for foreign securities at exchange rates ruling at the close of business in London on 5 April 2005.

Unlisted investments are valued at closing or latest trading prices.

Unquoted investments are included at Directors' valuation and have been valued with regard to guidelines produced by the British Venture Capital Association. Accordingly, these investments are held at original cost unless there has been a permanent diminution in value in which case, appropriate provisions have been made to reduce the valuation. Investments are only valued in excess of original cost when there has been either a subsequent arm's length transaction in the same securities or when a clear maintainable earnings stream has been established. In the latter case, these investments are valued on a price/earnings multiple with an appropriate discount to reflect their non-marketability. The valuation of unquoted investments reflects current circumstances; realisable value in the short term could differ materially from the amount at which these investments are included in the accounts.

#### **(c) Income**

All dividends are taken into account on the date investments are marked ex-dividend. Other income from investments is taken into account on an accruals basis. Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

#### **(d) Expenses and finance costs**

All expenses and finance costs are accounted for on an accruals basis and are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment; and
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

Investment management fees and finance costs, net of any attributable tax relief, are charged equally to the revenue account and capital reserve.

## Notes to the Financial Statements

*continued*

Issue costs and discounts relating to the £40,000,000 6.75% debenture stock 2023 are deducted from the proceeds and charged equally to the revenue account and capital reserve over the debenture's 25 year life. All other costs relating to the raising of finance are charged as incurred.

### (e) Taxation

The tax effect of expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Group's effective rate of tax for the accounting period and the marginal method.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more, or a right to pay less, tax in the future. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

### (f) Foreign currency

Transactions in foreign currency, whether of a revenue or capital nature, are translated to sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated to sterling at the rates of exchange ruling at the Balance Sheet date. Any gains or losses are taken to the capital reserve – realised.

### (g) Capital reserves

Capital reserve – realised.

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange gains and losses of a capital nature
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Gains or losses on disposal of investments held as current assets are taken direct to the revenue account.

Capital reserve – unrealised.

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end.

### (h) Consolidation

The consolidated financial statements incorporate the results of INVESCO English and International Trust plc and its subsidiary undertakings during the year. 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 £2,121,000 (2004: £2,216,000) which is dealt with in the accounts of the Company.

### (i) Investee companies

Details of the Company's holdings in investee companies in excess of 5 per cent. 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 FRS 9 they are not considered to be associated undertakings.

**2. Income**

	2005 £'000	2004 £'000
<b>Income from investments</b>		
UK dividends	4,443	3,929
Overseas dividends	229	509
Unfranked investment income – interest	112	144
	<b>4,784</b>	<b>4,582</b>
<b>Other income</b>		
Deposit interest	1	134
Underwriting commissions	24	30
Investment dealing profits of subsidiary undertakings	500	691
	<b>525</b>	<b>855</b>
<b>Total income</b>	<b>5,309</b>	<b>5,437</b>
<b>Total income comprises:</b>		
Dividends	4,672	4,438
Interest	113	278
Other income	524	721
	<b>5,309</b>	<b>5,437</b>
<b>Income from investments</b>		
Listed UK	4,366	4,443
Unlisted	406	127
Unquoted	12	12
	<b>4,784</b>	<b>4,582</b>

<b>3. Investment management fee</b>	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,090	1,090	2,180	929	929	1,858
Irrecoverable VAT thereon	191	191	382	163	163	326
	<b>1,281</b>	<b>1,281</b>	<b>2,562</b>	<b>1,092</b>	<b>1,092</b>	<b>2,184</b>

INVESCO Asset Management Limited acts as Manager and Secretary to the Company under an agreement dated 2 April 1974, subsequently revised on 14 September 1992, 5 March 1996, 6 April 2000, 18 July 2003 and 2 February 2005. This agreement is terminable by either party at one year's 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 2005 £708,000 (2004: £671,000) was accrued as owing to the Manager.

## Notes to the Financial Statements

*continued***4. Other expenses**

	2005			2004		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
General expenses	251	—	251	201	—	201
Aggregate Directors' emoluments (see below)	78	—	78	62	—	62
Auditors' remuneration – for audit services	35	—	35	23	—	23
– for tax services	7	—	7	8	—	8
	371	—	371	294	—	294

Of the Directors' emoluments disclosed above for 2004, £4,000 was payable to third parties in respect of making available the services of one Director and was assigned to INVESCO Asset Management Limited. The Directors' emoluments authorised by the Articles of Association are £125,000 per annum.

**5. Interest payable and similar charges**

	2005	2004
	£'000	£'000
Interest payable on borrowings repayable as follows:		
Bank loans repayable within 1 year, not by instalment	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	55	55
	3,364	3,288
Revenue	1,682	1,644
Capital	1,682	1,644
<b>Total interest payable and similar charges</b>	<b>3,364</b>	<b>3,288</b>

**6. Tax on ordinary activities**

There is no liability to corporation tax for the year ended 5 April 2005 (2004: nil). UK dividends are not subject to UK corporation tax and other income is offset by administrative expenses of the year.

	2005	2004
	£'000	£'000
Revenue on ordinary activities before taxation	1,975	2,407
Theoretical tax at UK Corporation Tax rate of 30% (2004: 30%)	593	722
Effects of:		
— UK dividends which are not taxable	(1,333)	(1,179)
— Movements in excess management expenses and non-trading loan relationship debits	1,629	1,274
— Expenses charged to capital for which a deduction is claimed	(889)	(821)
— Expenses not deductible for tax purposes	—	4
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 £13,010,000 (2004: £10,625,000) and excess non-trading loan relationship debits of £21,777,000 (2004: £18,761,000) 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

	<i>Group</i> <i>2005</i> <i>£'000</i>	<i>Group</i> <i>2004</i> <i>£'000</i>
Dividends on non-equity shares:		
Dividends on cumulative preference shares paid and accrued	427	1,100
Dividends on cumulative preferred shares paid and accrued	5	18
	<b>432</b>	<b>1,118</b>
Dividends on ordinary shares:		
Interim of 0.5p paid on 88,165,987 shares (2004: 0.5p paid on 88,165,987 shares)	441	441
Proposed final of 0.8p payable on 78,363,987 shares	627	—
Second interim of 0.7p paid on 88,165,987 shares	—	617
	<b>1,068</b>	<b>1,058</b>

## 8. Return per share

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation and after deduction of dividends and other appropriations in respect of non-equity shares of £1,543,000 (2004: £1,289,000) and on 87,933,686 (2004: 88,165,987) weighted average number of shares in issue during the year.

Capital return per ordinary share is based on net capital return on ordinary activities after taxation of £45,247,000 (2004: £107,919,000) and on 87,933,686 (2004: 88,165,987) weighted average number of shares in issue during the year.

## 9. Investments

### (a) Analysis of investments held as fixed assets

	<i>Group</i> <i>2005</i> <i>£'000</i>	<i>Group</i> <i>2004</i> <i>£'000</i>	<i>Company</i> <i>2005</i> <i>£'000</i>	<i>Company</i> <i>2004</i> <i>£'000</i>
Shares in subsidiary undertakings (see (i) below)	—	—	1,412	1,412
Other investments:				
Listed at market value:				
In United Kingdom	142,003	176,726	142,003	176,726
Elsewhere	2,435	1,259	2,435	1,259
Unlisted (including AIM) at market value	124,195	82,888	124,195	82,888
Unquoted at Directors' valuation:				
In equity share capital	4,449	5,809	4,449	5,809
In other investments	405	342	405	342
	<b>273,487</b>	<b>267,024</b>	<b>274,899</b>	<b>268,436</b>



## Notes to the Financial Statements

*continued*

	<i>Group 2005 £'000</i>	<i>Group 2004 £'000</i>	<i>Company 2005 £'000</i>	<i>Company 2004 £'000</i>
(b) Analysis of investment gains:				
Opening valuation	267,024	142,221	268,436	143,633
Movements in the year:				
Purchases at cost	83,012	105,742	83,012	105,742
Sales – proceeds	(124,759)	(91,594)	(124,759)	(91,594)
– realised gains/(losses) on sales	25,596	(35,034)	25,596	(35,034)
Movement in unrealised appreciation	22,614	145,689	22,614	145,689
Closing valuation	273,487	267,024	274,899	268,436
Closing book cost	(228,392)	(244,543)	(229,804)	(245,955)
Closing unrealised appreciation	45,095	22,481	45,095	22,481
Realised gains/(losses) on sales	25,596	(35,034)	25,596	(35,034)
Amounts recognised as unrealised in the previous year	337	67,276	337	67,276
Realised gains based on carrying value in the previous year	25,933	32,242	25,933	32,242
Movement in unrealised appreciation in the year	22,614	145,689	22,614	145,689
Less: amounts recognised in the previous year	(337)	(67,276)	(337)	(67,276)
Net movement in unrealised appreciation	22,277	78,413	22,277	78,413
Gains/(losses) on investments	48,210	110,655	48,210	110,655

## (i) Subsidiary undertakings

The Company owns all the allotted and issued share capital of Staple Investment Trust Limited (consisting of 1,800,000 ordinary shares of 25p each) and of Anglo-Scottish Amalgamated Corporation Limited (consisting of £333,255 ordinary stock), which in turn owns all the stock of Anglo-Scottish Securities Limited (consisting of 75,000 ordinary shares of £1 each). All the aforementioned companies are registered and operate in England and Wales.

## (c) 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.

## (d) Holdings in excess of 5 per cent.

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

<i>Name</i>	<i>Country of incorporation</i>	<i>Class of capital</i>	<i>% of class held</i>
Advanced Medical Solutions	England and Wales	Ordinary	5.5
Cobra Bio Manufacturing	England and Wales	Ordinary	9.2
CRC	England and Wales	Ordinary	6.0
Easier	England and Wales	Ordinary	5.5
Europa Oil & Gas	England and Wales	Warrants	9.1
Goldstone Resource	England and Wales	Warrants	9.7

<i>Name</i>	<i>Country of incorporation</i>	<i>Class of capital</i>	<i>% of class held</i>
IFX	England and Wales	Ordinary	5.4
Latchways	England and Wales	Ordinary	5.6
Milestone	England and Wales	Ordinary	5.6
SPG Media	England and Wales	Ordinary	7.0
Telos	U.S.A.	'B' Common	9.6
Zinco 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.

Accordingly, for those investee companies where the Company holds 20 per cent, or more of the nominal value of shares in those companies, no additional disclosure has been made under schedule 5 of the Companies Act 1985.

#### 10. Debtors

	<i>Group 2005 £'000</i>	<i>Group 2004 £'000</i>	<i>Company 2005 £'000</i>	<i>Company 2004 £'000</i>
Amounts due from brokers	7,331	523	7,331	368
Prepayments and accrued income	541	457	541	457
Amount due from subsidiary undertaking	—	—	500	500
	<b>7,872</b>	<b>980</b>	<b>8,372</b>	<b>1,325</b>

#### 11. Creditors: amounts falling due within one year

	<i>Group 2005 £'000</i>	<i>Group 2004 £'000</i>	<i>Company 2005 £'000</i>	<i>Company 2004 £'000</i>
Amounts due to brokers	1,347	4,651	1,347	4,651
Amounts owed to subsidiary undertakings	—	—	4,113	4,085
Tax payable	—	52	—	52
Accruals and deferred income	1,097	1,062	1,096	1,061
Proposed dividend on ordinary shares	627	—	627	—
	<b>3,071</b>	<b>5,765</b>	<b>7,183</b>	<b>9,849</b>

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

	<i>Group 2005 £'000</i>	<i>Group 2004 £'000</i>	<i>Company 2005 £'000</i>	<i>Company 2004 £'000</i>
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	39,005	38,949	39,005	38,949
	<b>44,005</b>	<b>43,949</b>	<b>44,005</b>	<b>43,949</b>

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.

## Notes to the Financial Statements

*continued***13. Called up share capital of the Group**

	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
<b>Authorised</b>		
169,592,004 (2004: 169,592,004) ordinary shares of 25p each	<b>42,398</b>	42,398
– (2004: 15,000,000) 8.875% cumulative preference shares of £1 each	—	15,000
– (2004: 945,435) 5.5% cumulative preferred shares of £1 each	—	945
	<b>42,398</b>	<b>58,343</b>
<b>Allotted, called up and fully paid</b>		
86,050,987 (2004: 88,165,987) ordinary shares of 25p each	<b>21,513</b>	22,042
– (2004: 10,893,900) 8.875% cumulative preference shares of £1 each	—	10,894
– (2004: 206,949) 5.5% cumulative preferred shares of £1 each	—	207
	<b>21,513</b>	<b>33,143</b>

On 14 April 2004, 93,046 8.875% cumulative preference shares of £1 were bought back in the market for cancellation at 117p each.

Further to the proposals in the circular to Shareholders dated 13 July 2004 and Class Meetings of the holders of the preference shares and preferred shares held on 6 August 2004, the Courts have approved the reduction of the Company's capital. Following that approval, the Company's 10,800,854 8.875% cumulative preference shares of £1 each and 206,949 5.5% cumulative preferred shares of £1 each were cancelled on 16 September 2004.

Cheques in respect of the payment of 162p per Preference Share and 100p per Preferred Share were posted on 16 September 2004.

The circular to Shareholders dated 13 July 2004 also contained proposals for buy backs of ordinary shares in the market from time to time. During the year to 5 April 2005 2,115,000 ordinary shares were bought back for cancellation at an average price of 248p.

**14. Net asset value of the Group**

The net asset value per ordinary share has been calculated by including investments of the subsidiaries at their market value. The debenture stock and, where in issue, the cumulative preferred and preference shares have been deducted at their nominal values.

	<i>Net asset value per share</i>		<i>Net assets attributable</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>pence</i>	<i>pence</i>	<i>£'000</i>	<i>£'000</i>
Ordinary shares	<b>290.8</b>	245.7	<b>250,242</b>	216,619

**15. Reserves**

	<i>Share premium account £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Capital reserve – realised £'000</i>	<i>Capital reserve – unrealised £'000</i>	<i>Revenue reserve £'000</i>
<b>Group</b>					
Beginning of year	67,825	4,844	90,970	22,481	8,457
Net gain on realisation of investments	—	—	25,933	—	—
Increase in unrealised appreciation	—	—	—	22,277	—
Transfer on disposal of investments	—	—	(337)	337	—
Management fee charged to capital	—	—	(1,281)	—	—
Interest charged to capital	—	—	(1,682)	—	—
Transfer of subsidiary capital reserves to revenue reserves	—	—	(142)	—	142
Ordinary shares cancelled	—	529	(5,281)	—	—
Preference and preferred shares reduction in share capital	—	(4,844)	(1,974)	—	—
Revenue return for the year	—	—	—	—	475
<b>End of year</b>	<b>67,825</b>	<b>529</b>	<b>106,206</b>	<b>45,095</b>	<b>9,074</b>
<b>Company</b>					
Beginning of year	67,825	4,844	90,966	22,481	6,113
Net gain on realisation of investments	—	—	25,933	—	—
Increase in unrealised appreciation	—	—	—	22,277	—
Transfer on disposal of investments	—	—	(337)	337	—
Management fee charged to capital	—	—	(1,281)	—	—
Interest charged to capital	—	—	(1,682)	—	—
Ordinary shares cancelled	—	529	(5,281)	—	—
Preference and preferred shares reduction in share capital	—	(4,844)	(1,974)	—	—
Revenue return for the year	—	—	—	—	621
<b>End of year</b>	<b>67,825</b>	<b>529</b>	<b>106,344</b>	<b>45,095</b>	<b>6,734</b>

**16. Notes to the cash flow statement****(a) Reconciliation of operating profit to operating cash flows**

	<i>Group 2005 £'000</i>	<i>Group 2004 £'000</i>
Net return before finance costs and taxation	3,657	4,051
(Increase)/decrease in prepayments and accrued income	(84)	162
Increase in accruals and deferred income	49	254
Net cash inflow from investment dealing	500	691
Investment dealing profits of subsidiary undertakings	(500)	(691)
Management fee charged to capital	(1,281)	(1,092)
<b>Net cash inflow from operating activities</b>	<b>2,341</b>	<b>3,375</b>

## Notes to the Financial Statements

*continued***(b) Analysis of cash flow for headings netted in the cash flow statement****Returns on investments and servicing of finance**

	<i>Group 2005 £'000</i>	<i>Group 2004 £'000</i>
Interest paid	(3,309)	(3,233)
Preferred dividend paid	(5)	(18)
Preference dividend paid	(440)	(1,100)
Net cash outflow for returns on investments and servicing of finance	(3,754)	(4,351)

**Net financial investment**

	<i>Group 2005 £'000</i>	<i>Group 2004 £'000</i>
Purchase of investments	(86,316)	(101,214)
Sale of investments	117,951	92,102
Net cash inflow/(outflow) for net financial investment	31,635	(9,112)

**Financing**

	<i>Group 2005 £'000</i>	<i>Group 2004 £'000</i>
Shares purchased for cancellation	(23,200)	(5,866)
Net cash outflow from financing	(23,200)	(5,866)

**(c) Analysis of net debt**

	<i>At 6 April 2004 £'000</i>	<i>Cash flow £'000</i>	<i>Debt stock non-cash movement £'000</i>	<i>At 5 April 2005 £'000</i>
Cash at bank	9,430	6,529	—	15,959
Debt due after one year	(43,949)	—	(56)	(44,005)
Total	(34,519)	6,529	(56)	(28,046)

**17. Contingent liabilities**

At 5 April 2005 there were Group contingent liabilities of £nil (2004: £nil) in respect of investments carrying an obligation for future payments and underwriting commitments.

**18. 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 4 to the accounts on page 37. Full details of related transactions and balances with Directors of the Company are set out in the Directors' Report on pages 18 to 22.

## 19. 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 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 a loan facility for £10 million from Allied Irish Bank plc. At the year end there were no drawings under this facility.

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, excluding short-term debtors and creditors, comprise financial instruments which include:

- cash £15,959,000 (2004: £9,430,000). The Group uses investments in the Short-Term Investments Company (Global Series) PLC ("STIC"). The balance on STIC at the year end, was £15,925,000 (2004: £9,375,000) 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.
- investments principally comprising equity and non-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 8 for the portfolio breakdown). These are held in accordance with the Group's investment policy.
- debenture stock, preference shares and preferred shares. The purpose of these are to finance the Group's investment activities. During the year the preference and preferred shares were bought

## Notes to the Financial Statements

*continued*

back and cancelled. Full details of this and the debenture stock are shown in notes 12 and 13 and the Directors' Report.

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

### Financial liabilities

The interest rate profile of the Group's financial liabilities at the balance sheet date (excluding short-term creditors) is as follows:

Currency	<b>Fixed Rate Financial Liabilities* (£'000)</b>		<b>Weighted Average Interest Rate (%)</b>		<b>Weighted Average Years to Maturity</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Sterling	<b>44,005</b>	43,949	7.2	7.2	<b>17</b>	18

\*The fixed rate financial liabilities as at 5 April 2004 excluded the non-equity preference and preferred share capital as this was irredeemable. The weighted average interest rate of the preference and preferred share capital at that time was 7.5%.

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

	<b>Book Value (£'000)</b>		<b>Fair Value (£'000)</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
£5 million 10.625% debenture stock 2014	<b>5,000</b>	5,000	<b>6,547</b>	6,453
£40 million 6.75% debenture stock 2023	<b>39,005</b>	38,949	<b>43,113</b>	40,275
8.875% cumulative preference shares (see note 13)	—	10,894	—	12,746
5.5% cumulative preferred shares (see note 13)	—	207	—	186

The fair values have been determined based on the mid-market values of the financial liability concerned as at the balance sheet date. After deduction of the debenture stocks and, where in issue preference and preferred shares at their fair value, the net asset value is 284.2p (2004: 240.5p) per ordinary share.

### 20. Post balance sheet events

Details of the 7,687,000 ordinary shares bought back and cancelled after the year end are shown in the Directors' Report on page 19.

## 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 Tuesday 19 July 2005 at 12 noon for the following purposes:

### Ordinary Business

1. To receive the Directors' Report and Accounts for the year ended 5 April 2005.
2. To declare a final dividend as recommended.
3. To approve the Directors' Remuneration Report for the year ended 5 April 2005.
4. To re-elect Mr James Findlay a Director of the Company.
5. To re-elect Dr Gwyn Jones a Director of the Company.
6. To elect Mr Alan Barber a Director of the Company.
7. To re-elect the Auditors and authorise the Directors to determine their remuneration.

### Special Business

To consider and if thought fit to pass the following resolutions as Special Resolutions:-

#### 8. THAT:

the Directors are generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities up to 5% of the Company's issued share capital, this being an aggregate nominal amount of £979,549 as at 15 June 2005, such authority to expire on conclusion of the Annual General Meeting of the Company to be held in 2006.

(a) the Directors be 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:

- (i) in connection with a rights issue; and
- (ii) otherwise than in connection with a rights issue, up to 5% of the Company's issued share capital, this being an aggregate nominal amount of £979,549 as at 15 June 2005

as if section 89(1) of the Act, relating to pre-emption rights did not apply to any such allotments or sales.

(b) such authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2006 provided that the Directors may during such period make offers or agreements which would or might require the making of allotments or sales of equity securities after the expiry of such period and the Directors may allot or sell such securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; 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 to (i) holders on the register on a fixed record date of Ordinary Shares in proportion to their respective holdings and (ii) holders on the register on a fixed record date of other equity securities to the extent expressly required or (if considered



## Notice of Annual General Meeting

*continued*

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 Shares of 25p each in the capital of the Company ("Shares")

#### PROVIDED ALWAYS THAT

- a) the maximum number of Shares hereby authorised to purchase shall be 14.99% of the Company's issued shares, this being 11,746,760 at 15 June 2005;
- b) the minimum price which may be paid for a Share shall be 25p;
- c) the maximum price which may be paid for a Share be an amount equal to 105% of the average of the middle market quotations for a Share taken from and calculated by reference to the London Stock Exchange Daily Official List for five business days immediately preceding the day on which the Share is purchased;
- d) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);
- e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2006;
- 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 17th June 2005

By order of the Board

  
INVESCO Asset Management Limited

Secretary

**Notes:**

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. In order to be valid an appointment of proxy must be returned by one of the following methods:
  - In hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
  - In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

and in each case to be received by the Company not less than 48 hours before the time of the meeting.
2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service providers(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
3. A form of appointment of proxy is enclosed. Appointment of a proxy does not prevent a member from attending and voting at this meeting.
 

To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or notarially certified copy thereof) must be lodged at the office of the Company's registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR, by not later than 12.00 noon on 17 July 2005.
4. A person entered on the Register of Members at close of business 48 hours before the meeting ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's Register of Members 48 hours before the time fixed for the adjourned meeting.
5. There are no service contracts between the Directors and the Company.
6. The Register of Directors' Interests will be available for inspection at the Company's AGM.

## 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.

**Actual 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.

**Asset 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 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**

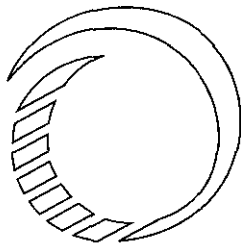
The term given to borrowings or any class of share which, in a winding-up of a company, rank ahead of the final beneficiary of surplus assets, usually the ordinary shares.

### **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.



# INVESCO

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 £199 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 2005.*

## Specialist Funds Managed by INVESCO

### Investing for Income, Income Growth and Capital Growth

#### City Merchants High Yield Trust plc

Aims to obtain both high income and capital growth from high yielding fixed interest securities. The Company's investments include, but are not restricted to, preference shares and loan stocks (convertible and redeemable), corporate bonds and government stocks. Investment in higher yielding equities is also allowed up to 20% of total assets.

#### INVESCO City and Commercial Trust plc

Invests principally in the securities of UK investment trust companies and other closed end funds. The Trust is geared by an RPI linked Debenture Stock.

#### INVESCO Income Growth Trust plc

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

#### 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 has structural gearing which the Directors believe will enhance the return to shareholders, over the longer term.

#### INVESCO Japan Discovery Trust plc (see below).

#### INVESCO Perpetual AiM VCT plc

The Company was launched in August 2004. The objective is to provide an average dividend return to shareholders above the average dividend return of all AIM-traded companies, principally through a diversified portfolio of investments in Qualifying Companies.

#### 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 Investment Trust plc\*

Aims to provide a high level of capital growth through investment in European companies. The Trust is geared.

#### 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.

#### Real Estate Opportunities Limited

The portfolio is predominately invested in the Irish and UK property markets. The Trust is geared.

### Investing in Split Capitalisation Funds

#### INVESCO Recovery Trust 2005 plc

Aims to meet the capital entitlements of the Zero Dividend Preference Shares ("Zero") 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. The Trust is geared by way of a

bank loan, and returns to Ordinary Shareholders are further geared by the prior charge of the Zero Shares. The Trust has an initial life projected to end in 2005.

### Investing for High Income

#### INVESCO Leveraged High Yield Fund Limited

Aims to provide a high return, predominately in the form of income, from a diversified portfolio of mainly European

high yield corporate bonds. The Trust is highly geared.

Most of the INVESCO specialist funds listed above are eligible for inclusion in the INVESCO Investment Trust ISA and the INVESCO Investment Trust Savings Scheme. The trusts marked with \* are available through the INVESCO PERPETUAL Investment Trust ISA, PEP and Savings Plan. 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 ISA product or as a savings plan via the INVESCO Investment Trust 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.invesco.co.uk/investmenttrusts](http://www.invesco.co.uk/investmenttrusts)