60 years
1954-2014

Keystone Investment Trust plc

ANNUAL FINANCIAL REPORT
YEAR ENDED 30 SEPTEMBER 2014

Investment Objective

Keystone Investment Trust plc is an investment trust whose objective is to provide shareholders with long-term growth of capital, mainly from UK investments.

Nature of the Company

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 6), with the aim of spreading investment risk and generating a return for shareholders. The Company has borrowings, the proceeds from which can also be invested with the aim of enhancing returns to shareholders. This additional investment increases the potential risk to shareholders should the value of the investments fall.

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

The Company's shares qualify to be considered as a mainstream investment product suitable for promotion to ordinary retail investors.

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

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

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Keystone

A keystone is defined as the central stone at the summit of an arch, locking the whole together. The front cover shows the keystone as the main feature of the Torver Bridge in Cumbria, which spans the beck (mountain stream) of the same name. The cover picture is taken from a commissioned work by artist Rory Browne, who specialises in land and city scapes. Rory has contributed to the Royal Academy on a number of occasions and lives in Harpenden, Hertfordshire where he works full-time with young people.

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Performance Statistics

	2014 % CHANGE	2013 % CHANGE
Total Return Statistics[1]		
(capital growth with income reinvested)		
Net asset value (NAV) per share:		
– debt at par	+11.7	+29.4
– debt at fair value	+12.5	+31.1
Share price	+7.4	+29.3
FTSE All-Share Index	+6.1	+18.9

	AT 30 SEPTEMBER 2014	AT 30 SEPTEMBER 2013	% CHANGE
Capital Statistics			
Net assets (£'000)	250,267	231,480	+8.1
NAV per share:			
– debt at par	1851.3p	1712.3p	+8.1
– debt at fair value	1806.2p	1660.1p	+8.8
Share price[1]	1709.0p	1646.0p	+3.8
FTSE All-Share Index[1]	3533.9	3443.9	+2.6
Discount† of share price to net asset value per share:			
– debt at par	7.7%	3.9%	
– debt at fair value	5.4%	0.8%	
Gearing from borrowings† – gross	12.8%	13.8%	
– net	5.7%	9.5%	

	FOR THE YEAR TO 30 SEPTEMBER 2014	2013	
Revenue Statistics			
Net revenue available for ordinary shareholders (£'000)	8,013	7,728	
Revenue return per ordinary share	59.3p	57.4p	+3.3
Dividends per ordinary share – first interim	18.0p	18.0p	
– second interim	32.5p	32.0p	
	50.5p	50.0p	+1.0
– special	8.0p	7.0p	
– total	58.5p	57.0p	+2.6
Ongoing charges†:			
Excluding performance fee	0.87%	0.96%	
Performance fee	0.40%	0.47%	

† Defined in the Glossary of Terms on page 66.

(1) Source: Thomson Reuters Datastream and Morningstar

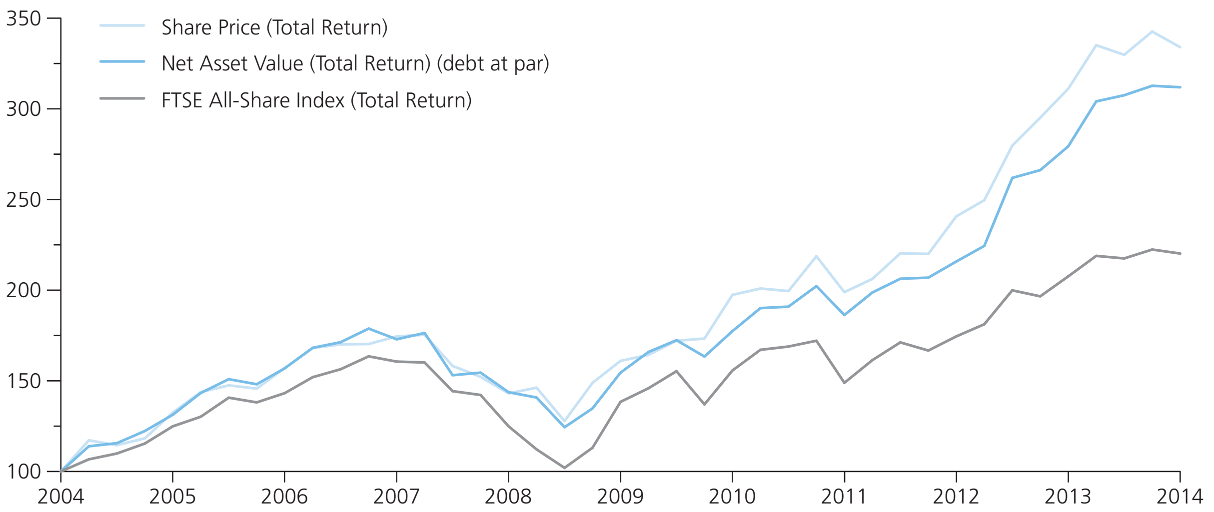
Ten Year Historical Record

YEAR ENDED 30 SEPTEMBER	NET REVENUE EARNINGS PER SHARE P	DIVIDENDS PER SHARE P	NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS £'000	NET ASSET VALUE PER SHARE P	SHARE PRICE P	ONGOING CHARGES[1] %	NET GEARING FROM BORROWINGS %
2005	32.2[2]	31.5	143,415[2]	1072.8[2]	963.0	1.14	11.3
2006	37.3	35.0	166,739	1247.2	1102.0	1.09	16.7
2007	41.6	40.0	179,197	1340.4	1190.0	1.07	13.4
2008	50.4	44.0	144,908	1083.9	940.0	0.90	—
2009	57.4	56.6[3]	150,252	1123.9	1008.0	0.89	4.9
2010	40.6	45.5	162,154	1212.9	1170.0	0.92	7.5
2011	45.5	46.5	164,253	1228.6	1135.5	0.99	9.0
2012	49.1	48.5	182,803	1367.4	1318.0	0.95	8.5
2013	57.4	57.0[4]	231,480	1712.3	1646.0	0.96	9.5
2014	**59.3**	**58.5**[5]	**250,267**	**1851.3**	**1709.0**	**0.87**	**5.7**

(1) All calculations exclude performance fees.
(2) Restated for new UK Accounting Standards.
(3) Includes a special dividend of 11.1p per share.
(4) Includes a special dividend of 7p per share.
(5) Includes a special dividend of 8p per share.

Ten Year Total Return Performance

Figures have been rebased to 100 at 30 September 2004



Source: Thomson Reuters Datastream.

Total Return per Ordinary Share to 30 September

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	THREE YEARS	FIVE YEARS	TEN YEARS
Keystone NAV (debt at par) %	+31.3	+19.5	+10.2	–16.9	+7.5	+14.8	+5.0	+15.8	+29.4	+11.7	+67.5	+101.9	+211.9
Keystone Share Price %	+32.5	+18.5	+11.1	–18.0	+12.5	+22.6	+0.8	+21.0	+29.3	+7.4	+68.0	+107.5	+234.0
FTSE All-Share Index %	+24.9	+14.7	+12.2	–22.2	+10.8	+12.5	–4.4	+17.2	+18.9	+6.1	+47.9	+59.1	+120.2

Source: Thomson Reuters Datastream.

CHAIRMAN'S STATEMENT

Performance

On 17 September 2014 the Company marked its 60th anniversary and I am pleased to report that the Company's performance in this anniversary year continues to be good with a total return to shareholders of 7.4%, based on the share price with dividends reinvested, compared to the Company's benchmark, the FTSE All-Share Total Return Index, total return of 6.1%. The total return on the underlying net asset value per share and was 11.7% with debt at par value and 12.5% with debt at market value.

The Company's long term performance also continues to be very strong with three year and five year share price total returns of 68.0% and 107.5%, respectively, compared with total returns of 47.9% and 59.1% for the FTSE All-Share Index. The net asset value per share (with debt at par value) total returns over the same periods were 67.5% and 101.9%.

Mark Barnett has managed the Company's portfolio since 1 January 2003. The Company's NAV total return over the period since he took over to 30 September 2014 was 239.5% compared with 132.9% for the benchmark FTSE All-Share Index. The share price total return was 259.7% (all figures sourced from Thomson Reuters Datastream). This is a fine record and I am pleased to reiterate my remark in the Company's half-year report that Mark's promotion to Head of UK Equities at Invesco Perpetual in March 2014 is well-deserved. We remain confident that Mark will continue to manage the Company's portfolio to his exacting standard alongside his new responsibilities.

The Company's ordinary shares traded within a narrow range around their net asset value throughout the year and the share price stood at a discount of 5.4% relative to the net asset value (with debt at fair value) at the year end. The average discount over the course of the year was 2.2%.

Revenue and Dividends

Gross income in the year increased from £9,218,000 last year to £9,507,000, giving a revenue return after tax of 59.3p per ordinary share (2013: 57.4p). As was the case in 2013, the Company benefited from the receipt of special dividends of a non-recurring nature paid by companies in which it invests, and the Board has decided, once again, to pass this on to shareholders as a special dividend.

The Board has declared a second interim dividend, in lieu of a final, of 32.5p per share (2013: 32.0p), giving a total ordinary dividend for the year of 50.5p per share (2013: 50.0p). The dividend will be paid on 12 December 2014 to shareholders on the register on 28 November 2014. The special dividend mentioned above is 8p per share (2013: 7p) and will be paid at the same time as the second interim dividend.

Alternative Investment Fund Managers Directive (the Directive)

The Company became an AIF, or Alternative Investment Fund, under the Directive on 22 July 2014 and the Board appointed Invesco Fund Managers Limited (IFML), as the Company's AIFM, or Alternative Investment Fund Manager, on that date. A new investment management agreement was signed with IFML replacing the previous investment management agreement between the Company and Invesco Asset Management Limited (IAML). IFML has been authorised as an AIFM by the UK's Financial Conduct Authority and is an affiliate of IAML. Mark Barnett continues to be responsible for managing the Company's portfolio and it is not expected or intended that these new arrangements will result in any change to the way the Company's assets are invested.

The Directive also required the Company to appoint a depositary and the Board has chosen to appoint BNY Mellon Trust & Depositary (UK) Limited. The depositary has delegated safe keeping of the Company's investments to the Company's previous custodian, The Bank of New York Mellon (London Branch). This has inevitably led to an increase in costs that is unavoidable but difficult to justify.

Management and Performance Fees

As a Board we continue to like a fee structure where a significant portion of the Manager's fee is dependent upon good long term performance for shareholders being achieved. To this end during the year the Board agreed with the Manager a revised fee arrangement, with an effective date of 1 July 2014. Under this new arrangement the Manager is entitled to a management fee of 0.6% per annum (previously 0.8%) of the Company's market capitalisation and a performance-related fee when the annualised 3-year return exceeds that of the benchmark by more than 1.25% (previously 2%). Other terms relating to fees and notice remain unchanged from the previous agreement. In light of the performance achieved to 30 September 2014 a performance-related fee of £952,000 is payable in respect of the year.

Gearing

When used successfully, gearing through borrowings should enhance the returns to shareholders and it has contributed modestly to returns in the year. The Board takes responsibility for the Company's gearing strategy and sets parameters within which the portfolio manager operates. The Company's borrowings, in the form of long-term debentures, amount to almost £32 million. The net gearing of the Company is determined by the extent to which these borrowings are invested. The Board has become more cautious about gearing in the past year and currently requires that the Manager must make no net purchases which would take equity exposure above 105% (reduced from 110% in November 2013) of net assets, and must make sales if, as a result of market movements, equity exposure goes higher than 115% of net assets. It is up to the portfolio manager to decide on exposure subject to these limits. When held, corporate bonds are not treated as equity exposure for the purposes of the gearing limits. The Company held no bonds at the year end.

Foreign Exchange

The Company has some non-sterling denominated investments and is therefore subject to foreign exchange risk. The Board monitors foreign currency exposure and takes a view, from time to time, on whether foreign currency exposure should be hedged. For the present, the Board has prescribed that all currency exposure should be hedged other than US dollar and Swiss franc. At the year end 7.1% of the portfolio was exposed to US dollars and 6.0% to Swiss francs, neither of which were hedged.

Change of Auditor

In accordance with corporate governance best practice, the Audit Committee put the audit of the Company's annual financial statements out to competitive tender during the year. Following this process, the Directors asked Ernst & Young LLP to resign and invited PricewaterhouseCoopers LLP to take their place. PricewaterhouseCoopers LLP accepted the position and a resolution for shareholders to appoint them as the Company's Auditor will be proposed at the forthcoming Annual General Meeting.

Outlook

The figures at the beginning of my statement illustrate once again the success of our portfolio manager's investment approach both in the year under review and over time. Looking ahead, the UK economic environment remains challenging and uncertain. In these circumstances we remain fully confident in our portfolio manager's approach and ability to generate worthwhile returns for shareholders and to enable the Company to continue to fulfil its investment objective to provide shareholders with long-term growth of capital.

Annual General Meeting

The Notice of the Annual General Meeting of the Company, which is to be held on 22 January 2015, is on pages 60 to 63 and a summary of the resolutions is set out in the Directors' Report on pages 58 and 59. The Directors recommend that shareholders vote in favour of all the resolutions.

Beatrice Hollond
Chairman

25 November 2014

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

BUSINESS REVIEW

Keystone Investment Trust plc is an investment company holding investments with a market value in excess of £250 million and its investment objective is set out below. The strategy the Board follows to achieve that objective is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are also set out below and have been approved by shareholders.

The business model the Company has adopted to achieve its objective has been to contract the services of Invesco Fund Managers Limited (previously Invesco Asset Management Limited) (the 'Manager') to manage the portfolio in accordance with the Board's strategy and under its oversight. Successful implementation of the business model is achieved by buying well and selling at the right point in an investee company's business cycle, together with the prudent use of gearing, in order to crystallise financial returns in excess of the Company's benchmark index, the FTSE All-Share Index.

The Manager also provides company secretarial, marketing and general administration services. The portfolio manager responsible for the day-to-day management of the portfolio is Mark Barnett.

Investment Objective and Policy

Investment Objective

The Company's objective is to provide shareholders with long-term growth of capital, mainly from UK investments.

Investment Policy and Risk

The portfolio is invested by the Manager so as to maximise exposure to the most attractive sectors and stocks within the UK stock market and, within the limits set out below, internationally. The Manager does not set out to manage the risk characteristics of the portfolio relative to the benchmark index and the investment process will result in potentially very significant over or underweight positions in individual sectors versus the benchmark.

The Manager controls stock-specific and sector risk by ensuring that the portfolio is always appropriately diversified. In depth, continual analysis of the fundamentals of investee companies allows the portfolio manager to assess the financial risks associated with any particular stock. The portfolio is typically made up of 50 to 80 stocks. If a stock is not considered to be a good investment, then the Company will not own it, irrespective of its weight in the index.

Investment limits

The Board has prescribed the following limits on the investment policy, all of which are at time of investment unless otherwise stated:

- no single equity investment in a UK listed company may exceed 12.5% of gross assets;
- the Company will not invest more than 15% of its assets in other listed investment companies;
- the Company will not invest more than £12 million in bonds, with a maximum of £1.5 million in any issue;
- the Company will normally not invest more than £5 million in unquoted investments, at the time of investment, and £10 million at market value;
- the Company will not normally invest more than 15% of its equity investments in companies that are not UK listed and incorporated; and
- borrowing may be used by the Company to create gearing within limits determined by the Board.

Gearing Policy

The Board carefully considers the Company's policy in respect of the level of equity exposure. The Board takes responsibility for the Company's gearing strategy and sets guidelines to control it, which it may change from time to time. At the year end these guidelines required that the Manager must make no net purchases if equity exposure was more than 105% of net assets, and must make sales if, as a result of market movements, equity exposure was to exceed 115% of net assets. When held, corporate bonds are not treated as equity exposure for the purposes of the gearing limits.

Performance

Delivery of shareholder value is achieved through outperformance of the relevant benchmark.

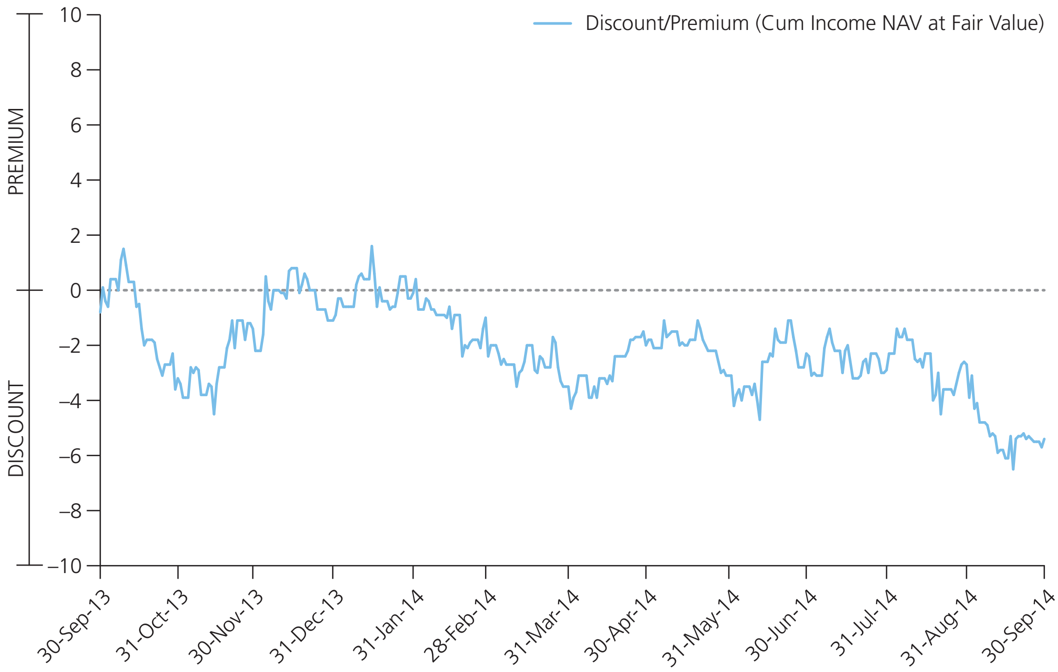
The Board reviews performance by reference to a number of Key Performance Indicators that include the following:

- net asset value (NAV) and share price total return compared with benchmark and peer group performance;
- share price premium/discount relative to the net asset value;
- dividends; and
- ongoing charges.

The Company's performance in the year was good, reflecting successful implementation of the business strategy by the Manager, who, as a consequence, is entitled to a performance-related fee of £952,000 for the year. The **NAV** (debt at par) and **share price** total return of 11.7% and 7.4%, respectively, both beat the FTSE All-Share total return of 6.1%. The Manager's Report on pages 11 and 12 provides a commentary on how this performance was achieved. A table of the returns for the last ten years, together with a graph, can be found on page 3.

Peer group performance is monitored by comparing the Company with the 15 investment trust companies making up the UK All Companies sector of the approximately 300 investment companies in the UK. As at 30 September 2014, in NAV total return terms, the Company was ranked 4th in its sector over one year, and ranked 7th and 5th over three and five years, respectively (source: JPMorgan Cazenove).

During the year the Company's shares traded at a **premium** or **discount** relative to NAV (with debt at fair value) as shown in the following graph. The discount at the year end was 5.4%.



Source: Morningstar.

Although there is no specific target discount range a small discount or a premium would imply that there was strong demand for the shares. In order to ensure that the demand for and supply of the Company's shares are roughly in balance, the Board asks shareholders to approve resolutions every year which allow for the repurchase of shares (for cancellation or to be held as treasury shares) and also their issuance. This may assist in the management of the discount. The Company has not issued any ordinary shares in the year and no shares were repurchased.

Dividends form a key component of the total return to shareholders. The income from the portfolio and potential level of dividend payable is reviewed at every board meeting. A first interim dividend of

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BUSINESS REVIEW
continued

18p (2013:18p) per share was paid on 27 June 2014 and a second interim dividend of 32.5p (2013: 32p) per share has been declared, which is payable on 12 December 2014 to shareholders on the register at 28 November 2014. These give a total ordinary dividend for the year of 50.5p compared with 50p for the previous year. The Board has also declared a special dividend of 8p (2013: 7p) to be paid at the same time as the second interim dividend. The dividend history of the Company over the last ten years is shown in the table on page 3.

Ongoing charges is the industry measure of costs as a percentage of net asset value. The expenses of the Company are reviewed at every board meeting, with the aim of managing costs incurred and their impact on performance. The ongoing charges figure, which excludes the performance fee, for the year was 0.87%, a slight reduction on last year's 0.96%. This ratio is sensitive to the size of the Company, which has increased, as well as the level of costs. The ten year record of ongoing charges is shown on page 3.

If the reduction in the management fee rate from 0.8% to 0.6% per annum (as reported in the Chairman's Statement) had been in place for the full year, the ongoing charge figure would reduce from 0.87% to 0.73%.

Financial Position

At 30 September 2014, the Company's net assets were valued at £250 million (2013: £231 million). These comprised a portfolio of mainly equity investments and net current assets. The Company has an uncommitted short-term overdraft facility with the custodian for settlement and liquidity purposes.

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

At 30 September 2013 and 30 September 2014, the Company's ordinary shares were geared by borrowings in the form of two issues of long-term debentures, totalling just under £32 million nominal. Their weighted average interest rate was 6.77% for both years. The Company also had £0.25 million of 5% cumulative preference shares in issue.

Outlook and Future Trends

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the following Manager's Report section of this Strategic Report. Further details as to the risks affecting the Company are set out below under 'Principal Risks and Uncertainties'.

Principal Risks and Uncertainties

The following are considered to be the most significant risks to shareholders in relation to their investment in the Company. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 18 to the financial statements.

Investment Objective

There is no guarantee that the Company's strategy and business model will be successful in achieving its investment objective.

The Board monitors the performance of the Company and has established guidelines to ensure that the investment policy that has been approved is pursued by the Manager.

Market Risk

The majority of the Company's investments are traded on the London Stock Exchange. The principal risk for investors in the Company is of a significant fall in stock markets and/or a prolonged period of decline in the markets relative to other forms of investment. The value of investments held within the portfolio is influenced by many factors including the general health of the economy in the UK, interest rates, inflation, government policies, industry conditions, political events, tax laws, environmental laws and investor sentiment. The portfolio manager has summarised in the Manager's Report section of this Strategic Report particular factors affecting the performance of markets in the year and his view of those most pertinent to the outlook for the portfolio. Such factors are out of the control of the Board and the Manager and may give rise to high levels of volatility in the prices of investments held by the Company, although the use or elimination of gearing may modify the impact on shareholder return.

Investment Risk

An inherent risk of investment is that the stocks selected for the portfolio do not perform well.

The investment process employed by the Manager combines top down assessment of economic and market conditions with stock selection. Fundamental analysis forms the basis of the Company's stock selection process, with an emphasis on sound balance sheets, good cash flows, the ability to pay and sustain dividends, good asset bases and market conditions. The process is complemented by constant assessment of market valuations. It is important to have a sense of a company's realistic valuation which, to some extent, will be independent of the price at which it trades in the market. Overall, the investment process is aiming to achieve absolute returns through a genuinely active fund management approach. This can therefore result in a portfolio which looks substantially different from the benchmark index.

Risk management is an integral part of the investment management process. The Manager effectively controls risk by ensuring that the Company's portfolio is always appropriately diversified. Continual analysis of all holdings gives the Manager a full understanding of financial risks associated with them.

The portfolio of investments held at 30 September 2014 is set out on pages 13 and 14.

Past performance of the Company is not necessarily indicative of future performance.

Shares

Shareholders are exposed to certain risks in addition to risks applying to the Company itself.

The ordinary shares of the Company may trade at a discount to its NAV. The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade.

The value of an investment in the Company and the income derived from that investment may go down as well as up and an investor may not get back the amount invested.

While it is the intention of the Directors to pay dividends to ordinary shareholders twice a year, the ability to do so will depend upon the level of income received from securities and the timing of receipt of such income by the Company. Accordingly, the amount of the dividends paid to ordinary shareholders may fluctuate. Any change in the tax or accounting treatment of dividends or other investment income received by the Company may also affect the level of dividend paid.

Gearing

Gearing levels may change from time to time in accordance with the Manager's and the Board's assessment of risk and reward. Whilst the use of borrowings by the Company should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. As at 30 September 2014, net gearing from borrowings stood at 5.7%. The Board and the Manager regularly review gearing and will continue to monitor the level closely over the year ahead.

Reliance on the Manager and Other Service Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is reliant upon the performance of third party service providers for its executive function. In particular, the Manager performs services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy.

The Manager may be exposed to reputational risks. In particular, the Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Manager could result in potential counterparties and third parties being unwilling to deal with the Manager and by extension the Company. This could have an adverse impact on the ability of the Company to pursue its investment policy successfully. The Company's main service providers are listed on page 65.

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Regulatory

The Company is subject to various laws and regulations by virtue of its status as a public limited company, as an investment trust company and as an alternative investment fund. A loss of investment trust status could lead to the Company being subject to capital gains tax on the profits arising from the sale of its investments. A serious breach of other regulatory rules might lead to suspension from the Stock Exchange. Other control failures, either by the Manager or another of the Company's service providers, might result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

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

The most significant regulatory change in the year has been the implementation of the Alternative Investment Fund Managers Directive. This has required the appointment of a depositary and a change in the contractual arrangements with the Manager, who bears the main compliance obligations.

Board Diversity

The Company's policy on diversity is set out on page 51. The Nomination Committee considers diversity, including the balance of skills, knowledge, gender and experience, amongst other factors, when reviewing the composition of the Board and appointing new directors but does not consider it appropriate to establish targets or quotas in this regard. The Board comprises five non-executive directors of whom one, the Chairman, is a woman thereby constituting 20% female representation. Summary biographical details of the Directors are set out on page 16. The Company has no employees.

Social and Environmental Matters

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

Stewardship

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of corporate governance are maintained by the companies in which it invests. The Company's stewardship functions have been delegated to the Manager, who exercises the Company's voting rights and reports back to the Board. The Manager has adopted a clear and considered policy towards its responsibility as a shareholder on behalf of the Company. As part of this policy, the Manager takes steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value and comply with local recommendations and practices, such as the UK Corporate Governance Code. A copy of the Manager's Policy on Corporate Governance and Stewardship can be found at *www.invescoperpetual.co.uk.*

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

MANAGER'S REPORT

Market Review

The 12 month period under review constituted two distinct phases: in the first half of the period, the UK stock market, as measured by the FTSE All-Share Index, saw a rise of 4.8% (total return), with much of that gain coming in the final quarter of 2013. In the second half, the market was broadly flat, leading to a rise in the index of 6.1% over the full year. The equity market re-rating that had been in progress for the last two years was halted as a result of concerns over future profit growth, caused by earnings disappointments and the impending end to the Quantitative Easing (QE) programme in the US. Furthermore, rising geopolitical risk, the Ebola outbreak and the prospect of UK domestic elections began to affect the previously stable backdrop for the market. In addition, as the period unfolded, fears over China's growth rate and a weakening European economy became more relevant concerns.

Having been persistently negative throughout 2013, earnings momentum declined further in the first half of 2014. This resulted in a steady and broadly based expansion of forward-based price/earnings valuation multiples, as prices rose much more quickly than earnings. Evidence that some share prices had got ahead of themselves came in the third quarter as a series of high profile profit warnings, most notably in the food retailing, construction and mining sectors, resulted in some significant share price falls.

On the positive front, UK domestic inflation, in tandem with other markets, remained low, although wage growth has been weak, the price of non-discretionary items such as petrol and food have been falling, thereby benefiting households and relieving some of the upward pressure on interest rates. Government bond yields have been supportive of equities over the period and the 30 year US government bond recently fell below 3%, suggesting that the market views the longer term outlook for global inflation as subdued. That said, falling inflation and declining bond yields have led to fears of impending global deflation, which could lead to unwelcome pressure on company balance sheets and profit margins, hampering global economic recovery.

Portfolio Strategy & Review

The Company's net asset value, including reinvested dividends, rose by 11.7% during the 12 months to the end of September 2014, compared to a rise of 6.1% from the FTSE All-Share Index (total returns).

The Company's outperformance of its benchmark over the 12 month period reflected some strong contributions from across the portfolio. Amongst these, the most significant individual positive contributions came from the holdings in AstraZeneca and BTG. Both are UK listed pharmaceutical companies with growing drug development pipelines.

The attractions of AstraZeneca's pipeline were highlighted in April when Pfizer made a bid for the company, which was subsequently rebuffed by the AstraZeneca board. The company has continued to make progress and at the time of the company's half year results in July the CEO commented that there was 'visible momentum' across their cardiovascular, diabetes and respiratory franchises and pointed out the strong revenue growth that had been achieved in the emerging markets. AstraZeneca remains a core holding in the portfolio.

BTG saw a sharp rise in its share price over the period on the back of significant positive newsflow. The company announced that it had received approval from the US Food and Drug Administration for its Varithena injectable foam medication for the non-surgical treatment of varicose veins and more recently came the news that its DC Bead® oncology product had been approved for sale in China, which represents the largest potential market for patients suffering with liver cancer.

Other notable contributions to performance came from Beazley, Reynolds American, and BT Group.

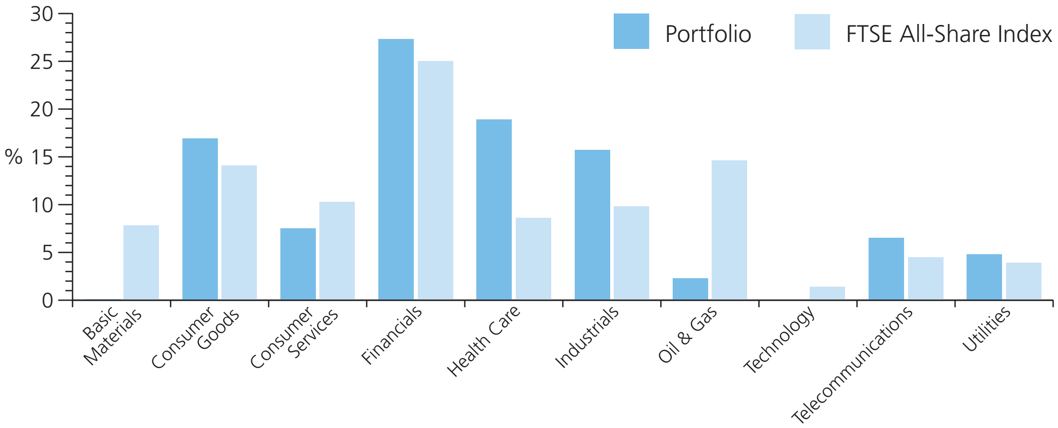
There were relatively few detractors to performance. Shares in Rolls-Royce retreated over the period – the company surprised the market in February by announcing a one-off 'pause' in revenue growth, the causes of which were seen by the company's chief executive as being unique to 2014, with the long term earnings outlook remaining intact. UK retailer N Brown's profits were hampered by weaker performance from its mail order business as it sought to expand its digital offering. Finally, the share price of Serco was negatively impacted by a series of profit warnings after winning fewer contracts than expected. A fundraising exercise was undertaken in the Spring to strengthen the company's balance sheet and another is planned for the first quarter of 2015.

Amongst the new investments, the holding in Game Digital, a company which retails video games and consoles from shops and online, was a notable performer, its share price rising sharply post its stock market flotation in June.

STRATEGIC REPORT
MANAGER'S REPORT
continued

In terms of portfolio activity, in addition to Game Digital highlighted above new investments were made in BP, Derwent London, G4S, Horizon Discovery, Nimrod Sea Assets, Shaftesbury and P2P Global Investments. The holding in Carnival was sold.

Industry Analysis of Portfolio and FTSE All-Share Index
At 30 September 2014



Outlook
The outlook for the UK equity market is likely to be volatile for the foreseeable future. The key issues that will continue to overshadow the performance of the equity market remain the interplay between growing investor pessimism on the global economic outlook and the ability of policymakers to create the conditions to reinvigorate growth prospects where necessary. The recent performance of the Eurozone and the Chinese economies, in particular, is concerning as prolonged weakness in these areas, and the deflationary forces that are exported, will undoubtedly have an impact on other developed economies such as the US and the UK, which have been performing relatively well in 2014. The overall background for revenue growth is likely to remain subdued into 2015 and will give rise to further profit warnings, which have been a feature of the recent newsflow in the market.

The influence of the central banks in this environment is becoming weaker as their two main policy levers, interest rates and liquidity, have been fully exploited for a number of years. Their last remaining option is to use speeches and policy guidance to influence the behaviour of economies and market participants. But this power also has its limitations as the markets grow tired and sceptical of unfulfilled promises. It is certainly the case that policymakers are keen to change the current policy stance which has survived largely unchanged since 2008. However, any change in monetary policy, be it through the tapering of QE or a move in short-term interest rates provides another headwind for the markets. Given the recent economic news it is likely that the anticipated increase in rates in the US and UK will be deferred until 2015 as there is very little sign of inflation pressure in these economies despite rapidly falling levels of unemployment.

The political backdrop both domestically and internationally has taken on more relevance in the recent past and is likely to remain an important influence for the next 12 months. The changes in the political agenda ahead of the UK general election in May 2015 are likely to be another source of uncertainty for the UK stockmarket.

The market falls in recent weeks have started to factor in some of these concerns and it is true that equities continue to look attractive relative to other asset classes, but many valuations still look elevated where share prices do not appropriately anticipate the risk to earnings and cash flows that is likely to be realised. The investment strategy is therefore largely unchanged from the recent past. The portfolio manager puts a high price on the companies in the market that offer visibility of revenues, profits and cash flows in this low growth world and which are managed for the sole purpose of delivering shareholder value in the form of a sustainable and growing dividend.

Mark Barnett, Portfolio Manager

The Strategic Report was approved by the Board of Directors on 25 November 2014.

Invesco Asset Management Limited
Company Secretary

INVESTMENTS IN ORDER OF VALUATION

AT 30 SEPTEMBER 2014

UK listed ordinary shares unless stated otherwise

Equity Investments

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
British American Tobacco	Tobacco	12,438	4.7
AstraZeneca	Pharmaceuticals & Biotechnology	11,211	4.2
Imperial Tobacco	Tobacco	10,594	4.0
Reynolds American – *US common stock*	Tobacco	10,472	4.0
BT Group	Fixed Line Telecommunications	10,421	3.9
Roche – *Swiss common stock*	Pharmaceuticals & Biotechnology	9,772	3.7
BAE Systems	Aerospace & Defence	8,359	3.2
Reckitt Benckiser	Household Goods & Home Construction	7,050	2.7
GlaxoSmithKline	Pharmaceuticals & Biotechnology	6,980	2.6
Provident Financial	Financial Services	6,205	2.4
Top Ten Investments		93,502	35.4
Novartis – *Swiss common stock*	Pharmaceuticals & Biotechnology	6,175	2.3
BP	Oil & Gas Producers	6,151	2.3
Beazley	Non-life Insurance	5,949	2.3
Legal & General	Life Insurance	5,895	2.2
BTG	Pharmaceuticals & Biotechnology	5,678	2.2
Babcock International	Support Services	5,447	2.1
Reed Elsevier	Media	5,393	2.0
SSE	Electricity	5,216	2.0
Rolls-Royce	Aerospace & Defence	5,082	1.9
Bunzl	Support Services	5,057	1.9
Top Twenty Investments		149,545	56.6
Capita	Support Services	5,041	1.9
Compass	Travel & Leisure	4,951	1.9
Amlin	Non-life Insurance	4,605	1.7
Rentokil Initial	Support Services	4,384	1.7
Hiscox	Financial Services	4,359	1.7
Drax	Electricity	4,353	1.6
London Stock Exchange	Financial Services	4,208	1.6
Thomas Cook	Travel & Leisure	4,068	1.5
Napo Pharmaceuticals – *Unquoted US common stock*	Pharmaceuticals & Biotechnology	4,018	1.5
GAME Digital	General Retailers	3,983	1.5
Top Thirty Investments		193,515	73.2
A J Bell – *Unquoted*	Financial Services	3,918	1.5
Shaftesbury	Real Estate Investment Trusts	3,875	1.5
NewRiver Retail	Real Estate Investment Trusts	3,671	1.4
KCOM	Fixed Line Telecommunications	3,583	1.4
G4S	Support Services	3,387	1.3
Derwent London	Real Estate Investment Trusts	3,310	1.3
Centrica	Gas, Water & Multiutilities	3,280	1.2
Workspace	Real Estate Investment Trusts	3,248	1.2
Lancashire	Non-life Insurance	3,090	1.2
TalkTalk Telecom	Fixed Line Telecommunications	3,086	1.2
Top Forty Investments		227,963	86.4

STRATEGIC REPORT
INVESTMENTS IN ORDER OF VALUATION
continued

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
N Brown	General Retailers	2,808	1.1
Ladbrokes	Travel & Leisure	2,780	1.0
Macau Property Opportunities Fund	Real Estate Investment & Services	2,556	1.0
HomeServe	Support Services	2,470	0.9
Imperial Innovations	Financial Services	2,311	0.9
Nimrod Sea Assets	Financial Services	2,255	0.9
P2P Global Investments	Investment Instruments	2,142	0.8
Lombard Medical	Health Care Equipment & Services	2,070	0.8
IP Group	Financial Services	2,033	0.8
Vectura	Pharmaceuticals & Biotechnology	1,767	0.7
Top Fifty Investments		**251,155**	**95.3**
CLS	Real Estate Investment & Services	1,642	0.6
Doric Nimrod Air Two – *Preference Shares*	Investment Instruments	1,508	0.6
Doric Nimrod Air Three – *Preference Shares*	Investment Instruments	1,455	0.6
Sherborne Investors Guernsey B – *A Shares*	Financial Services	1,386	0.5
Damille Investments II	Investment Instruments	1,161	0.4
Serco	Support Services	1,142	0.4
PuriCore	Health Care Equipment & Services	925	0.3
Nexeon – B Shares – *Unquoted*	Electronic & Electrical Equipment	497	
– Preference C Shares – *Unquoted*		400	0.3
– Ordinary shares – *Unquoted*		4	
Top Sixty Investments		**261,275**	**99.0**
Smith & Nephew	Health Care Equipment & Services	753	0.3
Horizon Discovery	Health Care Equipment & Services	581	0.2
Chemring	Aerospace & Defence	362	0.1
Coalfield Resources	Mining	275	0.1
Friends Life	Life Insurance	254	0.1
Altus Resource Capital	Investment Instruments	218	0.1
HaloSource	Chemicals	69	—
XTL Biopharmaceuticals – *ADR*	Pharmaceuticals & Biotechnology	27	—
Mirada	Media	3	—
Total Equity Investments (69)		**263,817**	**99.9**

Other Investments

ISSUER AND ISSUE	SECTOR	MOODY/ S&P RATING[2]	MARKET VALUE £'000	% OF PORTFOLIO
Barclays Bank – Nuclear Power Notes 28 Feb 2019[1]	Electricity	NR/NR	182	0.1
Total Investments (70)			**263,999**	**100.0**

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

(2) NR is non-rated.

TOP TEN INVESTMENTS

AT 30 SEPTEMBER

	2014		2013	
COMPANY	MARKET VALUE £'000	% OF PORTFOLIO	MARKET VALUE £'000	% OF PORTFOLIO
British American Tobacco	12,438	4.7	11,742	4.6
AstraZeneca	11,211	4.2	11,151	4.4
Imperial Tobacco	10,594	4.0	10,929	4.3
Reynolds American – *US common stock*	10,472	4.0	10,417	4.1
BT Group	10,421	3.9	15,452	6.1
Roche – *Swiss common stock*	9,772	3.7	10,453	4.1
BAE Systems	8,359	3.2	8,907	3.5
Reckitt Benckiser	7,050	2.7	5,939	2.3
GlaxoSmithKline	6,980	2.6	8,472	3.3
Provident Financial	6,205	2.4	5,709	2.2

DIRECTORS

Beatrice Hollond(1)
Was appointed to the Board in September 2003 and became Chairman of the Board and the Nomination Committee on 14 December 2010. She is deputy chairman of Millbank Financial Services, an independent family office, and chairman of Millbank Investment Management Limited, its investment management subsidiary. She is also a director of Oldfield & Co. (London) Limited, Henderson Smaller Companies Investment Trust plc, Templeton Emerging Markets Investment Trust plc and Catlin Group Limited. She was previously managing director of Credit Suisse Asset Management, where she worked for 16 years, with a particular focus on global fixed income and currency investing.

Ian Armfield(1)
Was appointed to the Board on 1 November 2012 and became the Chairman of the Audit Committee on 22 January 2013. He is a trustee member of the National Employment Savings Trust Corporation and chairman of the Audit and Risk Committee for Pearson Group Pension Plan. He was previously an audit and risk assurance partner at PricewaterhouseCoopers for 20 years, where he specialised in the asset management and pensions sectors.

William Kendall(1)
Was appointed to the Board in April 2002. He is a director of Wheatsheaf Investments Limited, part of the Grosvenor Estate, of Samworth Brothers, a founder director of Nemadi Advisors Limited, which advises on investments in the smaller companies sector and Chairman of Cawston Press, a premium soft drink manufacturer. He was previously chief executive of Green & Black's Limited, a premium organic chocolate brand in the UK, and chief executive of The New Covent Garden Soup Company Limited.

Peter Readman(2)
Has been a Director of the Company since 1993. He is chairman of Abercromby Property International, the Cambridge University Investment Board and of the Chamber Orchestra of Europe, a partner of Abercromby & Company and a director of Pantheon International Participations plc and Schroder Income Growth Fund plc.

John Wood(1)
Was appointed to the Board on 8 March 2011. He was a fund manager at Artemis Investment Management until August 2009, where he primarily managed institutional and hedge fund portfolios invested in UK and Continental European securities. Prior to this he was Head of UK Equities at Deutsche Asset Management.

All directors are non-executive and, in the opinion of the Board, are independent of the Manager.

(1) Member of the Audit and Nomination Committees.
(2) Member of the Nomination Committee.

THE COMPANY'S GOVERNANCE FRAMEWORK

The Board and Committees

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

The Board

Five non-executive directors (NEDs)

Chairman: Beatrice Hollond

Key responsibilities:

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

Management Engagement Committee Function

The Board as a whole performs this function

Key responsibility:

- to review the performance of the Manager.

Audit Committee

All NEDs, excluding Mr Readman

Chairman Ian Armfield

Key responsibilities:

- to oversee financial reporting and the control environment; and
- to review other service providers.

Nomination Committee

All NEDs

Chairman Beatrice Hollond

Key responsibilities:

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

Remuneration Committee

The Board as a whole performs this function

Key responsibility:

- to set the remuneration policy of the Company.

The Portfolio Manager

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

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2014

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

The Directors have considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2012 UK Corporate Governance Code ('UK Code'), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

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

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

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- nomination of a senior independent director (explained further on page 50).

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of Keystone Investment Trust plc, being an externally managed investment company with no executive employees and, in relation to the third, in view of the Manager having an internal audit function.

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

- the composition and operation of the Board and its committees are summarised on pages 50 to 53, and pages 19 to 21 in respect of the Audit Committee;
- the Company's approach to internal control and risk management is summarised on pages 55 and 56;
- the contractual arrangements with, and assessment of, the Manager are summarised on pages 53 to 55;
- the Company's capital structure and voting rights are summarised on pages 56 and 57;
- the most substantial shareholders in the Company are listed on page 57;
- the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 51. There are no agreements between the Company and its directors concerning compensation for loss of office; and
- powers to issue or buy back the Company's shares, which are sought annually, and any amendments to the Company's Articles of Association require a special resolution to be passed by shareholders.

By order of the Board

Invesco Asset Management Limited
Company Secretary

25 November 2014

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2014

The Audit Committee reviews and reports to the Board on the Company's financial reporting, risk management and internal control systems and the independence and effectiveness of the auditor. It is chaired by Ian Armfield and the other members are Beatrice Hollond, William Kendall and John Wood.

The Audit Committee's Activities

The Committee is responsible for a range of matters including:

– consideration of the half-year and annual financial statements prepared by the Manager, the appropriateness of the accounting policies applied and any financial reporting judgements and key assumptions therein;

– monitoring developments in accounting and reporting requirements that impact on the Company's compliance with relevant statutory and listing requirements;

– consideration of the narrative elements of the annual financial report, including whether the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders;

– evaluation of reports received from the auditor with respect to the annual financial statements and reports received from the Manager's internal audit and compliance departments with respect to internal controls and risk;

– management of the relationship with the external auditor, including appointment and the evaluation of scope, effectiveness, independence and objectivity of the audit; and

– evaluation of the effectiveness of the internal control and risk management systems including reports received on the operational controls of the Company's service providers.

The Audit Committee's activities are governed by detailed terms of reference which are reviewed on an annual basis, the last review being in July 2014. A copy of the terms of reference will be available for inspection at the Annual General Meeting and can be inspected at the registered office of the Company or on the Manager's website at www.invescoperpetual.co.uk/investmenttrusts.

The Committee met three times during the year to review the contents of the half-year and annual financial reports to shareholders and the internal financial and non-financial controls and risk management framework. This year a further meeting was held to receive audit tender presentations, from four audit firms, and to make a recommendation to the Board following this exercise. Representatives of the Manager's secretarial and administration teams attended all meetings and the partner and manager of the audit team attended two meetings, in addition to their tender presentation, to present their audit plan and then subsequently to report on the nature, scope and results of their audit at the meeting when the draft annual financial report was considered. Representatives of the Manager's internal audit and compliance departments also attended the Committee meetings at which the half-year and annual financial reports were considered in order to suitably inform the Committee on internal control, risk and regulatory matters that might have a bearing on the Company's business.

The audit plan and timetable were presented by and agreed with the auditor in advance of the financial year end. Items of audit focus were discussed, agreed and given particular attention during the audit process. The auditor reported to the Committee on these items, among other matters. This report was considered by the Committee and discussed with the auditor and the Manager prior to approval of the annual financial report.

Accounting Matters and Significant Areas

The Audit Committee considered the appropriateness of its accounting policies at the meeting when it reviewed the half-year results and agreed with the auditor when discussing the audit plan the more significant accounting matters in relation to the Company's annual financial statements. For the year end the accounting matters that were subject to specific consideration by the Committee and consultation with the auditor where necessary were as follows:

AUDIT COMMITTEE REPORT
continued

SIGNIFICANT AREA	HOW ADDRESSED
Accuracy of the portfolio valuation, with emphasis on unlisted investments	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine a fair value, as set out in the accounting policies note on page 34, and all such valuations are carefully reviewed by the Manager's pricing committee and the Committee.
Correct calculation of the performance-related fee	The year end performance-related fee calculation is prepared and reviewed by the Manager and reviewed in depth by the Committee, all with reference to the investment management agreement.
The allocation of management fees and finance costs between revenue and capital	The allocation is reviewed by the Committee annually taking into account the long-term split of returns from the portfolio, both historic and projected; the objective of the Company; yields; and the latest market practice of peers.

All the above were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor. Following a thorough review process, the Audit Committee advised the Board that the 2014 annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the financial statements.

The External Audit, Review of its Effectiveness and Auditor Reappointment

The Audit Committee advises the Board on the appointment of the external auditor, their remuneration for audit and non-audit work and their effectiveness, independence and objectivity. The Committee is mindful of the UK Code and AIC Code provisions for FTSE 350 companies to put the external audit contract out to tender at least every 10 years and, whilst the Company is not a FTSE 350 constituent, considers this requirement to represent best practice. Accordingly, as Ernst & Young LLP had been auditor to the Company since 1990 the audit of the Company's annual financial statements was put to competitive tender earlier in the year. Following this process Ernst & Young LLP was asked to resign and the Board appointed PricewaterhouseCoopers LLP in their place. At the completion of the audit the Committee undertook a review of the effectiveness of the audit process. A formal evaluation process incorporating views from the members of the Committee and relevant personnel at the Manager was followed and feedback was provided to the auditor. Areas covered by this review included:

– the calibre of the audit firm, including reputation and industry presence;
– the extent of quality controls including review processes, partner oversight, and annual reports from their regulator;
– the performance of the audit team including skills of individuals, specialist knowledge, partner involvement, team member continuity, and quality and timeliness of audit planning and execution;
– audit communication including planning, relevant accounting and regulatory developments, approach to significant accounting risks, communication of audit results and recommendations on corporate reporting;
– ethical standards including independence and integrity of the audit team, lines of communication to the Committee and partner rotation; and
– audit fees reasonableness.

The Committee also considered the effectiveness of the secretarial and administration services provided by the Manager in the audit process: in respect of the timely identification and resolution of areas of accounting judgement and implementation of new regulatory requirements, with input from the auditor and the Committee as appropriate; and the timely provision of the half year results announcement and the annual financial report for review by the auditor and the Committee. In this regard the Committee assessed the Manager's services to be good.

No other services are provided by the auditor and it is the Company's policy not to seek substantial non-audit services from its auditor. Were the provision of significant non-audit services being considered, the Committee would consider whether the particular skills of the audit firm made them a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit.

For the 2014 financial year, the Committee was satisfied as to the auditor's effectiveness, independence and the objectivity of the audit process. Accordingly, the Committee is satisfied that PricewaterhouseCoopers LLP has fulfilled its obligations to shareholders and as independent auditor to the Company.

A resolution proposing the appointment of PricewaterhouseCoopers LLP as the Company's auditor for the year to 30 September 2015 and authorising the Directors to determine their remuneration will be put to the shareholders at the forthcoming AGM.

Audit Information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Internal Controls and Risk Management

The Company's risk assessment and the way in which significant risks are managed is a key area of focus for the Committee. Work here was driven by the Committee's assessment of the risks arising in the Company's operations and identification of the controls exercised by the Board and its delegates; the Manager and other service providers. These are recorded in the Company's risk matrix which continues to serve as an effective tool to highlight and monitor the principal risks, details of which are provided in the Strategic Report. We also received and considered, together with representatives of the Manager, reports in relation to the operational controls of our investment manager, accounting administrator, custodian and share registrar. These reviews identified no issues of significance.

Internal Audit

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

Committee Evaluation

The Committee's activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found under 'Board, Committee and Directors' Performance Appraisal' on page 51.

Ian Armfield
Chairman of the Audit Committee

25 November 2014

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2014

The Board presents this Remuneration Report which has been prepared under the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and in accordance with the Listing Rules of the Financial Conduct Authority. An advisory resolution for the approval of the Annual Statement and Report on Remuneration will be put to shareholders at the Annual General Meeting.

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 26 to 30.

Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly. All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered.

Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the AGM on 23 January 2014 and became effective on that date.

The Board's policy is that the remuneration of Directors should be fair and reasonable in relation to that of other comparable investment trust companies and be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board. Remuneration levels should properly reflect time incurred and responsibility undertaken. Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum currently dictated by the Company's Articles of Association is £150,000 in aggregate per annum. Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board and general meetings and committees. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' fees at the time this Directors' Remuneration Policy was approved by shareholders were as follows:

Chairman	£25,000 per annum
Audit Committee Chairman	£22,500 per annum
Other Directors	£20,000 per annum

These fees may be increased by up to 10% over the three years following the AGM at which this policy was approved by shareholders by resolution of the Board (without further reference to shareholders) and this applies until a new Directors' Remuneration Policy is approved by shareholders. The same fees will apply to any new appointments.

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

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

The Board will consider, where raised, shareholders' views on Directors' remuneration.

Annual Statement on Directors' Remuneration

Throughout the year to 30 September 2014 fees paid to Directors were as shown in the Directors' Emoluments table on the following page. No additional discretionary payments were made in the year, or in the previous year.

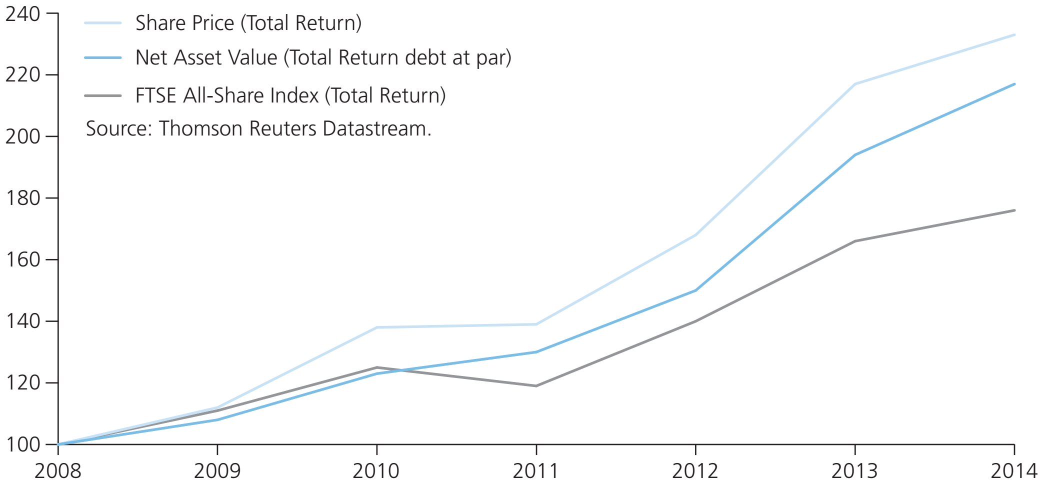
Following the year end the Board undertook its regular remuneration review and decided to increase the fees payable to the Company Chairman, to £27,000 per annum, and to the Audit Committee Chairman, to £24,000 per annum, with effect from 1 January 2015. The fees payable to the other Directors remain unchanged. This represents a 3.3% increase in the annual aggregate fees payable to the Directors.

Report on Remuneration for the Year Ended 30 September 2014

The Company's Performance

The graph below plots, in annual increments, the net asset value total return and share price total return to ordinary shareholders compared to the total return of the FTSE All-Share Index over the six years to 30 September 2014. This index is the benchmark adopted by the Company for comparison purposes.

Figures have been rebased to 100 at 30 September 2008. A graph showing the performance over the last ten years plotted daily is shown on page 3.



Directors' Emoluments for the Year (Audited)

The Directors who served during the year received the following total emoluments, all of which were in the form of fees:

	2014 £	2013 £
Beatrice Hollond (Chairman)	25,000	25,000
Ian Armfield[1]	22,500	19,767
William Kendall	20,000	19,500
Peter Readman	20,000	19,500
John Wood	20,000	19,500
David Adams[2]	—	6,981
Total	107,500	110,248

(1) Appointed as a Director on 1 November 2012 and became Chairman of the Audit Committee from 22 January 2013.

(2) Retired 22 January 2013.

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

continued

Directors' Shareholdings and Share Interests (Audited)

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

	2014	2013
Beatrice Hollond	850	850
Ian Armfield	—	—
William Kendall	6,250	6,250
Peter Readman	—	—
John Wood	1,000	1,000

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

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

Relative Importance of Spend on Pay

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders in the year to 30 September 2014 and the prior year. This disclosure is a statutory requirement, however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment trust with an objective of providing shareholders with long-term capital growth.

	2014 £'000	2013 £'000	CHANGE £'000
Aggregate Directors' Emoluments	108	110	–2
Aggregate Shareholder Distributions	7,705	6,520	+1,185

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 23 January 2014 resolutions were put to shareholders to approve the Directors' Remuneration Policy (binding) and the Annual Statement and Report on Remuneration (advisory). These were both passed by show of hands. The proxy votes registered in respect of these resolutions were as follows:

	VOTES FOR	%	VOTES AGAINST	%	VOTES WITHHELD
Directors' Remuneration Policy	1,656,612	99.9	1,240	0.1	1,599
Chairman's Annual Statement and Report on Remuneration	1,656,726	99.9	1,240	0.1	1,485

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 25 November 2014.

Beatrice Hollond
Chairman

Signed on behalf of the Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual financial report is prepared in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period.

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

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

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with company law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors of the Company, whose names are shown on page 16 of this Report, each confirm to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with United Kingdom accounting standards on a going concern basis, give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the annual financial report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- they consider that the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Beatrice Hollond
Chairman

Signed on behalf of the Board of Directors

25 November 2014

Electronic Publication

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEYSTONE INVESTMENT TRUST PLC

Report on the financial statements

Our opinion

In our opinion, Keystone Investment Trust plc's financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Keystone Investment Trust plc's financial statements comprise:

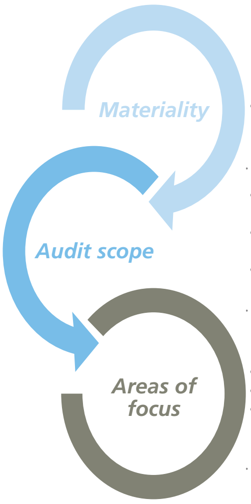
- the Balance Sheet as at 30 September 2014;
- the Income Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Financial Report ('Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview



- Overall materiality: £2.5 million which represents 1% of net assets.

- The Company is a standalone Investment Trust Company and engages Invesco Fund Managers Limited (the 'Manager') to manage its assets.
- We conducted our audit of the financial statements at The Bank of New York Mellon (the 'Administrator') to whom the Manager has, (with the consent of the directors), delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

- Valuation and existence of investments
- Revenue
- Performance fee

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Valuation and existence of investments *Refer to page 20 (Audit Committee Report), page 34 (Accounting Policies) and pages 39 and 40 (notes).* The investment portfolio at 30 September 2014 comprised listed and unquoted investments. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements. We focused on the valuation of the unquoted investments as these investments represented a material balance in the financial statements (£8.8 million) and the valuation requires estimates and significant judgements to be applied by the Manager such that changes to key inputs to the estimates and/or the judgements made can result, either on an individual unquoted investment or in aggregate, in a material change to the valuation of unquoted investments.	We tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third party sources. We understood and reviewed the reasonableness of the valuation methodology and assumptions applied by the Manager in determining the fair value of unquoted investments. Our work included assessing for reasonableness the inputs to the valuation methodology including, where applicable, comparable quoted company earnings multiples and future cash flows discounted to reflect the illiquidity of the investment. We also read the Manager's Unquoted Pricing Committee papers, valuation reports and meeting minutes where the valuations of the unquoted investments were discussed and agreed. This, together with the work outlined above and our knowledge of the investee entities and the International Private Equity and Venture Capital Valuation guidelines, enabled us to discuss with and challenge the Manager and directors as to the appropriateness of the methodology and key inputs used, and the valuations themselves. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from The Bank of New York Mellon.
Revenue *Refer to page 35 (Accounting Policies) and page 36 (notes).* We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate revenue could have a material impact on the Company's net asset value and dividend cover. We also focused on gains/losses on unquoted investments held at fair value due to the subjective nature of the valuation of these investments.	We assessed the accounting policy for revenue recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy as set out in note 1d on page 35 of the financial statements. We understood and assessed the design and implementation of key controls surrounding revenue recognition. We then tested those key controls, as appropriate, to obtain evidence that the controls had operated effectively throughout the year. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. The gains/losses on unquoted investments held at fair value comprise realised and unrealised gains/losses: • For unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out in the section above, to ascertain whether these gains/losses were appropriately calculated. • For realised losses, we tested disposal proceeds by agreeing the proceeds to bank statements.

INDEPENDENT AUDITOR'S REPORT
continued

AREA OF FOCUS

Performance fee

Refer to page 20 (Audit Committee Report), page 35 (Accounting Policies) and page 37 (notes).

A performance fee is payable for the year of £952,000. We focused on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement between the Company and the Manager.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

We independently recalculated the performance fee of £952,000 using the methodology set out in the Investment Management Agreement and agreed the inputs to the calculation, including the benchmark data, to independent third party sources, where applicable.

We tested the allocation of the performance fee between the income and capital return columns of the Income Statement with reference to the accounting policy as set out on page 35.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the company operates.

The Company's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager and the directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£2.5 million.
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £125,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 56, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or – is otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page 25, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on page 20, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITOR'S REPORT
continued

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Marcus Hine (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 November 2014

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2014 REVENUE £'000	2014 CAPITAL £'000	2014 TOTAL £'000	2013 REVENUE £'000	2013 CAPITAL £'000	2013 TOTAL £'000
Gains on investments	9	—	22,105	22,105	—	49,016	49,016
Foreign exchange losses		—	(11)	(11)	—	(4)	(4)
Income	2	9,507	280	9,787	9,218	—	9,218
Investment management and performance-related fees	3	(433)	(2,252)	(2,685)	(405)	(2,172)	(2,577)
Other expenses	4	(344)	—	(344)	(333)	—	(333)
Net return before finance costs and taxation		8,730	20,122	28,852	8,480	46,840	55,320
Finance costs	5	(560)	(1,643)	(2,203)	(560)	(1,649)	(2,209)
Return on ordinary activities before taxation		8,170	18,479	26,649	7,920	45,191	53,111
Tax on ordinary activities	6	(157)	—	(157)	(192)	—	(192)
Net return on ordinary activities after tax for the financial year		8,013	18,479	26,492	7,728	45,191	52,919
Return per ordinary share							
Basic	8	59.3p	136.7p	196.0p	57.4p	335.7p	393.1p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with the accounting policies detailed in note 1 to the financial statements. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations and the Company has no other gains or losses. Therefore no statement of total recognised gains or losses is presented. No operations were acquired or discontinued in the year.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 30 SEPTEMBER

	CALLED UP SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
Balance at 30 September 2012	6,685	1,258	466	165,888	8,506	182,803
Dividends paid – note 7	—	—	—	—	(6,508)	(6,508)
Issue of ordinary shares	75	2,191	—	—	—	2,266
Net return on ordinary activities	—	—	—	45,191	7,728	52,919
Balance at 30 September 2013	6,760	3,449	466	211,079	9,726	231,480
Dividends paid – note 7	—	—	—	—	(7,705)	(7,705)
Net return on ordinary activities	—	—	—	18,479	8,013	26,492
Balance at 30 September 2014	6,760	3,449	466	229,558	10,034	250,267

The accompanying notes are an integral part of these statements.

BALANCE SHEET

AT 30 SEPTEMBER

	NOTES	2014 £'000	2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	263,999	254,279
Current assets			
Debtors	10	2,727	1,553
Cash and cash funds		17,578	9,809
		20,305	11,362
Creditors: amounts falling due within one year	11	(2,122)	(2,272)
Net current assets		18,183	9,090
Total assets less current liabilities		282,182	263,369
Creditors: amounts falling due after more than one year	12	(31,915)	(31,889)
Provision for liabilities	13	—	—
Net assets		250,267	231,480
Capital and reserves			
Called up share capital	14	6,760	6,760
Share premium	15	3,449	3,449
Capital redemption reserve	15	466	466
Capital reserve	15	229,558	211,079
Revenue reserve	15	10,034	9,726
Shareholders' funds		250,267	231,480
Net asset value per ordinary share			
Basic	16	1851.3p	1712.3p

The financial statements, on pages 31 to 49, were approved and authorised for issue by the Board of Directors on 25 November 2014.

Signed on behalf of the Board of Directors

Beatrice Hollond
Chairman

The accompanying notes are an integral part of this statement.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2014 £'000	2013 £'000
Cash inflow from operating activities	17(a)	6,038	6,942
Servicing of finance	17(b)	(2,177)	(2,179)
Capital expenditure and financial investment	17(b)	11,613	(6,609)
Net equity dividends paid	7	(7,705)	(6,508)
Net cash inflow/(outflow) before management of liquid resources and financing		7,769	(8,354)
Management of liquid resources	17(b)	(5,700)	5,720
Financing	17(b)	—	2,229
Increase/(decrease) in cash		2,069	(405)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash		2,069	(405)
Cash flow from movement in liquid resources		5,700	(5,720)
Debenture stock non-cash movement		(26)	(26)
Reduction in debenture stock		—	32
Movement in net debt in the year		7,743	(6,119)
Net debt at beginning of the year		(22,080)	(15,961)
Net debt at end of the year	17(c)	(14,337)	(22,080)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

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

A summary of the principal accounting policies adopted by the Company, all of which have been applied consistently throughout the year and the preceding year, is set out below.

(a) Basis of Preparation

(i) *Accounting Standards applied*

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, in accordance with applicable United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice ('SORP') 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies in January 2009. The financial statements are also prepared on a going concern basis.

(ii) *Functional and presentation currency*

The financial statements are presented in Sterling, which is the Company's functional and presentation currency and the currency in which the Company's share capital and expenses, as well as a majority of its assets and liabilities, are denominated.

(b) Financial Instruments

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

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

(ii) *Derecognition of financial assets*

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

(iii) *Derecognition of financial liabilities*

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

(iv) *Trade date accounting*

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

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

Financial assets

The Company's investments are classified as held at fair value through profit or loss as the investments are managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy, and this is also the basis on which investment information is provided internally to the Board.

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

Fair value for investments that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. For investments that are not actively traded or where active stock exchange quoted bid prices are not available, fair value is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Where there is no active market, unlisted/illiquid investments are valued by the Directors at fair value based on recommendations from Invesco's Pricing Committee, which in turn is guided by the International Private Equity and Venture Capital Valuation Guidelines issued in 2012, using valuation techniques such as earnings multiples, recent arm's length transactions and net assets.

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

Financial liabilities

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

(c) Accounting for Capital Reserves

Realised gains and losses on sales of investments (note 9(b)) and certificates of deposit (note 10) and realised gains or losses on derivatives (including any related foreign exchange gains and losses), realised gains and losses on foreign currency, management fees and finance costs allocated to capital and any other capital charges, are included in the income statement and dealt with in the capital reserve. Unrealised increases and decreases in the valuation of investments and certificates of deposit and any derivatives held at the year end (including the related foreign exchange gains and losses), are also included in the income statement and dealt with in the capital reserve.

(d) Income

Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'. Where the Company elects to receive dividends in the form of additional shares rather than cash, the equivalent to the cash dividend is recognised as income in the revenue account and any excess in value of the shares received over the amount of the cash dividend is recognised in capital reserve. Special dividends are taken to income unless they arise from a return of capital, when they are allocated to capital in the income statement. Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

(e) Management and Performance-related fees

Investment management fees are recognised on an accruals basis and are charged 75% to capital and 25% to revenue. This is in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

Performance-related fees are calculated as detailed in the Directors' Report and are charged wholly to capital as they arise mainly from capital returns on the portfolio.

(f) Expenses and Finance costs

Expenses are recognised on an accruals basis and finance costs are recognised using the effective interest method, with the debentures being held at amortised cost. The finance costs of debt are allocated 75% to capital and 25% to revenue for the reasons outlined in (e) above. The 5% cumulative preference shares are classified as a liability and therefore the dividends payable on these shares are classified as finance costs and charged to the revenue column of the income statement.

(g) Hedging and Derivatives

Forward currency contracts entered into for hedging purposes are valued at the appropriate forward exchange rate ruling at the balance sheet date. Profits or losses on the closure or revaluation of positions are included in capital.

Futures contracts may be entered into for hedging purposes and any profits and losses on the closure or revaluation of positions are included in capital.

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

NOTES TO THE FINANCIAL STATEMENTS
continued

1. Accounting Policies (continued)

(h) Foreign Currency Translation

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

(i) Taxation

Foreign dividends that suffer withholding tax at source are shown gross, with the corresponding tax charge in the income statement.

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

(j) Dividends Payable

Dividends are not recognised in the financial statements unless there is an obligation to pay at the balance sheet date. Proposed final dividends are recognised in the period in which they are either approved by or paid to shareholders.

2. Income

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

	2014 £'000	2013 £'000
Income from investments		
UK dividends		
– Ordinary dividends	6,644	6,707
– Special dividends	487	765
Overseas dividends		
– Ordinary dividends	1,641	1,521
– Special dividends	631	189
Scrip dividends	88	34
	9,491	9,216
Other income		
Deposit interest	16	2
Total income	9,507	9,218

A special dividend of £280,000 (2013: £nil) has been recognised in capital.

3. Investment Management and Performance-related Fees

This note shows the fees paid to the Manager. These are made up of the management fee payable per annum and a performance-related fee calculated annually. The latter is only payable when the portfolio outperforms the benchmark index plus 2%.

	2014			2013		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee	433	1,300	1,733	405	1,215	1,620
Performance-related fee:						
– accrued for the year ended 30 September 2014	—	952	952	—	—	—
– accrued for the period 1 January-30 September 2013	—	—	—	—	1,002	1,002
– reversal of prior year provision	—	—	—	—	(45)	(45)
	433	2,252	2,685	405	2,172	2,577

Details of the management agreement are disclosed in the Directors' Report. This includes a revision of the investment management fee from 0.8% to 0.6% as well as an adjustment of the performance-related fee's hurdle from 2% down to 1.25%; both with effect from 1 July 2014.

The performance-related fee is due if the Company's annualised total return over the previous three years is greater than the annualised return of the FTSE All-Share (Total Return) Index over the same period, plus the hurdle.

During the year to 30 September 2013, the period element of the performance-related fee was revised so that current and future performance fee calculation periods would be coterminous with the Company's September year end. As a consequence, for 2013 only the performance fee was based on the shorter period of two years and nine months to 30 September 2013 with a pro-rated fee for the period 1 January to 30 September 2013. For 2014 and subsequent financial years the performance fee period reverts to its normal three years.

At 30 September 2014, an investment management fee of £346,000 (2013: £452,000) and a performance-related fee of £952,000 (2013: £1,002,000) has been accrued .

4. Other Expenses

The other expenses of the Company are presented below.

	2014 £'000	2013 £'000
Directors' fees	108	110
Fees payable to the Company's auditor(1) in relation to:		
– the statutory audit of the financial statements	25	26
– for other services, relating to taxation(2)	—	6
Other expenses	211	191
	344	333

The Directors Remuneration Report provides further information on Directors' fees.

(1) Fees payable to the Company's auditor are shown excluding VAT which is included in other expenses.

(2) Following the change of auditor during the year, fees in relation to taxation services of £6,000 are no longer payable to the audit firm.

Other expenses includes £6,000 (2013: £6,000) of employer's National Insurance paid on Directors' fees. As at 30 September 2014, the amount outstanding on Directors' fees and employer's National Insurance was £6,500 (2013: £7,000).

NOTES TO THE FINANCIAL STATEMENTS
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5. Finance Costs

Finance costs arise on any borrowing that the Company has, with the main borrowing being the £32 million Debenture stocks (see note 12).

	2014 REVENUE £'000	2014 CAPITAL £'000	2014 TOTAL £'000	2013 REVENUE £'000	2013 CAPITAL £'000	2013 TOTAL £'000
Interest payable on borrowings repayable not by instalment:						
Debenture stock repayable after 5 years	548	1,643	2,191	548	1,643	2,191
	548	1,643	2,191	548	1,643	2,191
Debenture stock buy back	—	—	—	—	6	6
Dividends on 5% cumulative preference shares	12	—	12	12	—	12
	560	1,643	2,203	560	1,649	2,209

6. Tax on ordinary activities

As an investment trust, the Company pays no tax on capital gains and as the Company principally invests in UK assets, it has little overseas tax. This note shows details of the tax charge and why no deferred tax is required to provide for tax that is expected to arise in the future due to differences in accounting and tax bases.

(a) Current Tax Charge

	2014 REVENUE £'000	2013 REVENUE £'000
Overseas tax	157	192

(b) Reconciliation of Current Tax Charge

	2014 £'000	2013 £'000
Total return on ordinary activities before taxation	26,649	53,111
UK Corporation Tax effective rate of 22% (2013: 23.5%)	5,863	12,480
Effect of:		
– Gains on investments and certificates of deposit	(4,863)	(11,517)
– Loss on foreign exchange movements	2	—
– UK dividends which are not taxable	(1,499)	(1,748)
– Non-taxable overseas dividends	(488)	(392)
– Non-taxable overseas dividends received in capital	(62)	—
– Overseas tax	157	192
– Non-taxable scrip dividends	(19)	(8)
– Disallowed expenses	4	6
– Excess of management expenses over taxable income	1,062	1,179
Current tax charge for the year	157	192

(c) Factors that may Affect Future Tax Changes

The Company has excess expenses of £59,267,000 (2013: £54,438,000) that are available to offset future taxable revenue. A deferred tax asset, of £11,853,000 measured at the standard corporation tax rate of 20% (2013: £10,888,000 at 20%), has not been recognised in respect of these expenses since the Directors believe that there will be no taxable profits in the future against which the deferred tax asset can be offset.

7. Dividends

Dividends represent the return of income less expenses to shareholders. Dividends are paid as an amount per ordinary share held.

	2014 £'000	2013 £'000
Dividends on equity shares paid and recognised in the year:		
Second interim dividend for 2013 of 32p (2012: 30.5p)	4,326	4,100
Special dividend for 2013 of 7p (2012: nil)	946	—
First interim dividend for 2014 of 18p (2013: 18p)	2,433	2,420
	7,705	6,520
Return of unclaimed dividends from previous years	—	(12)
	7,705	6,508

	2014 £'000	2013 £'000
Dividends on equity shares payable in respect of the year:		
First interim paid 18p per ordinary share (2013: 18p)	2,433	2,420
Second interim dividend of 32.5p per ordinary share (2013: 32p)	4,393	4,326
	6,826	6,746
Special dividend of 8p per ordinary share (2013: 7p)	1,082	946
	7,908	7,692

Investment trusts must ensure that no more than 15% of total income is retained each year after providing for dividends payable.

8. Return per Ordinary Share

Basic return per share is the amount of gain generated for the financial year divided by the number of ordinary shares in issue. The calculation is based on the weighted average number of shares in issue during the year.

Basic revenue, capital and total returns per ordinary share are based on each of the respective returns on ordinary activities after taxation and on 13,518,799 (2013: 13,458,388) shares being the weighted average number of ordinary shares in issue throughout the year.

9. Investments

The portfolio is made up primarily of investments which are listed, i.e. traded on a regulated stock exchange, and some unlisted investments. Gains and losses in the year are either:

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

(a) Analysis of Investments by Listing Status

	2014 £'000	2013 £'000
Investments listed on a recognised stock exchange	255,162	246,011
Unlisted investments	8,837	8,268
	263,999	254,279

NOTES TO THE FINANCIAL STATEMENTS
continued

9. Investments (continued)

(b) Analysis of Investment Gains and Losses

	2014 LISTED £'000	2014 UNLISTED £'000	2014 TOTAL £'000	2013 TOTAL £'000
Opening valuation	246,011	8,268	254,279	199,259
Movements in year:				
Purchases at cost	49,094	—	49,094	48,677
Sales – proceeds	(61,360)	(119)	(61,479)	(42,673)
– net realised gains/(losses)	20,854	(1,385)	19,469	8,584
Movement in investment holding gains	563	2,073	2,636	40,432
Closing valuation	255,162	8,837	263,999	254,279
Closing book cost	187,928	5,873	193,801	186,717
Closing investment holding gains	67,234	2,964	70,198	67,562
Closing valuation	255,162	8,837	263,999	254,279
Net realised gains/(losses) based on historical cost	20,854	(1,385)	19,469	8,584
Movement in investment holding gains in year	563	2,073	2,636	40,432
Gains on investments	21,417	688	22,105	49,016

(c) Transaction Costs

Transaction costs on purchases of £248,000 (2013: £246,000) and on sales of £80,000 (2013: £69,000) are included within gains and losses on investments in the income statement.

10. Debtors

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

	2014 £'000	2013 £'000
Amounts due from brokers	1,629	774
Unrealised profit on forward currency contracts	—	1
Prepayments and accrued income	741	606
Overseas withholding tax recoverable	357	172
	2,727	1,553

11. Creditors: amounts falling due within one year

Creditors are amounts which must be paid by the Company, and include any amounts due to brokers for the purchase of investments or amounts owed to suppliers, such as the Manager and auditor.

	2014 £'000	2013 £'000
Amounts due to brokers	—	5
Accruals	1,170	1,265
Performance-related fee	952	1,002
	2,122	2,272

Details of the performance-related fee are given in note 3.

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

Long term creditors consist solely of the £32 million debentures and a small issue of preference shares. These form the principal borrowings of the Company and the fixed interest that the Company pays is reported under note 5 'Finance Costs'.

	2014 £'000	2013 £'000
Debenture Stock:		
7.75% redeemable 1 October 2020	7,000	7,000
6.5% redeemable 27 April 2023	24,968	24,968
	31,968	31,968
Discount and issue expenses on debenture stock	(303)	(329)
	31,665	31,639
5% cumulative preference shares of £1 each	250	250
	31,915	31,889

The debentures rank *pari passu* with each other, and ahead of shareholders, and are secured by floating charge over the assets of the Company.

On 8 February 2013, £31,700 of 6.5% Debenture Stock 2023 was repurchased and cancelled for £37,000 including accrued interest, which constituted a discount to fair value.

The debenture stocks both pay interest twice a year; the 7.75% Debenture Stock 2020 for the six months ended 31 March and 30 September, and the 6.5% Debenture Stock 2023 for the six months to 27 April and 27 October. Both debenture stocks generally make the payments in April and October. The preference shares dividend is paid bi-annually in March and September.

13. Provision for liabilities

The Company makes a provision when a potential obligation exists, relating to events in the past that will probably have to settle in cash, but the amount is estimated.

	2014 £'000	2013 £'000
Performance-related fee:		
Opening provision	—	322
Paid in the year	—	(277)
Reversal of provision	—	(45)
Closing provision	—	—

Details of the performance-related fee are given in the Directors' Report and in note 3.

14. Called up share capital

Ordinary share capital represents the total number of shares in issue, for which dividends accrue.

	2014 NUMBER	2014 £'000	2013 NUMBER	2013 £'000
Allotted, called-up and fully paid:				
Ordinary shares of 50p each	13,518,799	6,760	13,518,799	6,760

The ordinary shares are fully participating and on a poll carry one vote per £1 nominal held.

No shares were issued during the year (2013: 150,000).

NOTES TO THE FINANCIAL STATEMENTS
continued

15. Reserves

This note explains the different reserves that have arisen over the years. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

The capital redemption reserve maintains the equity share capital arising from the buy back and cancellation of shares; it, and the share premium account, are non-distributable.

The capital reserve includes the investment holding gains/(losses), being the difference between cost and market value at the balance sheet date, totalling a gain of £70,198,000 (2013: £67,562,000).

The revenue and capital reserves are distributable by way of dividend. Share buy backs can be funded from the capital reserve.

16. Net Asset Value per Ordinary Share

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

The net asset value per ordinary share and the net assets attributable at the year end were as follows:

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE	
	2014 PENCE	2013 PENCE	2014 £'000	2013 £'000
Ordinary shares				
– Basic	1851.3	1712.3	250,267	231,480

Net asset value per ordinary share is based on net assets at the year end and on 13,518,799 (2013: 13,518,799) ordinary shares, being the number of ordinary shares in issue at the year end.

17. Notes to the Cash Flow Statement

The cash flow statement shows the cash flows of the Company from its operating, investing and financing activities. The main cash flows arise from the purchase and sale of investments, with other main flows being any amounts borrowed or repayment of borrowings in the year.

(a) Reconciliation of Operating Profit to Operating Cash Flows

	2014 £'000	2013 £'000
Total return before finance costs and taxation	28,852	55,320
Adjustment for gains on investments	(22,105)	(49,016)
Adjustment for movement in forward currency contracts	1	(4)
Scrip dividends	(88)	(34)
(Increase)/decrease in debtors	(320)	77
(Decrease)/increase in creditors	(145)	791
Tax on overseas dividends	(157)	(192)
Net cash inflow from operating activities	6,038	6,942

(b) Analysis of Cash Flow for Headings Netted in the Cash Flow Statement

	2014 £'000	2013 £'000
Servicing of finance		
Preference dividends paid	(12)	(12)
Interest paid on debenture stocks	(2,165)	(2,167)
Net cash outflow from servicing of finance	(2,177)	(2,179)
Capital expenditure and financial investment		
Purchase of investments (excludes scrip dividends received as income)	(49,011)	(48,638)
Sale of investments	60,624	42,029
Net cash inflow/(outflow) from capital expenditure and financial investment	11,613	(6,609)
Management of liquid resources		
Cash movement on cash funds and short term deposits	(5,700)	5,720
Net cash (outflow)/inflow from management of liquid resources	(5,700)	5,720
Financing		
Buyback of debenture stock	—	(37)
Net proceeds from share issues	—	2,266
Net cash inflow from financing	—	2,229

(c) Analysis of changes in net debt

	1 OCTOBER 2013 £'000	CASH FLOW £'000	DEBENTURE STOCK NON-CASH MOVEMENT £'000	30 SEPTEMBER 2014 £'000
Cash	529	2,069	—	2,598
Cash funds and short term deposits	9,280	5,700	—	14,980
Debentures	(31,639)	—	(26)	(31,665)
5% Cumulative preference shares	(250)	—	—	(250)
Net debt	(22,080)	7,769	(26)	(14,337)

NOTES TO THE FINANCIAL STATEMENTS
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18. Financial Instruments

Financial instruments comprise the Company's investment portfolio as well as its cash, borrowings, debtors and creditors. Derivative financial instruments are financial instruments that are used to manage the risk associated with fluctuations in the value of certain assets and liabilities. In accordance with Board approved policies, the Company can use derivatives to manage its exposure to fluctuations in foreign exchange rates.

The Company's financial instruments comprise its investment portfolio (as shown on pages 13 and 14), derivatives, cash, borrowings, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The principal risks that an investment company faces in its portfolio management activities are set out below:

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

Currency risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;

Interest rate risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and

Other price risk – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.

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

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

Risk Management Policies and Procedures

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

An investment company invests in equities and other investments for the long term so as to meet its investment objective and policies. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for distribution by way of dividends.

The risks applicable to the Company and the policies the Company used to manage these risks for the two years under review follow.

Market risk

The Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance, as disclosed on pages 50, 52 and 56. No derivatives or hedging instruments are utilised to manage market risk. Borrowings are used to enhance returns, however, this will also increase the Company's exposure to market risk and volatility.

Currency risk

The majority of the Company's assets, liabilities and income are denominated in Sterling. There is some exposure to US dollars and Swiss francs and, last year, to Swedish kronas as well.

Management of the currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board on a regular basis.

Forward currency contracts can be used to limit the Company's exposure to anticipated future changes in exchange rates which are also used to achieve the portfolio characteristics that assist the Company in meeting its investment objective and policies. All contracts are limited to currencies and amounts commensurate with asset exposure to those currencies.

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

Currency exposure

The fair values of the Company's monetary items that have currency exposure at 30 September are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	30 SEPTEMBER 2014		30 SEPTEMBER 2013		
	US DOLLAR £'000	SWISS FRANC £'000	US DOLLAR £'000	SWISS FRANC £'000	SWEDISH KRONA £'000
Debtors (due from brokers, dividends)	102	240	114	139	—
Forward currency contracts	—	—	—	—	(178)
Foreign currency exposure on net monetary items	102	240	114	139	(178)
Investments at fair value through profit or loss that are equities	18,842	15,947	13,615	21,333	175
Total net foreign currency exposure	18,944	16,187	13,729	21,472	(3)

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

Currency sensitivity

The table on page 46 illustrates the sensitivity of net assets and of net return after taxation for the year using the exchange rates shown below. It is based on the Company's monetary foreign currency financial instruments held at each balance sheet date and takes account of forward foreign exchange contracts that offset the effects of changes in currency exchange rate.

	2014	2013
£/US dollar	±1.9%	±2.5%
£/Swiss franc	±1.8%	±1.9%
£/Swedish krona	n/a	±3.2%

The above percentages have been determined based on the market volatility in the year, using the standard deviation of Sterling's daily fluctuation to the US dollar and Swiss franc against the mean during the year.

NOTES TO THE FINANCIAL STATEMENTS
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18. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

If Sterling had strengthened against the US dollar and Swiss franc to this extent, this would have had the following effect:

	30 SEPTEMBER 2014		30 SEPTEMBER 2013	
	US DOLLAR £'000	SWISS FRANC £'000	US DOLLAR £'000	SWISS FRANC £'000
Income statement – return after taxation				
Revenue return	(9)	(14)	(12)	(12)
Capital return	(360)	(291)	(343)	(405)
Total return after taxation for the year	(369)	(305)	(355)	(417)
Effect on net asset value	(0.1%)	(0.1%)	(0.2%)	(0.2%)

If Sterling had weakened against US dollar and Swiss franc to this extent, the effect would have been the exact opposite.

In the opinion of the Directors, the above sensitivity analysis is not representative of the year as a whole, since the level of exposure may change frequently as part of the currency risk management process of the Company.

Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the variable rate borrowings. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate of the custodian. The Company has an uncommitted bank overdraft facility which it uses for settlement purposes, on which interest is payable at a variable rate. Use of this facility has been minimal over the two years being reported on. At the year end there was none drawn down (2013: nil).

At the balance sheet date the Company has structural debt comprising £32 million of debenture stock and £250,000 of 5% cumulative preference shares. The interest rates on the debenture stocks and preference shares are fixed and details are shown in notes 5 and 12.

The Company's portfolio is substantially invested in equities which are not directly exposed to interest rate risk.

Other price risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the equity investments, and it is the business of the Manager to manage the portfolio to achieve the best returns.

Management of other price risk

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

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

Based on the equity portfolio value of £263,999,000 (2013: £254,279,000), if the value of the portfolio rose or fell by 10% at the balance sheet date, the net return after tax for the year and net assets would increase or decrease by £26.4 million (2013: £25.4 million) respectively; in calculating these amounts no adjustment has been made for other variables including management fees.

Liquidity risk

Liquidity risk is minimised as the majority of the Company's investments are readily realisable securities which can be sold to meet funding commitments if necessary. In addition, the bank overdraft facility provides for additional funding flexibility. No special arrangements have been made in connection with the liquidity of any of the Company's assets.

Liquidity risk exposure

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

	2014				2013			
	LESS THAN THREE MONTHS £'000	THREE TO TWELVE MONTHS £'000	MORE THAN ONE YEAR £'000	TOTAL £'000	LESS THAN THREE MONTHS £'000	THREE TO TWELVE MONTHS £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Debenture stocks	—	—	31,968	31,968	—	—	31,968	31,968
Interest on debenture stocks	811	1,354	15,696	17,861	811	1,354	17,861	20,026
Amounts due to brokers	—	—	—	—	5	—	—	5
Accruals and deferred income	467	—	—	467	561	—	—	561
Performance fee accrued	952	—	—	952	1,002	—	—	1,002
	2,230	1,354	47,664	51,248	2,379	1,354	49,829	53,562

The 5% cumulative preference shares do not have a fixed repayment date and are, as a result, not shown in the above table. Details are shown in note 12 of the financial statements.

Credit risk

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. This risk is mitigated by using only approved counterparties. Cash balances are limited to a maximum of either £10 or £15 million with any one depositary and only depositaries approved by the Board are used.

The portfolio may be adversely affected if the custodian of the Company's assets suffers insolvency or other financial difficulties. The risk associated with failure of the custodian is mitigated by the appointment during the year of a depositary. The depositary is ultimately responsible for safekeeping of the Company's assets and is strictly liable for the recovery of financial instruments in the event of loss. As part of the Board's risk management and control monitoring, the Board reviews the custodian's annual control report and the Manager's management of the relationship with the custodian.

Fair Values of Financial Assets and Financial Liabilities

The fair values of the financial assets and financial liabilities, other than debentures and preference shares, are either carried in the balance sheet at their fair value (investments), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals, cash at bank and overdraft). The book cost and fair value of the debentures and the preference shares based on the offer value at the balance sheet date follow.

	BOOK VALUE 2014 £'000	FAIR VALUE 2014 £'000	BOOK VALUE 2013 £'000	FAIR VALUE 2013 £'000
Debentures repayable in more than 5 years:				
7.75% Debenture Stock 2020	7,000	8,505	7,000	8,540
6.5% Debenture Stock 2023	24,968	29,293	24,968	30,211
Discount on issue of debentures	(303)	—	(329)	—
	31,665	37,798	31,639	38,751
5% Cumulative preference shares of £1 each	250	213	250	193
	31,915	38,011	31,889	38,944

NOTES TO THE FINANCIAL STATEMENTS
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18. Financial Instruments (continued)

Fair Value Hierarchy Disclosures

Nearly all of the Company's portfolio of investments are in the Level 1 category as defined in FRS 29 'Financial Instruments: Disclosures'. The three levels set out in FRS 29 are:

Level 1 – fair value based on quoted prices in active markets for identical assets.

Level 2 – fair values based on valuation techniques using observable inputs other than quoted prices within Level 1.

Level 3 – fair values based on valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability. The valuation techniques used by the Company are explained in the accounting policies note.

	2014				2013			
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss:								
Quoted investments:								
Equities	254,980	—	—	254,980	245,699	—	—	245,699
Other securities	—	182	—	182	—	312	—	312
Unquoted investments:								
Equities	—	—	8,837	8,837	—	—	8,268	8,268
Derivative financial instruments:								
Currency hedges	—	—	—	—	—	1	—	1
Total for financial assets	254,980	182	8,837	263,999	245,699	313	8,268	254,280

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

	2014 £'000	2013 £'000
Opening fair value of Level 3	8,268	7,976
Transfer from Level 1 to Level 3	—	3,028
Transfer to Level 1 from Level 3	—	(1,427)
Investments purchased	—	323
Investments redeemed, sold or written off	(175)	(111)
Movement in holding (losses)/gains on assets held at the year end	744	(1,521)
Closing fair value of Level 3	8,837	8,268

Capital Management

The Company's capital, or equity, is represented by its net assets which are managed to achieve the Company's investment objective set out on page 6.

The Company's total capital employed at 30 September 2014 was £282,182,000 (2013: £263,369,000) comprising borrowings of £31,915,000 (2013: £31,889,000) and equity share capital and other reserves of £250,267,000 (2013: £231,480,000).

The Company's total capital employed is managed to achieve the Company's investment objective and policy as set out on page 6, including that borrowings may be used to raise equity exposure. At the balance sheet date, net gearing was 5.7% (2013: 9.5%). The Company's policies and processes for managing capital are unchanged from the preceding year.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 8 to 10. These also explain that the Company is able to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

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

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by section 1159 Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility, by the terms imposed by the custodian. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year.

Borrowings comprise debenture stocks and preference shares, details of which are contained in note 13.

19. Contingencies, Guarantees and Financial Commitments

Contingencies or guarantees that the Company will or has given would be disclosed in this note if any existed. Likewise any commitments, being those amounts that the Company is contractually required to pay in the future as long as the other party meets their obligations.

There were no other contingencies, guarantees or financial commitments of the Company at the year end (2013: £nil).

20. Related Party Transactions and Transactions with the Manager

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

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on pages 23 and 24 with additional disclosure in note 4. No other related parties have been identified.

Invesco Fund Managers Limited and Invesco Asset Management Limited, both of which are wholly owned subsidiaries of Invesco Limited, provided investment management and administration services to the Company. Details of the services and fees are disclosed in the Directors' Report and management fees payable are shown in note 3.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Business and Status

The Company was incorporated and registered in England and Wales on 17 September 1954 as a public limited company, registered number 538179.

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

The Board

The Company has a Board of five non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment policy is adhered to. Details of the Board's responsibilities and the number of meetings it holds are set out on the following pages. The Board is supported by an Audit Committee and a Nomination Committee, which deal with specific aspects of the Company's affairs as summarised on pages 19 to 21, below and on page 51.

Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues.

Independence

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

Board Balance

The Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 16.

Chairman

The Chairman of the Company is Beatrice Hollond, a non-executive and independent Director who has no conflicting relationships. She has been on the Board since September 2003 and is subject to an annual performance appraisal. Following this year's appraisal, the Board has confirmed that Mrs Hollond's performance continues to be effective. Accordingly, the Board recommends her re-election. The Chairman will be present at the AGM to answer questions.

Senior Independent Director/Deputy Chairman

The nature of an investment trust and the relationship between the Board and the Manager are such that it is considered unnecessary to identify a senior independent director. All Directors are available to shareholders if they have concerns which have not been resolved through the normal channels of contact with the Chairman, Manager or Company Secretary, or for which such channels are inappropriate.

The Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 19 to 21, which is included in this Directors' Report by reference.

Nomination Committee

As the Board is considered small for the purposes of the AIC Code, all Directors are members of the Nomination Committee under the chairmanship of Beatrice Hollond. The main responsibilities of the Nomination Committee are to review the size, structure and skills of the Board and to make recommendations with regard to any changes considered necessary or new appointments.
The Nomination Committee has written terms of reference which are reviewed regularly and clearly define its responsibilities and duties. They will be available for inspection at the AGM and can be

inspected at the Registered Office of the Company as well as on the Manager's website. No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection at the Registered Office of the Company. They will also be available at the AGM.

The Board has due regard for the benefits of diversity in its membership and seeks to ensure that its structure, size and composition, including the skills, knowledge, gender and experience of the Directors, is sufficient for the effective direction and control of the Company. In particular, the Board believes that the Company benefits from a balance of Board members with different tenures. The Board has not set any measurable objectives in respect of this policy.

Appointment, Re-election, Tenure of Directors

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term in office on industry and regulatory matters. The Manager and the Board have formulated a programme of induction training for newly appointed Directors. They have also put arrangements in place to address ongoing training requirements of Directors which include briefings from key members of the Manager's staff and which ensure that Directors can keep up to date with new legislation and changing risks.

The Board has noted the inference of provisions in the UK Corporate Governance Code that non executive directors who have served for more than nine years should be presumed not to be independent. The AIC does not believe that this presumption is appropriate for investment companies and therefore does not recommend that long-serving directors be prevented from forming part of the independent majority of an investment trust board.

The Board considers that the independence of Mrs Hollond, Mr Kendall and Mr Readman, who have served on the Board for more than nine years, is not compromised by their length of service.

The Articles of Association require that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter. However, the Board has resolved that, for the time being, all Directors shall stand for annual re-election at the AGM. The Articles of Association provide that the Directors may, by notice in writing, remove any Director from the Board.

Board, Committees and Directors' Performance Appraisal

The Directors recognise the importance of the AIC Code's recommendations in respect of evaluating the performance of the Board as a whole, the Audit Committee and individual Directors. The performance of the Board, Audit Committee and Directors has been assessed during the year in terms of:

- attendance at Board and Committee meetings;
- the independence of individual Directors;
- the ability of Directors to make an effective contribution to the Board and Committees through the range and diversity of skills and experience each Director brings to their role; and
- the Board's ability to challenge the Manager's recommendations, suggest areas of debate and set the future strategy of the Company.

The Board opted to conduct performance evaluation through questionnaires and discussion between the Directors, the Chairman and the Chairman of the Audit Committee. The result of this year's performance evaluation process was that the Board, the Committees of the Board and the Directors individually were assessed to have performed satisfactorily. No follow-up actions were required.

Accordingly, the Board confirms that the performance of all Directors is and continues to be effective and demonstrates commitment to the role. It recommends to shareholders the approval of Resolutions 3 to 7 relating to the re-election of the Directors.

Attendance at Board and Committee Meetings

The Board meets on a regular basis at least five times each year. The following table sets out the number of Board, Audit Committee and Nomination Committee meetings held during the year to 30 September 2014 and the number of meetings attended by each Director.

DIRECTORS' REPORT
continued

MEETING	BOARD	AUDIT COMMITTEE	NOMINATION COMMITTEE
Meetings Held	**5**	**4**	**2**
Meetings Attended:			
Beatrice Hollond	5	4	2
Ian Armfield	5	4	2
William Kendall	5	4	2
Peter Readman[1]	5	—	2
John Wood	5	4	2

[1] Not a member of the Audit Committee.

Additional meetings are arranged as necessary. Regular contact is maintained between the Manager, the Chairman and the other Directors between formal meetings.

Board Responsibilities

Directors have a duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long-term; the need to foster the Company's business relationships with its Manager and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company. The Directors are equally responsible under United Kingdom law for the proper conduct of the Company's affairs and for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that the Company's policies and operations are in the best interest of all of its shareholders and that the interests of creditors and suppliers to the Company are properly considered.

The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in bribery for and on behalf of the Company.

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, policies and standards, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure, setting long-term objectives and strategy, assessing and managing risk, reviewing investment performance, monitoring the net borrowing position, approving recommendations made by the Audit Committee, reviewing Directors' remuneration, undertaking nomination responsibilities and assessing the Manager on an ongoing basis. The schedule of matters reserved for decision by the Board will be available for inspection at the AGM and is otherwise available at the Registered Office of the Company and on the Manager's website at *www.invescoperpetual.co.uk/investmenttrusts*. The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding their shares, through the portfolio details given in the annual and half-year financial reports, factsheets and daily net asset value disclosures.

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 £10,000, having first consulted with the Chairman. The Board as a whole undertakes the responsibilities which would otherwise be assumed by committees for management engagement and remuneration:

- *Management Engagement*
  The Board as a whole operates as the Management Engagement Committee by reviewing all supplier services, and in particular the Investment Management and Administration Agreement, annually. The performance of the Manager in respect of investment performance and administration is reviewed formally to agreed standards and reported on in the Directors' Report under 'Assessment of the Investment Manager' on page 54.

- *Remuneration*
  The Board as a whole operates as a Remuneration Committee by determining the Company's remuneration policy, taking into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors' Remuneration Report on pages 22 to 24.

Corporate Governance

The Corporate Governance Statement set out on page 18 is included in this Directors' Report by reference.

The Company Secretary

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

Directors

Directors' Interests in Shares

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 24.

Disclosable Interests

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end. The Company has entered into a Deed of Indemnity with each Director, as expanded upon below.

Conflicts of Interest

A Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests.

The Articles of Association of the Company provide that Directors can authorise potential conflicts of interest and there are safeguards that apply when Directors decide to do so. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, is most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. Potential conflicts of interest are entered into the Company's Register of Potential Conflicts, which is reviewed regularly by the Board. The Directors have undertaken to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

Directors' Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Directors. In addition, Deeds of Indemnity have been exercised on behalf of the Company for each of the Directors under the Company's Articles of Association. Subject to the provisions of UK legislation, these deeds provide that the Directors may be indemnified out of the assets of the Company in respect of liabilities they may sustain or incur in connection with their appointment.

The Manager

Invesco Fund Managers Limited (the Manager) is contractually responsible for providing the Company with investment management, administration and company secretarial services. In practice, most of these services are provided by the Manager's affiliate, Invesco Asset Management Limited, under delegated authority. In addition to being responsible for day-to-day investment management

DIRECTORS' REPORT
continued

decisions, the Manager is also responsible for maintaining complete and accurate records of the Company's investment transactions and portfolio and all monetary transactions from which the half-year and annual financial statements are prepared. The company secretarial services provided ensure that the Company complies with all legal, regulatory and corporate governance requirements and able representatives are provided to officiate at Board meetings and shareholders' meetings. To enable the Directors of the Board to fulfil their roles, the Manager also ensures that all Directors have timely access to all relevant management, financial and regulatory information.

Investment Management Agreement

During the course of the year the Board agreed revised fee arrangements with the Manager, which came into effect from 1 July 2014.

The terms of the agreement with the Manager, both before and after this change, include a basic management fee for investment management and company secretarial work in respect of each of the quarterly periods ending on 31 March, 30 June, 30 September and 31 December each year. Up to 30 June 2014 this fee was 0.2% of the average value of the market capitalisation of the Company's shares for the ten business days ending on the relevant quarter end date. The market capitalisation is calculated using middle market quotations derived from the Stock Exchange Daily Official List and the weighted average number of shares in issue during the quarter. For the subsequent period the fee has been calculated on the same basis, but using the lower rate of 0.15% per quarter, which continues to apply going forward.

The Manager is also entitled to a performance-related fee based on the previous three years' performance of the net asset value (including dividends reinvested) and the FTSE All-Share (Total Return) Index, both annualised and calculated per annum each year. A performance-related fee is due if the Company's resultant return is greater than the equivalent return of the FTSE All-Share (Total Return) Index plus a percentage hurdle, and amounts to 15% of the value of any outperformance of this combination. The hurdle to be added to the Index up to 30 June 2014 was 2% and subsequently is 1.25%. The Board has agreed an appropriate calculation method with the Manager for calculating the performance-related fee for this transition year. This year's change follows the period element of the calculation being revised for the accounting year to 30 September 2013, so that the calculation period for that and future years would be coterminous with the Company's September year end.

The amount of any payment of performance-related fee is a maximum of 1% of the Company's gross assets less the basic management fees. In addition, the amount of any payment of performance-related fee in respect of any financial year is limited to an amount which, if added to the basic management fees paid in respect of that year, does not exceed 1.5% of gross assets less basic management fees.

The amount of any payment of performance-related fee in excess of these limits is carried forward and will become payable in any subsequent year in which the total fees payable are less than the maximum levels for that year.

The Investment Management Agreement can be terminated by either the Company or the Manager upon the expiry of not less than three months' written notice given to the other.

Assessment of the Investment Manager

The Board continually reviews the policies and performance of the Manager. The Board's philosophy and the Manager's approach are that the portfolio should consist of shares thought attractive irrespective of their index weightings. The portfolio's composition and performance are likely, therefore, to be very different from those of the benchmark index. Over the short term, there may be periods of sharp underperformance compared with the benchmark. Over the long term, the Board expects the combination of the Company's and Manager's approach to result in a significant degree of outperformance compared with the benchmark. The Board is satisfied with the current terms of appointment of the Manager.

Annually, the Board also considers the ongoing secretarial and administrative requirements of the Company and assesses the services provided. The Board, based on its recent review of activities, believes that the continuing appointment of Invesco Fund Managers Limited remains in the best interest of the Company and its shareholders.

Alternative Investment Fund Manager (AIFM)

Invesco Fund Managers Limited (IFML), was authorised by the FCA as an AIFM, and appointed by the Company as such, with effect from 22 July 2014. IFML is an associated company of Invesco Asset Management Limited (IAML), the previous Manager, and IAML continues to manage the Company's investments under delegated authority from IFML.

Requirements for compliance with the Alternative Investment Fund Managers Directive in the UK are set out in the FCA Investment Funds sourcebook. Rule FUND 3.2.2 in this sourcebook requires certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (*www.invescoperpetual.co.uk/investmenttrusts*) in a downloadable document entitled AIFMD Investor Information. There have been no material changes to this information since it was first made available on the website.

IFML's full remuneration policy is available at the request of investors. Its purpose is to ensure that the remuneration of IFML's employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of itself and the AIFs it manages.

The overriding remuneration philosophy of Invesco is set by the Group's Compensation Committee (the 'Committee') whose charter is available at: *www.invesco.com/portal/site/global/CompensationCommittee*

The Committee, or delegates thereof, oversees all incentive remuneration arrangements within the Invesco Ltd Group. The IFML Board has adopted this remuneration policy which is set in line with the remuneration philosophy of Invesco and is designed to ensure compliance with FCA requirements as established under remuneration code SYSC 19B.

As part of the Committee's oversight of compensation, the Committee annually approves an overall group-wide incentive pool within established guidelines that is aligned with Invesco's financial and strategic results. The pool is comprised of cash and deferred compensation (consisting of annual fund or equity deferrals and long-term equity awards that vest pro rata over a multi-year period). The Committee annually sets parameters, used consistently for many years, to guide the end-of-year decision-making process regarding incentive pool sizes.

The Committee makes its compensation determinations, including the determination of the size of the equity and cash pools, in its discretion, without formulaically tying its determinations to specific performance targets, formulas or weightings. The achievement of any particular goal or objective does not automatically result in any particular level of compensation. The Committee believes that a flexible approach in aligning management, client and shareholder interests, which takes into account qualitative judgments tied to the Invesco Group's long-term strategy, is more effective than purely formulaic criteria.

IFML has not yet been authorised as an AIFM for a full performance period and, pursuant to the FCA's Finalised Guidance, quantitative AIFM remuneration disclosures are not included in this report as the available partial-year information would not be representative. IFML will disclose quantitative AIFM remuneration data for the first full performance year available, which will be the year ending 31 December 2015.

The Alternative Investment Fund Managers Directive requires the AIFM to set limits for, and to monitor, 'gross leverage' and 'commitment leverage' (see glossary) for each AIF it manages. The limits the Manager has set for the Company are 250% and 200%, respectively. The leverage calculated for the Company at the year end was 105.9% for both methods.

Internal Financial and Non-Financial Controls

The Directors acknowledge that they are responsible for ensuring that the Company maintains a sound system of internal financial and non-financial controls ('internal controls') to safeguard shareholders' investments and the Company's assets.

The Company's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Company's investment objective and/or adhere to the Company's investment policy and/or investment limits. The system can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

DIRECTORS' REPORT
continued

The Manager and custodian maintain their own systems of internal controls and the Board and the Audit Committee receive regular reports from the Internal Audit and Compliance Departments of the Manager. Formal reports are also received annually on the internal controls and procedures in place for the operation of secretarial and administrative, custodial, investment management and accounting activities.

The Board meets regularly, at least five times a year. It reviews financial reports and performance against approved forecasts, relevant stock market criteria and the Company's peer group, amongst other things. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems is reviewed at least annually against risk parameters approved by the Board. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from its review. No significant failings or weaknesses occurred during the year ended 30 September 2014 or subsequently up to the date of this annual financial report.

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

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the signing of the balance sheet. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses. The Directors also considered the revenue forecasts for the forthcoming year and future dividend payments in concluding on the going concern basis.

Greenhouse Gas Emissions

The Company has no employees or property, it does not combust any fuel or operate any facility. The Company does not purchase electricity, heat, steam or cooling for its own use. Accordingly, the quantifiable amount of carbon dioxide equivalent produced by the Company annually is zero tonnes. All services are outsourced on a fee basis that is independent of any energy expended on its behalf and it is not practical for the Company to attempt to quantify emissions in respect of such proxy energy use.

Capital Structure

At both the beginning and end of the year, the Company's issued share capital consisted of 13,518,799 ordinary shares of 50p each and 250,000 5% cumulative preference shares of £1 each.

The Board has resolved that should the opportunity arise to issue shares, the fair value measure of NAV is the appropriate reference to use when agreeing the issuance price. The Directors will be seeking to renew their powers to issue new shares at the forthcoming Annual General Meeting.

Rights Attaching to the Ordinary Shares

The profits of the Company available for distribution and resolved to be distributed, subject to the provisions of UK law, shall be distributed by way of dividends to the holders of the ordinary shares. On a return of capital on liquidation, the assets of the Company shall be applied in repaying a sum equal to the nominal capital paid up or credited as paid up on the ordinary shares. The remaining balance shall be distributed rateably among the holders of the ordinary shares according to the number of shares held by them.

At a general meeting of the Company every ordinary shareholder has one vote on a show of hands and on a poll one vote per £1 nominal held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or in person in relation to resolutions to be passed at a general meeting. Except that the Directors can restrict voting powers (and dividends) where shareholders fail to provide information in respect of interests in voting rights when so requested.

Rights Attaching to the 5% Cumulative Preference Shares

Twice annually, on the last business days in March and September, the Company pays a fixed dividend of 2.5% in respect of the preference shares, a total of 5%. The holders of preference shares receive their fixed dividend before any dividends are paid to the holders of ordinary shares. Should the Company not be able make timely dividend payments, the dividends of cumulative preference shares will accrue. In the event of liquidation, the preference shares take precedence over ordinary shares, so that preferred shareholders have the first claim on the Company's assets and are paid off before the ordinary shareholders, receiving the nominal value of their preference shares and any outstanding dividends. Like ordinary shares, preference shares represent partial ownership in the Company, but holders of preference shares do not enjoy any of the voting rights of ordinary shareholders.

Restrictions on the Transfers of Ordinary or Preference Shares

The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Conduct Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open or proper basis. As at 30 September 2014, the Company's issued share capital did not include any ordinary or preference shares that were not fully paid.

The Directors may refuse to register any transfer of a share in favour or more than four persons jointly. The Company is not aware of any other restrictions on the transfer of shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example insider trading laws). The Company is also not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Substantial Holdings in the Company

The Company was aware of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	AS AT 31 OCTOBER 2014		AS AT 30 SEPTEMBER 2014	
	HOLDING	%	HOLDING	%
Investec Wealth & Investment	1,807,333	13.4	1,796,006	13.3
Brewin Dolphin	1,537,347	11.4	1,543,951	11.4
Rathbones	743,927	5.5	736,077	5.5
Speirs & Jeffrey	707,176	5.2	712,586	5.3
Charles Stanley	653,745	4.8	651,032	4.8
JM Finn	538,313	4.0	536,933	4.0

Disclosures Required by Listing Rule 9.8.4

The following disclosures are made in compliance with the requirements of Listing Rule 9.8.4. No disclosure is made for parts of the rule that are not applicable to the Company, eg. in respect of subsidiaries.

During the year to 30 September 2014:

- the Company did not capitalise any interest;
- the Company did not publish any unaudited financial information in a class 1 circular, prospectus, or any profit forecast or profit estimate;
- the Company did not operate a long term incentive scheme;
- No director of the Company waived or agreed to waive any emoluments or future emoluments;
- No equity securities were allotted;
- No contracts of significance subsisted to which the Company was a party and in which a Director of the Company was materially interested;
- the Company did not have a controlling shareholder (who controls on their own, or together with another acting in concert, 30% or more of the votes); and
- no shareholder waived or agreed to waive any dividends or future dividends.

DIRECTORS' REPORT
continued

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the half-year and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the daily calculation and publication, via the regulatory information service, of the net asset value of the Company's ordinary shares and by monthly and daily fact sheets produced by the Manager. At each AGM, a presentation is made by the portfolio manager following the business of the Meeting and shareholders have the opportunity to communicate directly with the whole Board. There is a regular dialogue between the Manager and institutional shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. General presentations to institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and institutional and other shareholders are reported to the Board.

It is the intention of the Board that the Annual Financial Report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so in writing, to the Company Secretary at the correspondence address given on page 65. At other times, the Company responds to any letters from shareholders. Shareholders can also visit the Manager's investment trust website: *www.invescoperpetual.co.uk/investmenttrusts* in order to access copies of half-year and annual financial reports; shareholder circulars; Company factsheets; regulatory announcements; and ISA and savings scheme literature. Shareholders are also able to access copies of the schedule of matters reserved for the Board and the terms of reference of the Audit Committee and the Nomination Committee and, following any shareholders' general meetings, proxy voting results.

Individual Savings Account (ISA)

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

Business of the Annual General Meeting

The following summarises the business of the forthcoming AGM of the Company, which is to be held on 22 January 2015 at 11.00 am. The notice of the AGM and related notes can be found on pages 60 to 63. All resolutions are ordinary resolutions unless otherwise identified.

Resolution 1 is for members to receive this Annual Financial Report, including the financial statements and Auditor's report.

Resolution 2 is to approve the Annual Statement and Report on Remuneration. It is mandatory for listed companies to put their Annual Statement and Report on Remuneration to an advisory shareholder vote. The Annual Statement and Report on Remuneration is set out on pages 22 to 24 of this Annual Financial Report.

Resolutions 3 to 7 are to re-elect the Directors. Biographies of the Directors can be found on page 16.

Resolution 8 is to appoint the Auditor and to authorise the Directors to determine the Auditor's remuneration. PricewaterhouseCoopers LLP have expressed their willingness to continue to hold office until the conclusion of the next annual general meeting of the Company.

Special Business

Resolution 9 is to renew the Directors' authority to allot shares, which expires at this AGM. Your Directors are asking for authority to allot new ordinary shares up to an aggregate nominal value of £2,253,133 (one third of the Company's issued share capital at 24 November 2014). This will allow Directors to issue shares within the prescribed limits should opportunities to do so arise that they consider would be in shareholders' interests. This authority will expire at the AGM in 2016.

Special Resolution 10 is to renew the authority to disapply pre-emption rights. Your Directors are asking for authority to issue new ordinary shares for cash up to an aggregate nominal value of £675,939 (10% of the Company's issued share capital as at 24 November 2014), disapplying pre-emption rights. This will allow shares to be issued to new shareholders without them first having to be offered to existing shareholders, thus broadening the shareholder base of the Company. This authority will not be exercised at a price below NAV (with debt at fair value) and will expire at the AGM in 2016.

Special Resolution 11 is to renew the authority for the Company to purchase its own shares, which expires at this AGM. Your Directors are seeking authority for the purchase of up to 14.99% of the Company's issued ordinary share capital as at the date of the AGM, subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2016. Your Directors are proposing that shares bought back by the Company either be cancelled or, alternatively, held as treasury shares with a view to their resale, if appropriate, or later cancellation. Any resale of treasury shares will only take place on terms that are in the best interests of shareholders. The current authority (to buy back up to 2,026,467 shares) expires at the AGM and had not been utilised to the date of this report.

Special Resolution 12 is to permit the Company to hold general meetings (other than annual general meetings) on 14 days notice, which is the minimum notice period permitted by the Companies Act 2006. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless two conditions are met. The first condition is that the company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is intended that this flexibility will be used only where the Board believes it is in the interests of shareholders as a whole

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

By order of the Board

Invesco Asset Management Limited
Company Secretary

6th Floor, 125 London Wall
London EC2Y 5AS

25 November 2014

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting of Keystone Investment Trust plc will be held at the offices of Invesco Perpetual at 43-45 Portman Square, London W1H 6LY at 11 am on 22 January 2015 for the following purposes:

Ordinary Business

1. To receive the Annual Financial Report for the year ended 30 September 2014.
2. To approve the Annual Statement and Report on Remuneration.
3. To re-elect Mrs Beatrice Hollond a Director of the Company.
4. To re-elect Mr Ian Armfield a Director of the Company.
5. To re-elect Mr William Kendall a Director of the Company.
6. To re-elect Mr Peter Readman a Director of the Company.
7. To re-elect Mr John Wood a Director of the Company.
8. To appoint PricewaterhouseCoopers LLP as auditor to the Company and authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions of which Resolution 9 will be proposed as Ordinary Resolution and Resolutions 10, 11 and 12 will be proposed as Special Resolutions.

9. THAT:

   the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this Resolution (the 'Act') to exercise all powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount (within the meaning of Sections 551(3) and (6) of the Act) of £2,253,133, such authority to expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this Resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this Resolution had not expired.

10. THAT:

    the Directors be and they are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this Resolution (the 'Act') to allot equity securities for cash or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, pursuant to the authority given by Resolution 9 set out above, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

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

(b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £675,939; and

(c) to the allotment of equity securities at a price not less than the net asset value per share calculated with debt at fair value

and this power shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this Resolution, whichever is the earlier, but so that this power shall allow the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry as if the power conferred by this Resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this Resolution.

11. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 ('the Act') to make market purchases (within the meaning of Section 693(4) of the Act) of its issued ordinary shares of 50p each ('Shares').

PROVIDED ALWAYS THAT:

(a) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of the Company's issued ordinary shares on 22 January 2015, being the date of the Annual General Meeting (equivalent to 2,026,467 shares at 24 November 2014);

(b) the minimum price which may be paid for a Share shall be 50p;

(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;

(e) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or, if earlier, on the expiry of 15 months from the passing of this Resolution unless the authority is renewed at any other general meeting prior to such time; and

(f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

12. THAT:

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

Please refer to the Directors' Report on pages 58 and 59 for further explanations of all the Resolutions.

Dated this 25th November 2014

By order of the Board

Invesco Asset Management Limited
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING
continued

Notes:

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

   - via Capita Asset Services' website *www.capitashareportal.com*; or
   - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or
   - In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

   and in each case to be received by the Company not less than 48 hours before the time of the meeting.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with 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 provider(s) 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 (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST proxy instruction) does not prevent a member from attending and voting at this meeting.

   To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by not later than 11 am on 20 January 2015.

4. A person entered on the Register of Members at close of business on 20 January 2015 ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.

5. The Register of Directors' Interests, the Schedule of Matters Reserved for the Board, the Terms of Reference of the Audit Committee and the Nomination Committee and the Letters of Appointment for Directors will be available for inspection at the Company's AGM.

6. A copy of the Articles of Association is available for inspection at the Registered Office of the Company during normal business hours on Monday to Friday (excluding public holidays) and will also be available at the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

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

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

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

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

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

11. As at 24 November 2014 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 13,518,799 ordinary shares of 50p each carrying one vote for every £1 nominal held; and 250,000 5% Cumulative Preference Shares of £1 each carrying no voting rights.

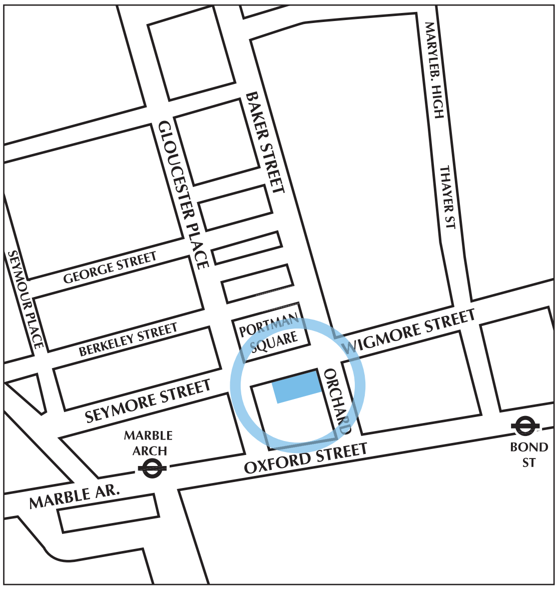
12. This notice is sent for information only to the holders of the 7.75% Debenture Stock (redeemable 1 October 2020), 6.5% Debenture Stock (redeemable 27 April 2023) and 5% Cumulative Preference Shares, who are not entitled to attend and vote at the meeting.

13. A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at *www.invescoperpetual.co.uk/investmenttrusts*

14. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006 (the '2006 Act'), the company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning on 1 October 2013; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 October 2013 ceasing to hold office since the previous meeting at which annual financial reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant Annual General Meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

The Annual General Meeting will be held at 11 am on 22 January 2015 at the offices of Invesco Perpetual at 43-45 Portman Square, London W1H 6LY. The Manager will be giving a presentation following the Annual General Meeting.

Map of venue



SHAREHOLDER INFORMATION

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

Savings Plan and ISA

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

Keystone Investment Trust plc is also a participant in the Invesco Perpetual Investment Trust Savings Scheme and ISA. Shares in this Company can be purchased and sold via these two schemes.

Invesco Perpetual Investment Trust Savings Scheme

The Invesco Perpetual Investment Trust Savings Scheme allows investors to make purchases from £20 per month or through lump sum investments from £500.

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to £15,000 in shares of Keystone Investment Trust plc in the 2014/15 tax year. Investors can also choose to make lump sum investments from £500, or regular investments from £20 per month.

For further details of these Invesco Perpetual investment schemes please contact the Invesco Perpetual Investor Services Team free on ☎ 0800 085 8677.

Net Asset Value (NAV) Publication

The NAV of the Company's ordinary shares is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the next business day. Estimated NAVs are published daily in the newspapers detailed under Share Price Listings.

Manager's Website

Information relating to the Company can be found on the Manager's website, www.invescoperpetual.co.uk/investmenttrusts.

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

Share Price Listings

The price of your shares can be found in the Financial Times, Daily Telegraph and The Times.

In addition, share price information can be found using the KIT.L ticker code

Internet addresses

Invesco Perpetual	www.invescoperpetual.co.uk/investmenttrusts
Association of Investment Companies	www.theaic.co.uk

Financial Calendar

The timing of the announcement and publication of the Company's results and dividends may normally be expected in the months shown below:

November
Annual results and second interim dividend for year announced.
Annual Financial Report published.

December
Second interim dividend paid.

January
Annual General Meeting.

May
Half-year figures announced and half-year financial report published.

June
First interim dividend paid.

Interest on the debenture stocks is generally paid in April and October. See note 12 for more information.

ADVISERS AND PRINCIPAL EXTERNAL SERVICE PROVIDERS

Registered Office and Company Number

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

Registered in England and Wales.
Number: 538179.

Manager

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial Contact: Nira Mistry.

Correspondence Address

125 London Wall
London EC2Y 5AS.
☎ 020 3753 1000.

Invesco Perpetual Investor Services

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

Savings Scheme and ISA Administrators

For queries relating to both the Invesco Perpetual Investment Trust Savings Scheme and ISA please contact:

Invesco Perpetual
P.O. Box 11150
Chelmsford CM99 2DL
☎ 0800 085 8677.

The Association of Investment Companies

The Company is a member of the Association of Investment Companies.

Contact details are:
☎ 020 7282 5555
Email: enquiries@theaic.co.uk
Website: www.theaic.co.uk

Depositary

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

Custodian

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

Independent Auditor

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT.

Registrars

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

If you hold your shares directly and not through a savings scheme or ISA and have queries relating to your shareholding you should contact the Registrars
☎ 0871 664 0300.
Calls cost 10p per minute plus network charges.

From outside the UK: +44 208 639 3399.
Lines are open 9.00am to 5.30pm
Monday to Friday (excluding Bank Holidays).

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

Capita Asset Services provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at
www.capitadeal.com or
☎ 0871 664 0454.
Calls cost 10p per minute plus network charges.

From outside the UK: +44 203 367 2699.
Lines are open 8.00am to 4.30pm
Monday to Friday (excluding Bank Holidays).

GLOSSARY OF TERMS

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities for which the Company is responsible (for example, money owed). The NAV is also described as 'shareholders' funds'. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand for and supply of the shares.

Discount

A description of the situation when the share price is lower than the NAV per share. The size of the discount is calculated by subtracting the share price from the NAV per share and is expressed as a percentage (%) of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

Total Return

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Performance comparisons can then be made between companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (to give share price total return) or the company's assets (to give NAV total return).

Gearing

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which shareholders' funds are geared; a nil gearing percentage, or 'nil', shows a company has no borrowings.

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

Gross Gearing

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

Net Gearing

This reflects the amount of net borrowings invested, ie borrowings less cash and bond holdings. It is based on net borrowings as a percentage of shareholders' funds.

Leverage

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

Ongoing Charges

The annualised ongoing charges, including those charged to capital but excluding interest, incurred by the Company, expressed as a percentage of the average undiluted net asset value (with debt at fair value) in the period reported.

Invesco Perpetual

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

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

Invesco is one of the largest independent global investment management firms, with funds under management of $790.3 billion.*

We aim to provide the highest returns available from markets, through active management, but in a controlled manner, conscious of the risks involved and within our clients' objectives.

** Funds under Management as at 31 October 2014.*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust Limited

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

Invesco Income Growth Trust plc

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

Invesco Enhanced Income Limited

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

Invesco Perpetual Select Trust plc – Managed Liquidity Portfolio

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

Invesco Perpetual Select Trust plc – UK Equity Portfolio

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

Keystone Investment Trust plc

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

Perpetual Income and Growth Investment Trust plc

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

The Edinburgh Investment Trust plc

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

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

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

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

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

Investing Internationally

Invesco Asia Trust plc

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

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

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

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

Aims to provide shareholders with an attractive total return in differing economic and inflationary environments and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

The portfolio is constructed so as to balance risk, is long-only, using mainly transparently-priced exchange-traded futures contracts and other derivative instruments to gain such exposure and to provide leverage.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

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

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

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

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