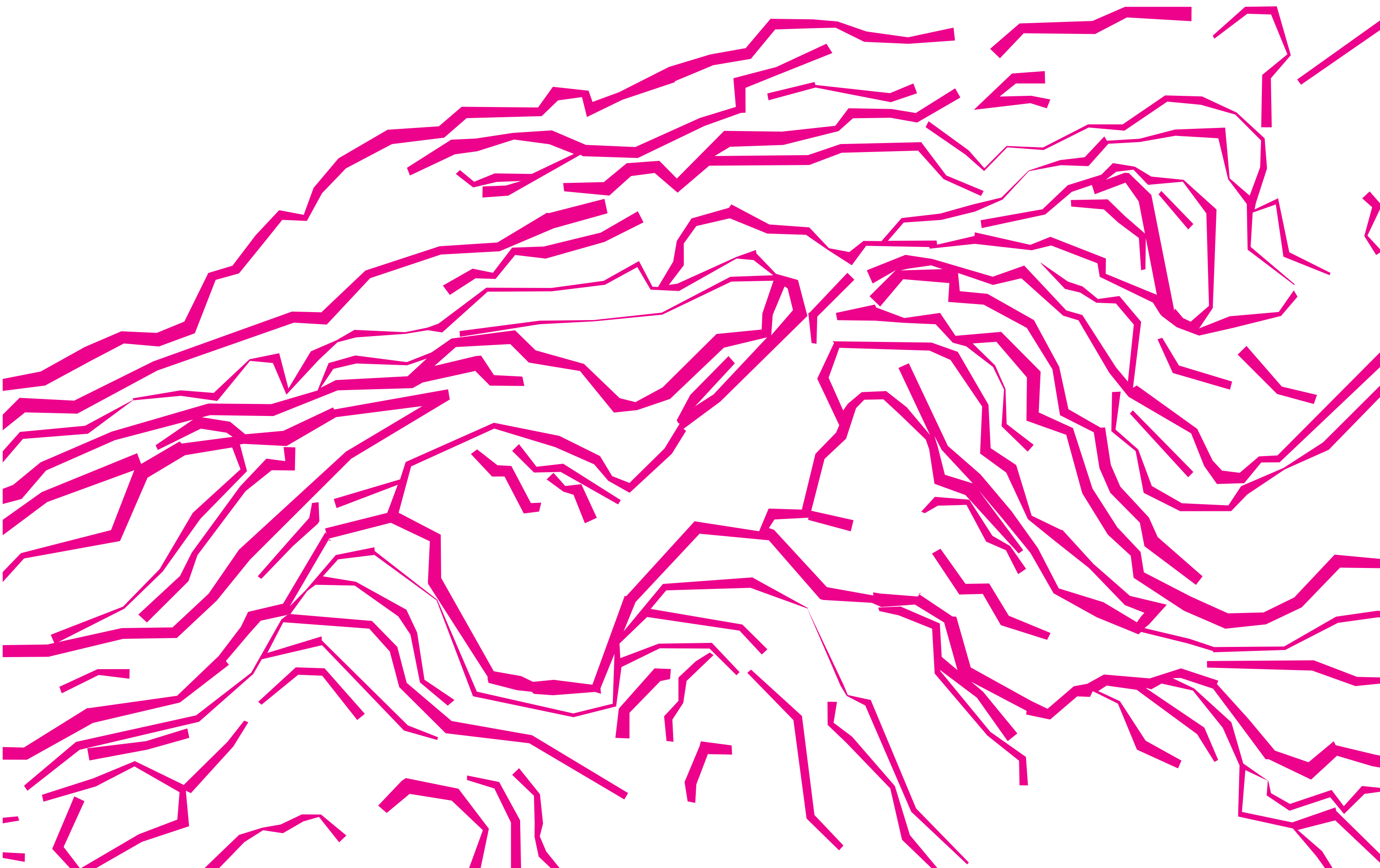
Invesco Perpetual Select Trust plc

Annual Financial Report

Year Ended 31 May 2012

Invesco Perpetual Select Trust plc

Annual Financial Report 2012



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

☎ 0800 085 8677
www.invescoperpetual.co.uk/investmenttrusts

Front Cover: Close up of Mica Crystals

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The Company is a member of

aic
The Association of Investment Companies

Invesco Perpetual Select Trust plc (the 'Company') is an investment trust which is intended as a long-term investment vehicle for investors and has an indefinite life.

The Company provides shareholders with a choice of investment policies and objectives, each intended to generate attractive risk-adjusted returns from segregated portfolios.

The Company's share capital currently comprises the following four classes of Shares each of which has its own separate Portfolio of assets and liabilities:

- UK Equity
- Global Equity Income (formerly Global Equity)
- Balanced Risk (formerly Hedge Fund)
- Managed Liquidity

Investment Policy

The Company's Investment Policy, which includes the investment objectives, policies and risks and investment limits for the Company and the separate Portfolios is disclosed in full on pages 30 to 33. Within this report, the investment objective for each Portfolio is shown at the start of the applicable Portfolio Manager's Report.

Share Class Conversion

The Company enables shareholders to tailor their asset allocation to reflect their view of prevailing markets through the opportunity to convert between share classes every three months.

Shares are convertible at the option of holders into any other class of Share on or around 1 February, 1 May, 1 August and 1 November each year.

Notice from a shareholder to convert any class of Share on any conversion date will be accepted up to ten days prior to the relevant conversion date.

Forms for conversion are available on the Manager's website: www.invescoperpetual.co.uk/ipst and from the Company Secretary.

Conversion from one class of Shares into another will be on the basis of a ratio derived from the prevailing underlying net asset value of each class of relevant Share, calculated shortly before the date of conversion.

The Directors have been advised that conversion of one class of Share into another will not be treated as a disposal for the purposes of UK Capital Gains Tax.

FINANCIAL PERFORMANCE

CUMULATIVE TOTAL RETURNS TO 31 MAY 2012

UK EQUITY PORTFOLIO

	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	–1.0%	52.3%	14.1%
Share Price	–3.4%	47.9%	14.6%
FTSE All-Share Index	–8.0%	36.1%	–3.5%

GLOBAL EQUITY INCOME PORTFOLIO

The name and objective of this Portfolio were changed with effect from 30 November 2011.

	SINCE 30 NOVEMBER 2011	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	3.1%	–8.6%	26.4%	7.9%
Share Price	7.5%	–8.0%	25.1%	11.4%
MSCI World Index (£)	2.9%	–4.8%	35.6%	4.4%

BALANCED RISK PORTFOLIO

The name and objective of this Portfolio were changed with effect from 8 February 2012.

	SINCE 8 FEBRUARY 2012	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	0.0%	–8.0%	–1.9%	–7.0%
Share Price	1.1%	–12.4%	–5.2%	–12.0%
3 month LIBOR +5% pa	1.9%	5.9%	17.6%	39.4%

MANAGED LIQUIDITY PORTFOLIO

	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	0.8%	4.2%	12.4%
Share Price	0.3%	1.7%	12.5%

Source: Thomson Reuters Datastream.

CHAIRMAN'S STATEMENT

The Company

The Company's investment objective is to provide shareholders with a choice of investment strategies and policies, each intended to generate attractive risk-adjusted returns.

The Company's share capital comprises four share classes: UK Equity Shares, Global Equity Income (formerly Global Equity) Shares, Balanced Risk (formerly Hedge Fund) Shares and Managed Liquidity Shares, each of which has its own separate portfolio of assets and attributable liabilities.

Shareholders approved changes to the Global Equity and Hedge Fund Portfolios at a General Meeting held on 15 November 2011 (the UK Equity and Managed Liquidity Portfolios were not affected).

Transition to the new Global Equity Income investment objective and policy was completed on 30 November 2011 and the Balanced Risk strategy was implemented on 8 February 2012.

The current investment objectives and policies of all of the Portfolios are set out on pages 30 to 33.

The Company enables shareholders to tailor their asset allocation to reflect their view of prevailing market conditions. As set out on page 1, shareholders have the opportunity every three months to convert between share classes capital gains tax free.

Performance

The year to 31 May 2012 was dominated by Eurozone sovereign debt and associated banking issues. Markets were extremely unsettled throughout and were particularly weak in the autumn, which coincided with our half-yearly report, rebounding somewhat subsequently.

After two very good years for equity market performance worldwide, which almost exactly matched your Company's reporting periods, the last year saw a marked reversal with equity markets in the UK and the rest of the world falling by 8% and 4.8%, respectively. It was not altogether surprising to experience a setback after a very strong rise. However, the underlying causes were of considerable concern. Central banks have striven to ensure that easy money conditions prevailed for the whole of the period, making it attractive in principle to acquire longer-dated and riskier assets. However, the intensification and relentless nature of the difficulties of the Eurozone single currency with its associated implications for banking solvency have caused great unease, which has been reflected both in a flight to the most secure assets, even at very high prices, and in a slowdown in economic activity with implications for equity profits. The result within equity markets has been a concentration on the most defensive companies and an emphasis on current yield. We have been successful in capturing this in the UK Equity Portfolio and more recently, following the change in objective, in the Global Equity Income Portfolio.

In NAV terms, the UK Equity Portfolio returned –1.0% over the year, largely preserving value for shareholders in a year that saw the FTSE All-Share Index post a total return of –8.0%.

The objective of the Global Equity Portfolio was changed midway through the year, moving to a more income oriented strategy following the shareholder vote in November. In NAV terms, over the year as a whole the Portfolio returned –8.6% compared with an MSCI World Index (£) total return of –4.8%. Breaking this down, the NAV total return for first six months of the year before the strategy changed, was –11.4%, compared with the then benchmark MSCI AC World Index (£) total return of –8.4%. The Portfolio NAV total return in the subsequent six months to 31 May 2012 was +3.1%, which is in line with the new, and slightly better performing benchmark, MSCI World Index (£) return of +2.9%. This is a good start for the new strategy, vindicating our decision to change and boding well for the future. Since the change in strategy we have declared dividends of 2.5p, including the first interim dividend of 1p for the next financial year which is payable on 17 August 2012, broadly in line with our annualised 3.5% yield target as stated in the circular to shareholders dated 14 October 2011.

The Hedge Fund Portfolio was also changed during the year, but due to the extended notice required to liquidate hedge fund assets the new Balanced Risk strategy commenced later, on 8 February 2012. Over the year as a whole the Portfolio returned –8.0% compared with the total return of its original benchmark of 3 months LIBOR plus 5% per annum of +5.9%. The Portfolio's return over the year was entirely attributable to the Hedge Fund strategy, with the new Balanced Risk strategy recording no gain or loss during the period from 8 February to 31 May 2012. The Balanced Risk return during this latter short period did not match the 3 months LIBOR plus 5% benchmark return of +1.9% but comfortably outperformed the "60/40 World Balanced" composite benchmark (comprising 60% MSCI

World Equity Index and 40% Barclays Aggregate Bond Index), which returned –4.1% over the period. The new strategy has not been in place long enough to draw firm conclusions from this but, given the prevailing market conditions, the outlook for the strategy is promising.

The Company's more secure Managed Liquidity Shares continued to perform as expected in the continuing low interest environment, with an NAV total return of +0.8%.

Outlook

The Board is confident that with the changes made in November we now have Share classes matching our aspiration to provide a range of attractive investment solutions for existing and prospective shareholders and that all offer advantages to holders in the current unsettled market conditions.

The economic and political environment which dominated the last financial year still remains the dominant influence on markets. It therefore seems likely that there will continue to be a very relaxed world-wide monetary policy with a very steep yield curve. This is highly supportive to equities, especially those which offer significant extra yield compared with good quality bond markets. However, monetary ease is not translating into credit growth. Banks are under pressure to strengthen balance sheets, companies are worried about final demand and households are still reducing their overall indebtedness while governments, perversely in some cases, refuse to accept the obvious need for sector flows of funds to balance in an economy. Meanwhile, the euro epic, after 19 emergency summits, is still playing to packed houses with no clear indications of how the political and economic interests involved can be reconciled. The only significant good news is to be found in price changes. The fall in commodity prices, especially energy, is helping household real incomes and improving the overseas sectors for Western economies and the rise in Chinese wages is also helping to reduce external imbalances.

Against this prospective background, the policy in our two equity classes of concentrating on high quality, relatively defensive, companies with strong cash generation and decent yields seems highly appropriate. Balanced Risk provides much more diversified exposure with lower volatility, while Managed Liquidity has proved to be very competitive with cash deposits.

Share Class Conversions

The Company enables shareholders to tailor their asset allocation to reflect their views of prevailing market conditions. Shareholders have the opportunity to convert their holdings of Shares into any other class of Share, without incurring any tax charge (under current legislation). The conversion dates for the forthcoming year are as follows: 1 August 2012; 1 November 2012; 1 February 2013; and 1 May 2013. Should you wish to convert shares at any of these dates, conversion forms, which are available on the Manager's website at www.invescoperpetual.co.uk/ipst, or CREST instructions must be received at least 10 days before the relevant conversion date.

Dividend Policy

It is the Directors' policy to distribute substantially all net revenues earned for each share class during the period between conversion dates. Accordingly, dividends on the UK Equity, Global Equity Income and Managed Liquidity Shares, which will vary from year to year depending on net portfolio income, will be declared quarterly. In order to maximise the capital return on the Balanced Risk Shares, the Directors only intend to declare dividends on the Balanced Risk Shares to the extent required, having taken into account the dividends paid on the other Share classes, to maintain the Company's status as an investment trust.

Share Capital Movements

During the year to 31 May 2012, the Company purchased and placed in treasury 598,000 UK Equity Shares, 272,000 Global Equity Income Shares, 497,000 Balanced Risk Shares and 1,126,716 Managed Liquidity Shares. No Shares were cancelled from treasury in the financial year. Since the year end a further 300,000 Managed Liquidity Shares were purchased and placed in treasury. The Board intends to use the Company's buy back authorities when this will benefit existing shareholders as a whole, and will ask shareholders to renew the authorities as and when appropriate.

Corporate Governance

The Board remains committed to maintaining high standards of Corporate Governance and is accountable to you as shareholders for the governance of the Company's affairs. The Directors believe that, during the year to 31 May 2012, they have complied with the provisions of the AIC Code of Corporate Governance, save in respect of matters discussed in the Corporate Governance section of the Report of the Directors, commencing on page 40. In the view of the Directors your Board has an appropriate balance of skills, experience and length of service and they consider its size and composition to be effective in the governance of the Company.

Annual General Meeting ('AGM')

The business of the AGM is summarised in the Report of the Directors on pages 48 and 49. The meeting will be held at 30 Finsbury Square, London, EC2A 1AG at 11.30am on 3 October 2012 and shareholders are cordially invited to attend. Refreshments will be provided and there will follow a fund manager presentation in respect of the Global Equity Income Portfolio. The Board recommends that shareholders vote in favour of all resolutions as each of the Directors intend to do in respect of their own Shares. Shareholders attention is drawn in particular to resolution 8, which is to amend the Company's Articles of Association. The change is prompted by the introduction of new investment trust tax rules, which came into effect for the Company on 1 June 2012 and which, amongst other things, no longer prohibit investment trust companies from distributing capital profits by way of dividend. The proposed amendment will enable the Company to take advantage of the added flexibility allowed by the new rules. However, the Directors have no current intention to declare dividends payable from capital reserves.

Patrick Gifford
Chairman

25 July 2012

UK EQUITY SHARE PORTFOLIO FIVE YEAR RECORD

Total Return

	2012	2011	2010	2009	2008
Net Asset Value	–1.0%	28.1%	20.0%	–20.0%	–6.3%
Share Price	–3.4%	27.5%	20.1%	–20.3%	–2.8%
FTSE All-Share Index	–8.0%	20.4%	22.9%	–23.7%	–7.1%

Revenue return per share	4.20p	4.10p	3.70p	3.30p	3.30p
Dividend	4.25p	4.20p	3.80p	3.45p	2.70p

Source: Thomson Reuters Datastream.

Five Year Total Return

Rebased to 100 at 31 May 2007

UK EQUITY SHARE PORTFOLIO MANAGER'S REPORT

Investment Objective

The investment objective of the UK Equity Share Portfolio is to provide shareholders with an attractive real long-term total return by investing primarily in UK quoted equities.

Market and Economic Review

After two consecutive 12 month periods with returns of over 20%, the UK stock market retreated over the past year, delivering a return of –8%. The optimistic mood in which markets had started 2011 diminished as the year progressed and global events, particularly the Eurozone sovereign debt and banking crisis, dominated UK stock market sentiment. Stock price volatility remained an on-going feature of the returns from the market over this period.

The stock market saw a strong recovery into the end of 2011, driven by a significant shift in policy by the European Central Bank, which announced its longer-term refinancing operation. This provided liquidity to the banking system and was seen as removing the near term risk of a major European banking crisis. The pattern initially continued into 2012, but the second quarter of 2012 saw optimism waning as doubts re-emerged about the strength of the global economy and, particularly, about the Eurozone debt crisis.

Portfolio Strategy and Review

On a total return basis, the Net Asset Value of the UK Equity Share class fell by 1% during the 12 months to the end of May 2011, compared to a fall of 8% in the FTSE All-Share index.

Against such a turbulent stock market backdrop, the positioning of the portfolio mitigated a large amount of the volatility while also protecting capital value.

Positive contributions to performance came from across the range of the portfolio's largest investments in companies that have historically exhibited dependable earnings and dividend growth. The tobacco sector, particularly the holdings in British American Tobacco and Reynolds American, continued to deliver outperformance as investors again focused on the sector's reliable characteristics and cash flow.

Other individually strong returns come from the portfolio's holdings in BTG, Babcock International and International Power. BTG announced that its drug Varisolve, a new treatment for varicose veins, had been successful in its second and final phase III trial in the US and that the benefits of the acquisitions over the past few years were starting to have a positive effect. Babcock is benefiting from its significant exposure to defence outsourcing in the UK and raised guidelines for earnings forecasts on the back of a strong order book and bid pipeline. International Power meanwhile was subject to a takeover bid from GDF Suez.

The relative performance of the portfolio also benefited from not having any exposure to the mining sector. This sector fell sharply over the 12 months as concerns over the outlook for global economic growth weighed on metal prices and profit forecasts within the sector.

News over the period from the portfolio's major holdings was mostly positive. This was not, however, the case for Tesco. The company's trading update and profit warning in January suggested that too much confidence had been placed in the business's ability to cope with the economic headwinds and also a realisation that some of the company's investment decisions of recent years have not created the value originally envisaged. For example, the programme to build much larger stores to cope with an expanding product range has coincided with a boom in internet shopping.

There was also disappointing news from the investment in Chemring, which announced that unexpected delays in customer orders would affect full year revenues and profits. A negative impact on performance came from the holding in Homeserve, the share price of which fell sharply on news last October that, following an independent review, the company had decided to suspend part of its sales operation pending a re-training of its telephone sales staff.

In terms of portfolio activity, it is noteworthy that overall activity was limited as the portfolio manager's views on the UK stock market and the wider economy were largely unaltered. The position in Tesco was sold for the reasons outlined above and the holdings in Balfour Beatty, Daily Mail & General Trust, Landkom and Renovo were also sold. New investments were made in Carnival, Lancashire Holdings, Novartis, Reed Elsevier, Regus and Thomas Cook.

UK EQUITY SHARE PORTFOLIO MANAGER'S REPORT

CONTINUED

Outlook

In many respects the recent performance of the UK stock market has borne a strong similarity to the same period of a year ago. It is likely that the similarities will continue for the foreseeable future as there remains a high correlation between equity market returns and Government stimulus measures in the form of quantitative easing or central bank liquidity schemes. The market will remain extremely sensitive to changes in the future direction of this kind of stimulus.

However, it has become increasingly clear that the equity asset class in this environment is highly attractive relative to bonds or cash, notwithstanding the extra volatility which accompanies it. Through this period of market volatility, the underlying performance of the companies within the market has begun to polarise, whereby companies with specific characteristics have become more highly valued. These characteristics include earnings reliability, financial strength, sustainable growing dividends and geographic diversification. The portfolio benefits from the relative strength of the UK stock market in terms of the number of large companies that exhibit these features and increasingly within the mid-caps as well. We will also continue to take advantage of selected overseas equities which fit these criteria.

It is likely that the re-rating of these stocks will be maintained against a backdrop of mediocre growth in the economics of the developed world, the intractable nature of the debt problem in these economies and the glacial pace at which incumbent governments are acting. It may well be the case that, given the volatile nature of equity markets in the short term, a higher proportion of the shareholders' return will be received in the form of income. However, the risk of owning these stocks is low and the inherent nature of markets means that undervalued companies delivering a sustainably growing level of dividend income will not remain unnoticed indefinitely.

Mark Barnett
Portfolio Manager
Invesco Asset Management Limited

25 July 2012

UK EQUITY SHARE PORTFOLIO
LIST OF INVESTMENTS

AT 31 MAY 2012

Ordinary shares listed in the UK unless stated otherwise

COMPANY	INDUSTRY GROUP†	MARKET VALUE £'000	% OF PORTFOLIO
Reynolds American – *US common stock*	Tobacco	2,660	5.7
BT	Fixed Line Telecommunications	2,585	5.6
Imperial Tobacco	Tobacco	2,498	5.4
British American Tobacco	Tobacco	2,479	5.3
Vodafone	Mobile Telecommunications	2,239	4.8
GlaxoSmithKline	Pharmaceuticals and Biotechnology	2,031	4.4
BG	Oil and Gas Producers	1,835	3.9
AstraZeneca	Pharmaceuticals and Biotechnology	1,764	3.8
BAE Systems	Aerospace and Defence	1,629	3.5
Reckitt Benckiser	Household Goods and Home Construction	1,566	3.4
Roche – *Swiss common stock*	Pharmaceuticals and Biotechnology	1,466	3.1
Babcock International	Support Services	1,462	3.1
Hiscox	Non-life Insurance	1,237	2.7
Centrica	Gas, Water and Multiutilities	1,199	2.6
Capita	Support Services	1,086	2.3
Drax	Electricity	1,083	2.3
Provident Financial	General Financial	1,036	2.2
Pennon	Gas, Water and Multiutilities	1,000	2.1
Ladbrokes	Travel and Leisure	958	2.0
Compass	Travel and Leisure	927	2.0
BTG	Pharmaceuticals and Biotechnology	917	2.0
Amlin	Non-life Insurance	914	2.0
KCOM	Fixed Line Telecommunications	913	2.0
Novartis – *Swiss common stock*	Pharmaceuticals and Biotechnology	859	1.8
Beazley	Non-life Insurance	844	1.8
TalkTalk Telecom	Fixed Line Telecommunications	732	1.6
Serco	Support Services	725	1.6
Rentokil Initial	Support Services	711	1.5
Wm Morrison Supermarkets	Food and Drug Retailers	688	1.5
SSE	Electricity	678	1.4
Tate & Lyle	Food Producers	634	1.4
A J Bell – *Unquoted*	General Financial	625	1.3
Brown (N)	General Retailers	484	1.0
Lancashire	Non-life Insurance	457	1.0
Chemring	Aerospace and Defence	413	0.9
Carnival	Travel and Leisure	383	0.8
Filtrona	Support Services	352	0.8
Doric Nimrod Air Two	Equity Investment Instruments	314	0.7
Impax Environmental Markets	Equity Investment Instruments	311	0.7
Reed Elsevier	Media	287	0.6
Thomas Cook	Travel and Leisure	279	0.6
Homeserve	Support Services	271	0.6
Vectura	Pharmaceuticals and Biotechnology	227	0.5
XCounter AB – *Swedish common stock*	Healthcare Equipment and Services	176	0.4
Regus	Support Services	166	0.4
PuriCore	Healthcare Equipment and Services	147	0.3
Barclays Bank – *Nuclear Power Notes 28 February 2019*(1)	Electricity	119	0.3
HaloSource (AIM listed)	Chemicals	54	0.1
UK Coal	Mining	45	0.1
Ecofin Water & Power Opportunities – *6% 31 July 2016*	Equity Investment Instruments	36	0.1
Yell	Media	11	–
Helphire	Financial Services	4	–
Rolls Royce – *Preference C shares*	Aerospace and Defence	4	–
XL Techgroup	Software and Computer Services	–	–
		46,520	100.0

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

† FTSE Industry Classification Benchmark.

UK EQUITY SHARE PORTFOLIO TOP TEN INVESTMENTS

AT 31 MAY

Ordinary shares listed in the UK unless stated otherwise

	2012		2011	
	MARKET VALUE £'000	% OF PORTFOLIO	MARKET VALUE £'000	% OF PORTFOLIO
Reynolds American – *US common stock*	2,660	5.7	2,747	5.5
BT	2,585	5.6	2,444	4.9
Imperial Tobacco	2,498	5.4	2,563	5.2
British American Tobacco	2,479	5.3	2,637	5.3
Vodafone	2,239	4.8	2,211	4.4
GlaxoSmithKline	2,031	4.4	2,325	4.7
BG	1,835	3.9	2,183	4.4
AstraZeneca	1,764	3.8	2,146	4.3
BAE Systems	1,629	3.5	1,313	2.6
Reckitt Benckiser	1,566	3.4	1,495	3.0
	21,286	45.8	22,064	44.3
Total of other investments	25,234	54.2	27,670	55.7
Total value of investments	46,520	100.0	49,734	100.0

The value of the top ten investments as at 31 May 2011 amounted to £22,342,000, representing 44.9% of the total value of investments.

UK EQUITY SHARE PORTFOLIO INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	2012			2011		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Losses)/gains on investments	–	(1,471)	(1,471)	–	7,668	7,668
Foreign exchange gains	–	4	4	–	10	10
Income	2,016	8	2,024	1,878	328	2,206
Management fee	(90)	(210)	(300)	(80)	(187)	(267)
Performance fee	–	(388)	(388)	–	(111)	(111)
Other expenses	(184)	(2)	(186)	(143)	(1)	(144)
Net return before finance costs and taxation	1,742	(2,059)	(317)	1,655	7,707	9,362
Finance costs	(37)	(86)	(123)	(39)	(89)	(128)
Return on ordinary activities before tax	1,705	(2,145)	(440)	1,616	7,618	9,234
Tax on ordinary activities	(36)	–	(36)	(31)	–	(31)
Return on ordinary activities after tax for the financial year	1,669	(2,145)	(476)	1,585	7,618	9,203
Basic return per ordinary share – note 7	4.2p	(5.4)p	(1.2)p	4.1p	19.5p	23.6p

SUMMARY OF NET ASSETS

AT 31 MAY

	2012 £'000	2011 £'000
Fixed assets	46,520	49,734
Current assets	582	596
Creditors falling due within one year, excluding borrowings	(1,077)	(563)
Bank loan	(7,100)	(7,550)
Net assets	38,925	42,217
Net asset value per share	100.0p	105.3p
Gearing:		
Gross	18.2%	17.9%
Net	17.8%	17.8%

GLOBAL EQUITY INCOME (FORMERLY GLOBAL EQUITY) SHARE PORTFOLIO
FIVE YEAR RECORD

The name, objective and benchmark of this Portfolio were changed with effect from 30 November 2011.

Total Return

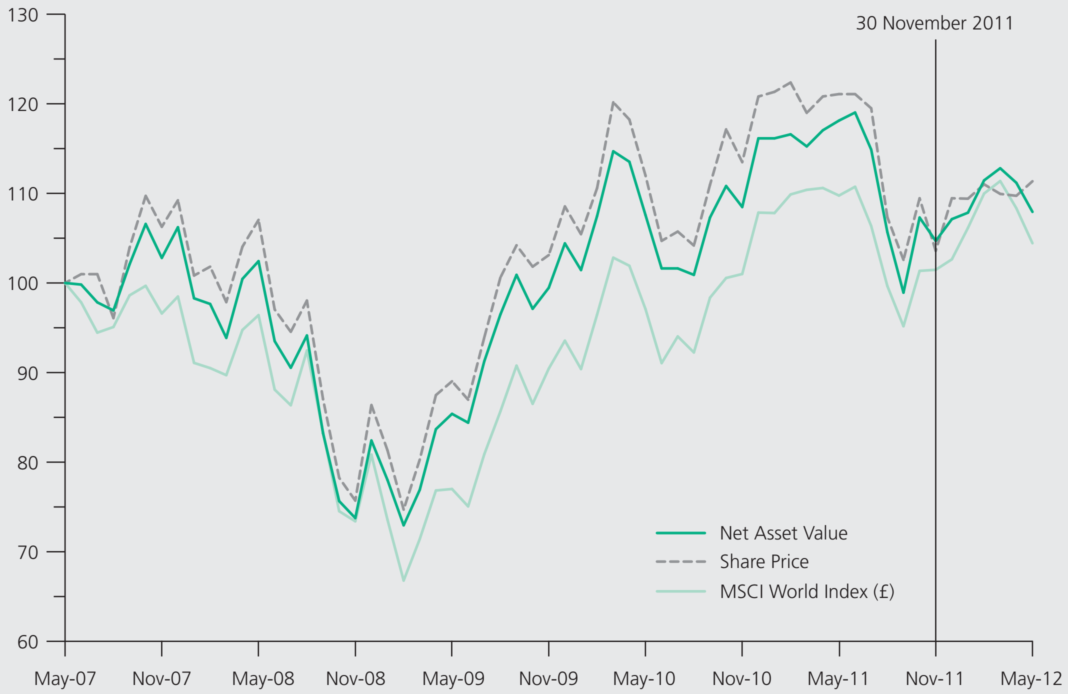
	2012	2011	2010	2009	2008
Net Asset Value	–8.6%	9.8%	26.0%	–16.6%	2.4%
Share Price	–8.0%	8.1%	25.8%	–16.8%	7.0%
MSCI World Index (£)	–4.8%	13.0%	26.1%	–20.1%	–3.6%

Revenue return per share	2.70p	2.00p	1.50p	2.10p	2.20p
Dividend	2.50p	1.70p	1.35p	2.25p	2.15p

Source: Thomson Reuters Datastream.

Five Year Total Return

Rebased to 100 at 31 May 2007



GLOBAL EQUITY INCOME (FORMERLY GLOBAL EQUITY) SHARE PORTFOLIO MANAGER'S REPORT

Investment Objective

The investment objective of the Global Equity Income Portfolio is 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.

Market and Economic Review

Global equity markets were in risk-on risk-off mode for much of the 12 months under review driven largely by European sovereign debt and banking concerns and more recently, fears of a slowdown in Chinese economic growth. The fall in equity markets in the second quarter of 2012 effectively mirrors the bearish tone which prevailed in the second half of 2011 before the European Central Bank's longer-term refinancing operation was announced. At the start of 2012 markets rallied strongly as hopes soared that a resolution to the crisis would be found. There was further relief on the improvement in US macro-economic data. However, by April 2012 the equity market rally had all but dissipated. Global macro momentum had deteriorated and political uncertainty in Europe had increased. The Greek national election provoked fevered speculation about Greece exiting the euro and the subsequent demise of the common currency, which had spooked markets. François Hollande's victory in the French presidential election also provoked much commentary, raising concerns about the direction of European economic policy. Financial markets remained volatile in May and risk assets were sold off as the Eurozone debt crisis persisted and global growth expectations continued to fall.

Portfolio performance

On a total return basis, the Net Asset Value of the Global Equity Income Share class fell by 8.6% over the 12 months to the end of May 2012, compared to a fall of 4.8% in the MSCI World Index (£, net of withholding tax).

Portfolio Strategy and Activity

At a general meeting of the Company held on 15 November 2011, shareholders passed a resolution to change the investment policy and objective of the Global Equity Share Portfolio to that shown above. The portfolio's investment management consequently transferred to Invesco Perpetual's Global Equity Income team of Paul Boyne and Doug McGraw, with the portfolio transition being completed on 30 November 2011. The reasoning behind changing from the previous capital return objective was a belief by the Directors, after consulting shareholders, that a higher and growing level of investment income from this portfolio is, and is likely to remain, a prized commodity if interest rates stay at present low levels for some time.

While the portfolio underperformed the benchmark over the year under review, all of the underperformance took place in the first half of the period, to the end of November 2011. Portfolio strategy and activity over that period was reported upon in the half-yearly financial report.

Performance picked up in the second half of the year, recovering some of the previous underperformance, as the extreme risk-on/risk-off nature of markets drove the portfolio's performance relative to the benchmark.

Over the past six months defensive sectors such as consumer staples and healthcare led the market. Stocks such as Philip Morris International (+15.4%* in the six months) and Reynolds American (+4.9%*) (both tobacco companies), Lawson (+23.8%*) and Macy's (+21.3%*) (both retailers) were among the strongest individual performers. These were all new introductions to the portfolio following the change of objective and policy in November. The portfolio's exposure to the industrials sector also had a positive impact on relative performance. The most notable stocks were US defence firm Raytheon (also new to the portfolio,+14.9%* in the six months), and Tyco International (+20.1%* since it was purchased in November 2011), which benefited from further evidence of its demerger plan. Energy and materials stocks were negatively impacted by falling oil prices from the start of 2012 and the portfolio's underweight exposure to both sectors, which significantly underperformed the broader market, was another positive for relative performance. On the minus side, not holding stocks such as Apple hurt relative performance, as did our underweight to cyclical sectors during the market rally at the start of 2012.

*Source: Thomson Reuters Datastream, total return in sterling terms.

GLOBAL EQUITY INCOME (FORMERLY GLOBAL EQUITY) SHARE PORTFOLIO MANAGER'S REPORT

CONTINUED

In spite of these moves, we continue to maintain a portfolio which reflects our value philosophy, focusing on cash flow generation and the return of capital to shareholders. We currently favour three key sectors: consumer discretionary, consumer staples (specifically tobacco companies) and healthcare.

Outlook

Our outlook remains one of slow and prolonged economic recovery, against a backdrop of European sovereign debt concerns and fiscal austerity in the developed world. Our strategy remains constant, to invest in high quality companies at attractive valuations. We view high quality companies as those that can sustain profit margins and deliver positive returns through the economic cycle. We view growing and sustainable dividends as clear evidence of these sorts of companies. In aggregate therefore, we target companies that offer attractive yields, sustainable income and capital upside.

Paul Boyne and
Doug McGraw
Portfolio Managers
Invesco Asset Management Limited

25 July 2012

GLOBAL EQUITY INCOME (FORMERLY GLOBAL EQUITY) SHARE PORTFOLIO
LIST OF INVESTMENTS

AT 31 MAY 2012

Ordinary shares unless stated otherwise

COMPANY	INDUSTRY GROUP†	COUNTRY†	MARKET VALUE £'000	% OF PORTFOLIO
Novartis	Pharmaceuticals, Biotechnology and Life Sciences	Switzerland	1,376	4.1
Roche	Pharmaceuticals, Biotechnology and Life Sciences	Switzerland	1,174	3.5
Reynolds American	Food, Beverage and Tobacco	US	1,126	3.3
Amcor	Materials	Australia	1,064	3.2
Johnson & Johnson	Pharmaceuticals, Biotechnology and Life Sciences	US	1,048	3.1
Vodafone	Telecommunication Services	UK	1,046	3.1
Philip Morris International	Food, Beverage and Tobacco	US	1,039	3.1
SES	Media	France	961	2.8
Pearson	Media	UK	937	2.8
British Sky Broadcasting	Media	UK	858	2.5
Wolters Kluwer	Media	Netherlands	793	2.4
Canon	Technology Hardware and Equipment	Japan	789	2.3
United Technologies	Capital Goods	US	749	2.2
Viacom	Media	US	746	2.2
Exxon Mobil	Energy	US	738	2.2
HSBC	Banks	UK	704	2.1
Time Warner	Media	US	691	2.0
Emerson Electric	Capital Goods	US	687	2.0
Chevron	Energy	US	657	1.9
Lawson	Food and Staples Retailing	Japan	609	1.8
Raytheon	Capital Goods	US	596	1.8
Pfizer	Pharmaceuticals, Biotechnology and Life Sciences	US	574	1.7
Kraft Foods	Food, Beverage and Tobacco	US	557	1.7
Honda	Automobiles and Components	Japan	552	1.6
Mitsubishi Estate	Real Estate	Japan	544	1.6
Macy's	Retailing	US	539	1.6
ComfortDelGro	Transportation	Singapore	536	1.6
Venture	Technology Hardware and Equipment	Singapore	531	1.6
Auto Data Processing	Software and Services	US	526	1.6
Tyco International	Capital Goods	US	520	1.5
Safran	Capital Goods	France	515	1.5
Microsoft	Software and Services	US	514	1.5
AON – *'A' Shares*	Insurance	US	510	1.5
Baxter	Healthcare Equipment and Services	US	506	1.5
Procter & Gamble	Household and Personal Products	US	503	1.5
Orkla	Capital Goods	Norway	497	1.5
Hutchison Whampoa	Capital Goods	Hong Kong	485	1.5
Royal Dutch Shell – *'A' Shares*	Energy	Netherlands	483	1.4
Vivendi	Telecommunication Services	France	449	1.3
CRH – *ADR*	Materials	Ireland	420	1.2
Target	Retailing	US	415	1.2
Northern Trust	Diversified Financials	US	413	1.2
JP Morgan Chase	Diversified Financials	US	400	1.2
Accenture	Software and Services	US	362	1.2
AT&T	Telecommunication Services	US	361	1.1
United Parcel	Transportation	US	358	1.1
Covidien	Healthcare Equipment and Services	US	355	1.1
Time Warner Cable	Media	US	353	1.0
GlaxoSmithKline	Pharmaceuticals, Biotechnology and Life Sciences	UK	347	1.0
BG	Energy	UK	344	1.0
Robert Half	Commercial and Professional Services	US	344	1.0
British American Tobacco	Food, Beverage and Tobacco	UK	322	1.0
Catlin	Insurance	UK	316	0.9
Deutsche Boerse	Diversified Financials	Germany	310	0.9
Sky Deutschland	Media	Germany	172	0.5
NEC Networks & System Integration	Capital Goods	Japan	100	0.4
OPTEX	Technology Hardware and Equipment	Japan	91	0.3
Canon Marketing	Retailing	Japan	81	0.2
NEC Fielding	Software and Services	Japan	74	0.2
Toshiba TEC	Technology Hardware and Equipment	Japan	66	0.2
			33,733	100.0

† MSCI and Standard & Poor's Global Industry Classification Standard.

GLOBAL EQUITY INCOME (FORMERLY GLOBAL EQUITY) SHARE PORTFOLIO
TOP TEN INVESTMENTS

AT 31 MAY

	2012		2011	
COMPANY	MARKET VALUE £'000	% OF PORTFOLIO	MARKET VALUE £'000	% OF PORTFOLIO
Novartis	1,376	4.1	1,548	4.1
Roche	1,174	3.5	1,080	2.8
Reynolds American	1,126	3.3	–	–
Amcor	1,064	3.2	–	–
Johnson & Johnson	1,048	3.1	–	–
Vodafone	1,046	3.1	–	–
Philip Morris International	1,039	3.1	–	–
SES	961	2.8	–	–
Pearson	937	2.8	–	–
British Sky Broadcasting	858	2.5	–	–
	10,629	31.5	2,628	6.9
Total of other investments	23,104	68.5	35,542	93.1
Total value of investments	33,733	100.0	38,170	100.0

The value of the top ten investments as at 31 May 2011 amounted to £12,847,000, representing 33.7% of the total value of investments.

GLOBAL EQUITY INCOME (FORMERLY GLOBAL EQUITY) SHARE PORTFOLIO
INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000
(Losses)/gains on investments	–	(3,898)	(3,898)	–	2,984	2,984
Foreign exchange losses	–	(64)	(64)	–	(42)	(42)
Income	1,190	3	1,193	944	–	944
Management fee	(77)	(180)	(257)	(84)	(195)	(279)
Other expenses	(156)	(2)	(158)	(140)	(1)	(141)
Return on ordinary activities before finance costs	957	(4,141)	(3,184)	720	2,746	3,466
Finance costs	(1)	(3)	(4)	–	–	–
Return on ordinary activities before taxation	956	(4,144)	(3,188)	720	2,746	3,466
Tax on ordinary activities	(106)	–	(106)	(74)	–	(74)
Return on ordinary activities after tax for the financial year	850	(4,144)	(3,294)	646	2,746	3,392
Basic return per ordinary share – note 7	2.7p	(13.1)p	(10.4)p	2.0p	8.5p	10.5p

SUMMARY OF NET ASSETS

AT 31 MAY

	2012 £'000	2011 £'000
Fixed assets	33,733	38,170
Current assets	692	589
Overdraft	(538)	–
Creditors falling due within one year, excluding borrowings	(107)	(121)
Net assets	33,780	38,638
Net asset value per share	108.1p	120.9p
Gearing:		
Gross	1.6%	0.0%
Net	0.1%	(0.9)%

BALANCED RISK (FORMERLY HEDGE FUND) SHARE PORTFOLIO FIVE YEAR RECORD

The name and objective of this Portfolio were changed with effect from on 8 February 2012.

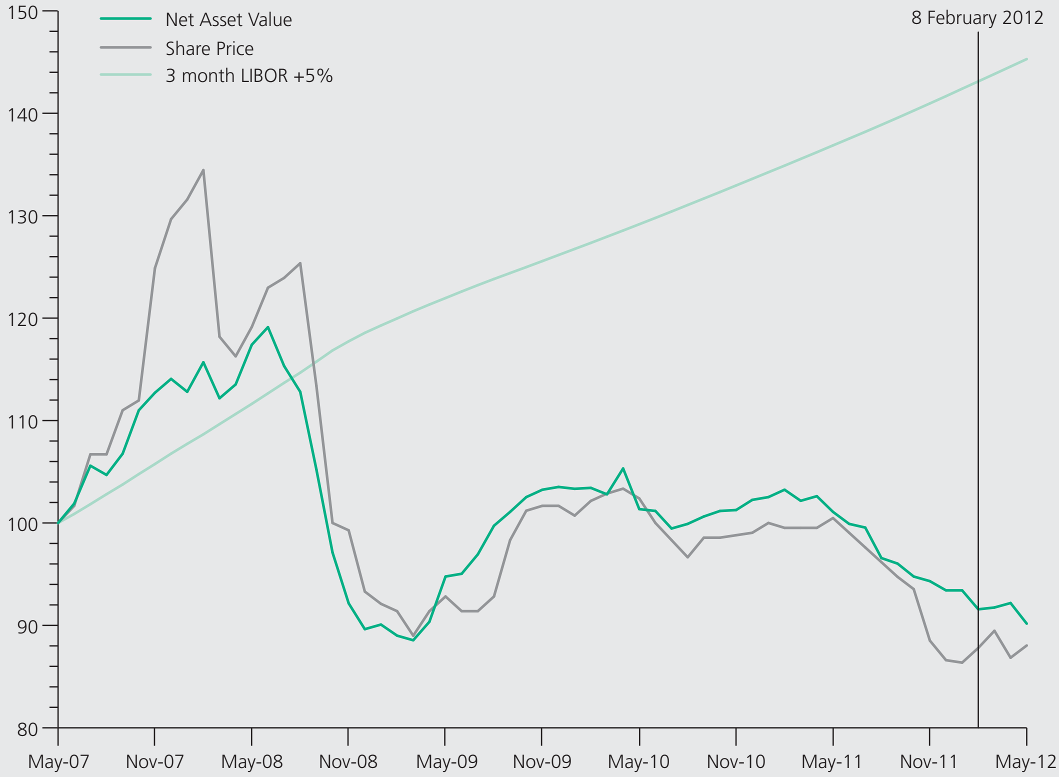
Total Return

	2012	2011	2010	2009	2008
Net Asset Value	–8.0%	–0.3%	6.9%	–19.3%	17.4%
Share Price	–12.4%	–1.9%	10.3%	–22.1%	19.1%
3 month LIBOR +5%	5.9%	5.7%	5.9%	10.1%	11.2%

Source: Thomson Reuters Datastream.

Five Year Total Return

Rebased to 100 at 31 May 2007



BALANCED RISK (FORMERLY HEDGE FUND) SHARE PORTFOLIO MANAGER'S REPORT

Investment Objective

The investment objective of the Balanced Risk Portfolio is 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.

Market and Economic Review

Throughout the year markets were dominated by overarching macro-economic and political concerns.

The long-anticipated rescue package for Greece announced at the end of October produced a short-lived rally until cracks appeared in the political will to see through reforms and the spotlight fell on Italy and Spain. Hopes for the global economy outside of Europe were dampened as Chinese reports indicated a slowdown in manufacturing growth and in the US, Congress produced a political impasse of its own, wrangling until the eleventh hour before raising its debt ceiling.

Markets rallied again towards the end of 2011, driven by central bank moves to ease bank funding pressures and this continued for the first quarter of 2012, reinforced by improved US economic data.

However, March saw declines in both bonds and commodities and risk aversion returned to the markets in April, driven largely by mixed signals on the future direction of economic growth and renewed political uncertainty in the Eurozone. Risk aversion strengthened in May as concerns over the peripheral Eurozone economies mounted and economic activity indicators suggested weakening industrial demand in the Eurozone and China. Equities posted negative returns for the period. Global government bond yields logged historic lows in response to the uncertain economic and political backdrop. Returns in the commodity markets were negative due to a host of factors including a strengthening dollar, concerns of economic weakness in Europe and China and improved crop forecasts.

Portfolio Performance

The Balanced Risk Portfolio posted a return for the year of –8.0%. However, all of this return derived from the previous Hedge Fund strategy with the Portfolio value at 31 May 2012 being the same as it was on the implementation of the new Balanced Risk objective and policy on 8 February 2012.

Portfolio Strategy and Update – Hedge Fund

As was reported by the Hedge Fund investment adviser in the half-yearly financial report, during the first half of the financial year most hedge fund strategies struggled. The equity hedged and event driven strategies were the most heavily weighted and contributed most to the adverse return, but all except the short bias and fixed income strategies disappointed. Following approval by shareholders on 15 November 2011 of a proposal to adopt a new objective and strategy for the Portfolio, notice was given to redeem the Paragon Capital Appreciation Fund notes through which the principal exposure to hedge funds was obtained. The notice period did not produce a respite and the hedge fund assets continued to lose ground up to the redemption date.

Invesco Asset Management Limited

25 July 2012

BALANCED RISK (FORMERLY HEDGE FUND) SHARE PORTFOLIO MANAGER'S REPORT

CONTINUED

Portfolio Strategy and Update – Balanced Risk

Implementation of the new Balanced Risk investment objective and policy was delayed by the extended notice required to liquidate the hedge fund assets. The Balanced Risk strategy seeks to achieve returns through balancing risk exposure between three asset classes, being equities, bonds and commodities. The asset class weightings are determined using a proprietary investment process, with assets being selected according to three key criteria: a correlation matrix to ensure diversification, the ability to generate excess returns and specific liquidity and transparency criteria. The total expected annualised volatility of the portfolio will generally range from 6% to 10%, with a neutral target of 8%. Exposure to the asset classes is principally obtained through highly liquid and transparently priced exchange-traded futures contracts, with cash and cash equivalents being held as collateral.

For the period from the implementation of the Balanced Risk objective and policy on 8 February 2012 until the end of May 2012 exposure to global government bonds was by far the largest positive contributor to performance (+3.0%), with several of the key bond markets reaching historically low yields. Equities were down across the board (–1.9% contribution) with those from the Asian sphere showing notable weakness. Commodities also detracted (–1.7%), as fears of slack demand resulting from economic slowdown impacted energy and industrial metals prices, improved outlook for harvest levels weakened agricultural prices and a strengthening dollar tarnished precious metals. Tactical strategy in the portfolio slightly contributed to results (+0.2%), as positive returns from an overweight to government bonds overcame the drag from positioning in equities and commodities. Cash holdings of mainly sterling Treasury bills contributed +0.4%.

Outlook

It appears that the recent yearly pattern of early risky asset strength followed by steep corrections in the summer months may be repeating itself, leaving investors with the feeling of "deja-vu all over again". The nascent economic recovery that seemed to be gaining momentum in the first quarter of 2012 has met with headwinds that may slow or postpone the recovery. In order to move forward, the markets will need to see some meaningful resolution to the on-going Eurozone crisis, reassurance that China can manage its slowdown in economic growth and successful resolution to a host of US issues such as payrolls, pending regulatory hurdles including the expiring Bush tax cuts and forced spending cuts and another looming debate on the debt ceiling. We have softened the overweights to government bond markets. Within equities, we have moved from overweight to a neutral stance in all markets with the exception of an underweight to Japanese equities. In the commodity space we are mixed, with underweights to WTI crude oil and agriculture, a neutral position to Brent crude oil and slight overweights to copper and gold (all references to overweights and underweights represent tactical active overlays relative to their respective strategic allocations as determined by our proprietary analysis process).

Scott Wolle
Chief Investment Officer
Invesco Global Asset Allocation

25 July 2012

BALANCED RISK (FORMERLY HEDGE FUND) SHARE PORTFOLIO LIST OF INVESTMENTS

AT 31 MAY 2012

	YIELD %	MARKET VALUE £'000	% OF NET ASSETS
Short-Term Investments			
UK Treasury Bill 13 Aug 2012	0.378	2,996	28.2
UK Treasury Bill 20 Aug 2012	0.378	2,996	28.2
UK Treasury Bill 10 Sep 2012	0.378	2,995	28.2
Short-Term Investments Company (Global Series)	0.512	550	5.2
Total Short Term Investments		9,537	89.8
Hedge Funds[1]			
Harbinger Class PE Holdings		34	0.3
Plainfield 2009 Liquidating		23	0.2
CCM SPV II		18	0.2
Harbinger Class L Holdings		5	0.1
Total Hedge Funds		80	0.8
Total Fixed Asset Investments		9,617	90.6

(1) The hedge fund investments are residual holdings of the previous investment strategy, which are in process of disposal and/or liquidation.

Derivative instruments held in the Balanced Risk Share Portfolio are shown on page 22.

BALANCED RISK (FORMERLY HEDGE FUND) SHARE PORTFOLIO LIST OF DERIVATIVE INSTRUMENTS

AT 31 MAY 2012

	UNREALISED GAINS/LOSSES £'000	NOTIONAL EXPOSURE £'000	NOTIONAL EXPOSURE AS % OF NET ASSETS
Government Bonds			
Japan	20	2,382	22.4
Australia	186	2,091	19.7
UK	38	2,050	19.3
Canada	21	1,910	17.9
Germany	84	1,641	15.4
US	23	1,075	10.1
Total Bond Futures	372	11,149	104.8
Equities			
US large cap	(42)	761	7.1
Japan	(113)	710	6.7
UK	(71)	634	6.0
Europe	(92)	525	4.9
US small cap	(39)	489	4.6
Hong Kong	(1)	465	4.4
Total Equity Futures	(358)	3,584	33.7
Commodities			
Precious Metals			
Gold	2	609	5.7
Silver	(49)	360	3.4
Agriculture			
Soy meal	(12)	388	3.6
Soy bean	(35)	372	3.5
Sugar	(25)	136	1.3
Live cattle	–	31	0.3
Industrial Metals			
Copper	(83)	730	6.8
Aluminium	(3)	128	1.2
Energy			
Gasoline	(18)	149	1.4
Brent crude	(28)	130	1.2
WTI crude	(25)	113	1.1
Gas oil	(18)	112	1.1
Heating oil	(4)	74	0.7
Total Commodities Futures	(298)	3,332	31.3
Total Derivative Instruments	(284)	18,065	169.8

The targeted annualised risk (volatility of monthly returns) for the portfolio as listed above is analysed as follows:

ASSET CLASS	RISK	CONTRIBUTION
Bonds	3.3%	33.7%
Equities	3.5%	35.3%
Commodities	3.1%	31.0%
	9.9%	100.0%

BALANCED RISK (FORMERLY HEDGE FUND) SHARE PORTFOLIO INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	2012			2011		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Losses on investments	–	(906)	(906)	–	(17)	(17)
Gains/(losses) on derivative instruments	55	(66)	(11)	–	–	–
Foreign exchange gains/(losses)	–	14	14	–	(20)	(20)
Income	13	–	13	–	–	–
Management fee	(7)	(36)	(43)	–	(34)	(34)
Other expenses	(55)	–	(55)	(64)	–	(64)
Return on ordinary activities before finance costs	6	(994)	(988)	(64)	(71)	(135)
Finance costs	–	(11)	(11)	–	(15)	(15)
Return on ordinary activities before taxation	6	(1,005)	(999)	(64)	(86)	(150)
Tax on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after tax for the financial year	6	(1,005)	(999)	(64)	(86)	(150)
Basic return per ordinary share – note 7	0.1p	(9.5)p	(9.4)p	(0.5)p	(0.7)p	(1.2)p

SUMMARY OF NET ASSETS

AT 31 MAY

	2012 £'000	2011 £'000
Fixed assets	9,617	13,412
Derivative assets held at fair value through profit or loss	374	–
Current assets	1,351	40
Derivative liabilities held at fair value through profit or loss	(658)	–
Other creditors, excluding borrowings	(45)	(38)
Overdraft	–	(124)
Bank loan	–	(950)
Net assets	10,639	12,340
Net asset value per share	103.1p	112.1p
Notional exposure to financial derivative instruments	169.8%	n/a

MANAGED LIQUIDITY SHARE PORTFOLIO FIVE YEAR RECORD

Total Return

	2012	2011	2010	2009	2008
Net Asset Value	0.8%	1.0%	2.4%	2.9%	4.8%
Share Price	0.3%	1.0%	0.4%	4.8%	5.6%

Revenue return per share	0.30p	0.50p	0.30p	3.60p	4.40p
Dividend	0.50p	0.50p	0.40p	4.10p	4.35p

Source: Thomson Reuters Datastream.

Five Year Total Return

Rebased to 100 at 31 May 2007

MANAGED LIQUIDITY SHARE PORTFOLIO MANAGER'S REPORT

Investment Objective

The investment objective of the Managed Liquidity Share Portfolio is to produce an appropriate level of income return combined with a high degree of security.

Market and Economic Review

UK inflation (measured as the annual change in the Consumer Prices Index) fell to 3.0% in May 2012 from 4.5% in May 2011, having peaked at 5.2% in September. Weaker energy prices and the anniversary of the 2011 VAT increase were factors in this lower rate of increase, but it also reflects a weak economic environment. Annual UK GDP growth fell from 1.5% to –0.1% in the year to the first quarter of 2012 and the Bank of England expects that growth will remain near zero in coming quarters. This outlook is supported by the latest economic indicators. Persistently high unemployment, low earnings growth and low consumer confidence are weighing on consumption. Annual growth in retail sales fell to –0.3% in April. Given these inflation and consumption conditions, it is not surprising that the Bank's Monetary Policy Committee has kept its interest rate at the record low level of 0.5% throughout this period, a decision which has been approved unanimously since last summer. The committee also chose to restart its asset purchase programme (quantitative easing) in the fourth quarter of 2011, amidst concern that the Eurozone sovereign debt crisis could pose further downside risks for the UK economy and lead to inflation. The programme was extended by £75 billion in October and by a further £50 billion in February of this year, bringing its total size to £325 billion. The bank's purchases of Gilts were one factor supporting the market over this 12 month period but Gilts also benefited from a strong investor appetite for core government bonds in general. The yield of the 10 year Gilt fell 172 basis points (bps) over the period to an historically low level of 1.57%. The 2 year Gilt ended May yielding 0.24%, down 69bps. The sterling 3 month inter-bank lending rate ('LIBOR') rose 17bps over the year to 0.99%.

Portfolio Strategy and Review

Our investment strategy is achieved by investing in the Invesco Perpetual Money Fund and Short-Term Investments Company (Global Series), each of which invests in a diversified portfolio of high quality Sterling denominated short-term money market instruments. The Invesco Perpetual Money Fund has maintained holdings in floating-rate notes ('FRNs') where yields are reset every three months to reflect changes in LIBOR, the interest rate at which the largest banks lend money to one another. As we continue to believe that UK interest rates will remain near their current low levels for a considerable time – because we think any policy adjustments will be gradual and drawn out – the fund also has positions in a number of government, quasi-government and corporate bonds. These have higher interest coupons than those currently available on FRNs. In order to limit risk exposure, these bonds are both short dated and of high quality.

Outlook

As the movement in the Consumer Prices Index over recent months indicates, inflationary pressures remain low in the UK economy. With continuing corporate deleveraging and government efforts to reduce the fiscal deficit, along with weak consumer demand, we do not expect price pressure to increase quickly and so we do not expect to see rapid or large rises in interest rates.

Stuart Edwards
Portfolio Manager
Invesco Asset Management Limited

25 July 2012

MANAGED LIQUIDITY SHARE PORTFOLIO LIST OF INVESTMENTS

AS AT 31 MAY

	2012 MARKET VALUE £'000	2012 % OF PORTFOLIO	2011 MARKET VALUE £'000	2011 % OF PORTFOLIO
Invesco Perpetual Money Fund†	7,566	86.6	8,277	96.1
Short-Term Investments Company (Global Series)	1,166	13.4	340	3.9
	8,732	100.0	8,617	100.0

† At the year end the Managed Liquidity Share Portfolio held 11.9% (2011: 13.4%) of the outstanding shares in the Invesco Perpetual Money Fund.

MANAGED LIQUIDITY SHARE PORTFOLIO INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000
Losses on investments	–	(8)	(8)	–	(3)	(3)
Income	60	–	60	81	–	81
Management fee	(1)	–	(1)	–	–	–
Other expenses	(32)	–	(32)	(30)	–	(30)
Return on ordinary activities before taxation	27	(8)	19	51	(3)	48
Tax on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after tax for the financial year	27	(8)	19	51	(3)	48
Basic return per ordinary share – note 7	0.3p	(0.1)p	0.2p	0.5p	–	0.5p

SUMMARY OF NET ASSETS

AT 31 MAY

	2012 £'000	2011 £'000
Fixed assets	8,732	8,617
Current assets	81	64
Creditors falling due within one year, excluding borrowings	(161)	(161)
Overdraft	–	(3)
Net assets	8,652	8,517
Net asset value per share	102.5p	102.3p

DIRECTORS

Patrick Gifford

Chairman of the Board and Nomination Committee

Mr Gifford has served as a Director since the Company's incorporation in August 2006. He is chairman of Martin Currie Pacific Trust plc and Murray Income Trust plc. He is also chairman of the supervisory committee of Scottish Life's with-profits fund and an adviser to a pension fund and a charity. He was previously the chief executive of Fleming Investment Trust Management and a director of Robert Fleming Holdings.

Sir Michael Bunbury

Chairman of the Audit and Management Engagement Committees

Sir Michael was appointed as a Director on 10 January 2008. A former chairman of Smith & Williamson, he is now a consultant to the firm. He is chairman of JPMorgan Claverhouse Investment Trust plc and HarbourVest Global Private Equity Ltd and a former director of Foreign & Colonial Investment Trust plc. He has other directorships of various property investment and development companies.

Alan Clifton

Mr Clifton was appointed as a Director on 10 January 2008. He is a former managing partner of the stockbrokers, Kitcat & Aitken, and from 1990 until 2001 was the managing director of Morley Fund Management (now Aviva Investors), the asset management arm of Aviva plc, the UK's largest insurance group. He is now chairman of Schroder UK Growth Fund and of JPMorgan Japanese Smaller Companies Trust plc and is an independent director of a number of other investment companies both in the UK and abroad.

David Rosier

Mr Rosier was appointed as a Director on 28 November 2007. Following his retirement from Merrill Lynch Investment Managers (previously Mercury Asset Management) in 2002, he was a founder partner of Thurleigh Investment Managers LLP of which he is chairman. He is also chairman of the Armed Forces Common Investment Fund and a director of the Forces Pension Society Investment Company. He is a trustee of the Nuffield Trust for the Forces of the Crown, The Battle of Britain Memorial Trust and 1st The Queen's Dragoon Guards Heritage Trust. He is also a Fellow of the Chartered Institute of Securities & Investment.

All Directors are, in the opinion of the Board, independent of the management company and all Directors are members of the Audit, Management Engagement and Nomination Committees.

All Directors are non-executive.

Manager, Company Secretary and Registered Office

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

Company Registration

Registered in England and Wales No. 5916642

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team, available to assist you from 8.30am to 6pm Monday to Friday (excluding Bank Holidays). Please feel free to take advantage of their expertise.
☎ 0800 085 8677
www.invescoperpetual.co.uk/investmenttrusts

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Corporate Broker

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☎ 0871 664 0300.
Calls cost 10p per minute plus network charges.
(From outside the UK: +44 208 639 3399)
Lines are open from 9.00am to 5.30pm every working day.

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

Capita Registrars provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or
☎ 0871 664 0364.
Calls cost 10p per minute plus network charges.
(From outside the UK: +44 203 367 2691)
Lines are open from 8am to 4.30pm every working day.

SHAREHOLDER INFORMATION

The different Share classes of Invesco Perpetual Select Trust plc (the 'Company') are quoted on the London Stock Exchange.

NAV Publication

Net asset values ('NAVs') for all of the Share classes are calculated by the Manager on a daily basis and notified to the Stock Exchange on the next business day. NAVs are published daily in the newspapers detailed below.

Share Price Listings

The price of your Shares can be found in The Financial Times, Daily Telegraph, The Times and The Independent. In addition, Share price information can be found under the following:

Reuters	
UK Equity Shares	IVPU.L
Global Equity Income Shares	IVPG.L
Balanced Risk Shares	IVPB.L
Managed Liquidity Shares	IVPM.L
Bloomberg	
UK Equity Shares	IVPU: LN
Global Equity Income Shares	IVPG: LN
Balanced Risk Shares	IVPB: LN
Managed Liquidity Shares	IVPM: LN
Internet addresses	
Trust Net	www.trustnet.com
Interactive Investor	www.iii.co.uk
The Association of Investment Companies	www.theaic.co.uk

Manager's Website

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

The content 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 annual financial report.

Financial Calendar

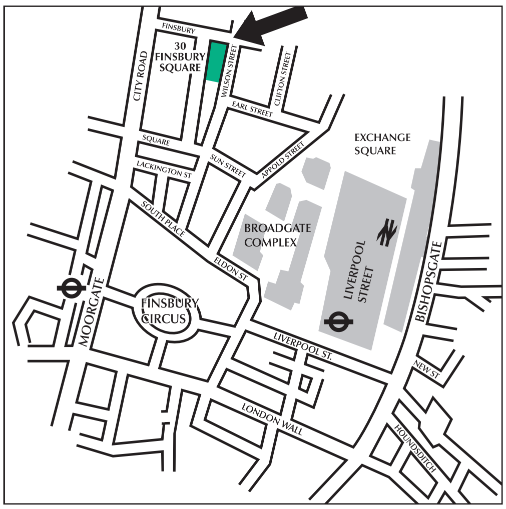
Annual Financial Results	25 July 2012
Interim Dividends Announced*	July 2012
Share Conversion†	1 August 2012
AGM	3 October 2012
Interim Management Statement	October 2012
Interim Dividends Announced*	October 2012
Share Conversion†	1 November 2012
Interim Dividends Announced*	January 2013
Half-Yearly Financial Results	January 2013
Share Conversion†	1 February 2013
Interim Management Statement	April 2013
Interim Dividends Announced*	April 2013
Share Conversion†	1 May 2013
Year End	31 May 2013

* It remains the Directors' policy generally to distribute substantially all net revenues earned between each conversion date for each Share class. Due to the continuing low interest environment dividends have not been, and are not expected to be, paid in every quarter on Managed Liquidity Shares. No dividends are expected to be paid on Balanced Risk Shares in the next year.

† Share conversion requests must be received not less than 10 days before the relevant conversion date. Forms and instructions are available online at www.invescoperpetual.co.uk/ipst and from the Company Secretary.

Location of Annual General Meeting

The Annual General Meeting will be held at 11.30am on 3 October 2012 at 30 Finsbury Square, London EC2A 1AG.



Introduction and Content

The Directors have pleasure in presenting their Report for the year ended 31 May 2012, incorporating the Business Review and Corporate Governance Statement.

BUSINESS REVIEW

Business and Status

The Company was incorporated and registered in England and Wales on 25 August 2006 under the Companies Act 2006 ('2006 Act'), registered number 5916642.

The Company is an investment company as defined by section 833 of the 2006 Act and operates as an investment trust within the meaning of the Corporation Tax Act 2010 ('CTA') and the Investment Trusts (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs have approved the Company's status as an investment trust, subject to there being no subsequent enquiry under Corporation Tax Self Assessment, in respect of the year ended 31 May 2011. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval and to apply for approval under the new investment trust tax regulations, which apply to the Company from 1 June 2012.

Investment Policy

The Company's and respective Share classes' investment objectives, investment policies and risk and investment limits combine to form the 'Investment Policy' of the Company.

The Company

Investment Objective and Policy

The Company's investment objective is to provide shareholders with a choice of investment strategies and policies, each intended to generate attractive risk-adjusted returns.

The Company's share capital comprises four classes of Share: UK Equity Shares, Global Equity Income Shares, Balanced Risk Shares and Managed Liquidity Shares, each of which has its own separate portfolio of assets and attributable liabilities. The investment objectives, policies and risks and limits of the Portfolios for these classes are explained below. The limits for the Company and the four classes of Shares are measured at the point of acquisition of investments, unless otherwise stated.

Investment Limits of the Company

The Board has prescribed limits on the Investment Policy of the Company, among which are the following:

– no more than 15% of the gross assets of the Company may be invested in a single investment; and
– no more than 10% of the gross assets of the Company may be invested in other listed investment companies.

UK Equity Share Portfolio ('UK Equity Portfolio')

Investment Objective

The investment objective of the UK Equity Portfolio is to provide shareholders with an attractive real long-term total return by investing primarily in UK quoted equities.

Investment Policy and Risk

The UK Equity Portfolio is invested primarily in UK equities and equity-related securities of UK companies across all market sectors.

The Manager invests the UK Equity Portfolio so as to maximise exposure to the most attractive sectors and securities, within a portfolio structure that reflects the Manager's view of the macroeconomic environment. The Manager does not set out to manage the risk characteristics of the UK Equity Portfolio relative to the FTSE All-Share Index (the 'benchmark index') and the investment process may result in potentially very significant over or underweight positions in individual sectors versus the benchmark. The size of weightings will reflect the Manager's view of the attractiveness of a security and the degree of conviction held. If a security is not considered to be a good investment, it will not be held in the UK Equity Portfolio, irrespective of its weight in the benchmark index.

The Manager controls the stock-specific risk of individual securities by ensuring that the UK Equity Portfolio is always diversified across market sectors. In-depth and continual analysis of the fundamentals of investee companies allows the Manager to assess the financial risks associated with any particular security.

It is expected that, typically, the Portfolio will hold between 45 and 80 securities.

The Directors believe that the use of borrowings (gearing) can enhance returns to shareholders and the UK Equity Portfolio will generally use borrowings in pursuing its investment objective.

Investment Limits

The Board has prescribed limits on the investment policy of the UK Equity Portfolio, among which are the following:

– no more than 12% of the gross assets of the UK Equity Portfolio may be held in a single investment;
– no more than 10% of the gross assets of the UK Equity Portfolio may be held in other listed investment companies; and
– borrowings may be used to raise equity exposure up to a maximum of 25% of the net assets of the UK Equity Portfolio where it is considered appropriate.

Global Equity Income Share Portfolio ('Global Equity Income Portfolio')

Investment Objective (effective from 30 November 2011)

The investment objective of the Global Equity Income Portfolio is 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.

Investment Policy (effective from 30 November 2011)

The Portfolio will be invested predominantly in a portfolio of listed, quoted or traded equities worldwide, but may also hold other securities from time to time including, *inter alia*, fixed interest securities, preference shares, convertible securities and depositary receipts. Investment may also be made in regulated or authorised collective investment schemes. The Portfolio will not invest in companies which are not listed, quoted or traded at the time of investment, although it may have exposure to such companies where, following investment, the relevant securities cease to be listed, quoted or traded. The Manager will at all times invest and manage the Portfolio's assets in a manner that is consistent with spreading investment risk, but there will be no rigid industry, sector, region or country restrictions.

The Portfolio may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management and investment purposes. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Portfolio's direct investments, as described above.

It is expected that, typically, the Portfolio will hold between 55 and 100 securities.

The Directors believe that the use of borrowings (gearing) can enhance returns to Global Equity Income shareholders, and the Global Equity Income Portfolio may use borrowings in pursuing its investment objective.

The Company's foreign currency investments will not be hedged to sterling as a matter of general policy. However, the Manager may employ currency hedging, either back to sterling or between currencies (i.e. cross hedging of portfolio investments).

The Board has prescribed the following limits (measured at the time of investment) on the investment policy of the Global Equity Income Portfolio:

– no more than 20% of the gross assets of the Global Equity Income Portfolio may be invested in fixed interest securities;

- no more than 10% of the gross assets of the Global Equity Income Portfolio may be held in a single investment;
- no more than 10% of the gross assets of the Global Equity Income Portfolio may be held in other listed investment companies; and
- borrowings may be used to raise equity exposure up to a maximum of 20% of the net assets of the Global Equity Income Portfolio, when it is considered appropriate to do so.

Balanced Risk Share Portfolio ('Balanced Risk Portfolio')

Investment Objective (effective from 8 February 2012)

The investment objective of the Balanced Risk Portfolio is 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.

Investment Policy (effective from 8 February 2012)

The Portfolio utilises two main strategies: the first seeks to balance the risk contribution from each of three asset classes (equities, bonds and commodities), with the aim of reducing the probability, magnitude and duration of capital losses, and the second seeks to shift tactically the allocation among the assets with the aim of improving expected returns.

The Portfolio is constructed so as to balance risk: by asset class (bonds, equities and commodities) and by asset within each asset class. Neutral weighting is achieved when each asset class contributes an equal proportion of the total Portfolio risk and each asset contributes an equal proportion of the total risk for its respective asset class. The Manager is permitted to actively vary asset class weightings, subject to a maximum of 150% and a minimum of 50% of each asset class' neutral weight. The Manager is also permitted to actively vary individual asset weightings, subject to a maximum of 200% and a minimum of 0% of each asset's neutral weight, provided the asset class guidelines are not violated.

The Portfolio will be mainly invested directly in highly liquid and transparently priced exchange-traded futures contracts, with cash and cash equivalents being held as collateral. However, the Portfolio may also be invested in equities, equity-related securities and debt securities (including floating rate notes). Financial derivative instruments (including but not limited to futures and total return swaps) are used only to achieve additional long exposure to the three asset classes. The Portfolio may also use financial derivative instruments, including currency futures and forwards, for efficient portfolio management, hedging and investment purposes. Financial derivative instruments will not be used to create net short positions in any asset class. The derivatives portfolio will comprise between 20 and 30 investment positions, typically around 25*.

It is expected that the Portfolio's investments will mainly be denominated in sterling. Any non-sterling derivative investments may be hedged back into sterling at the discretion of the Manager when it is economic to do so.

The Board has prescribed the following limits (measured at the time of investment) on the investment policy of the Balanced Risk Portfolio:

- the aggregate notional amount of financial derivative instruments positions may not exceed 250% of the net assets of the Balanced Risk Portfolio;
- no more than 10% of the gross assets of the Balanced Risk Portfolio may be held in other listed investment companies; and
- borrowings may be used for short-term purposes up to a maximum of 5% of the net assets of the Balanced Risk Portfolio, where it is considered appropriate.

* The shareholder circular dated 14 October 2011 indicated that between 12 and 20, and typically around 16, investment positions would be held. Subsequently these numbers have been increased following a decision to diversify commodity exposure further.

Managed Liquidity Share Portfolio ('Managed Liquidity Portfolio')

Investment Objective

The investment objective of the Managed Liquidity Portfolio is to produce an appropriate level of income return combined with a high degree of security.

Investment Policy and Risk
The Managed Liquidity Portfolio invests in a range of sterling-based or related money market fund assets (which may include transferable securities, money market instruments, warrants, collective investment schemes and deposits), either directly or indirectly through money market funds, including funds managed by Invesco Perpetual or its associated companies.

The Managed Liquidity Portfolio generally invests in money market funds authorised as UCITS schemes, which are required under governing regulations to provide a prudent spread of risk. In the event that the Managed Liquidity Portfolio is invested directly in securities and instruments, the Manager will observe investment restrictions and risk diversification policies that are consistent with UCITS regulations.

Investment Limits
The Board has prescribed limits on the investment policy of the Managed Liquidity Portfolio, among which are the following:

– no more than 10% of the gross assets of the Managed Liquidity Portfolio may be held in a single investment, other than authorised money market funds or high quality sovereign debt securities; and
– no more than 5% of the gross assets of the Managed Liquidity Portfolio may be held in unquoted investments, other than authorised money market funds.

Performance

The Board reviews the performance of the Company by reference to a number of Key Performance Indicators, at either a Company or Portfolio level, which include the following:

- Investment Performance
- Dividends
- Discount/Premium
- Ongoing Charges Ratio

Investment Performance

To assess investment performance the Board monitors the net asset value ('NAV') performance of the individual Share classes relative to that of indices it considers to be appropriate. However, given the requirements and constraints of the investment objectives and policies followed, no index can be expected to fully represent the performance that might reasonably be expected from any one or all of the Company's Share classes.

UK Equity and Global Equity Income Portfolios
The composition of these Portfolios derives from investment decisions that are based on conviction following analysis of the investments' valuations and prospects. Index weightings play no part in stock selection.

The NAV total return of the UK Equity Shares in the year under review was –1.0%, compared with a FTSE All-Share Index total return of –8.0%.

The NAV total return of the Global Equity Income Shares in the year under review was -8.6%, compared with an MSCI World Index (£) total return of –4.8%. However, the new investment policy and objective were applied from 30 November 2011. Performance in each sub-period, together with that of the index considered to provide the most appropriate comparison in each case, was as follows:

Global Equity NAV total return 31 May to 30 November 2011	–11.4%
MSCI AC World Index (£) total return 31 May to 30 November 2011	–8.4%

Global Equity Income NAV total return 30 November 2011 to 31 May 2012	+3.1%
MSCI World Index (£) total return 30 November 2011 to 31 May 2012	+2.9%

Source: Thomson Reuters Datastream.

Balanced Risk Portfolio

The NAV total return of the Balanced Risk Shares in the year under review was –8.0%, compared with the 3 month LIBOR plus 5% p.a. return of +5.9%. However, the Balanced Risk investment objective and policy were only applied from 8 February 2012, with the previous Hedge Fund objective and policy applying up to that date. Performance in each sub-period, together with comparatives considered to be appropriate, was as follows:

Hedge Fund NAV total return 31 May 2011 to 8 February 2012	–8.0%
3 month LIBOR plus 5% p.a. total return 31 May 2011 to 8 February 2012	+4.1%

Balanced Risk NAV total return 8 February to 31 May 2012	+0.0%
3 month LIBOR plus 5% p.a. total return 8 February to 31 May 2012	+1.9%
60% MSCI World Equity Index and 40% Barclays Aggregate Bond Index 8 February to 31 May 2012	–4.1%

Source: Thomson Reuters Datastream.

Managed Liquidity Portfolio

The NAV total return of the Managed Liquidity Shares in the year under review was +0.8%.

Dividends

UK Equity Portfolio

The Board aims to distribute by way of dividend substantially all of the net income of the UK Equity Portfolio after attributable expenses and taxation. The Manager aims to maximise total returns from the UK Equity Portfolio, which typically commands a yield premium to the market. However, the pursuit of income is not a prime objective and dividend yields do not constrain investment decisions. The Board intends to declare dividends on the UK Equity Portfolio prior to each conversion.

Revenue for the year for the UK Equity Portfolio was £1,669,000 (2011: £1,585,000).

The Directors have declared and paid three interim dividends for the year ended 31 May 2012 totalling 4.25p per UK Equity Share (2011: two dividends totalling 4.2p).

Global Equity Income Portfolio

The investment objective of the Global Equity Income Portfolio is to provide an attractive and growing level of income return and capital appreciation and the Board aims to distribute by way of dividend substantially all of the net income of the Global Equity Income Portfolio after attributable expenses and taxation. The Board intends to declare dividends on the Global Equity Portfolio prior to each conversion.

Revenue for the year for the Global Equity Income Portfolio was £850,000 (2011: £646,000).

The Directors have declared and paid three interim dividends for the year ended 31 May 2012 totalling 2.5p per Global Equity Income Share (2011: two dividends totalling 1.7p).

Balanced Risk Portfolio

In order to maximise the capital return on the Balanced Risk Shares, the Directors only intend to declare dividends on the Balanced Risk Shares to the extent required, having taken into account the dividends paid on the other Share classes, to maintain the Company's status as an investment trust under section 1158 of the Corporation Tax Act 2010. No dividends have been declared or paid in respect of the Balanced Risk Shares.

Managed Liquidity Portfolio

The Board intends to declare dividends on the Managed Liquidity Portfolio prior to each conversion, subject to the level of income available. As a consequence of very low interest rates prevailing throughout the year ended 31 May 2012, the net revenue of the Managed Liquidity Portfolio has been minimal. Revenue for the year for the Managed Liquidity Portfolio was £27,000 (2011: £51,000).

For the year ended 31 May 2012, the Directors declared and paid one interim dividend of 0.5p per Managed Liquidity Share (2011: one dividend of 0.5p).

Discount/(Premium)

The Board closely monitors the discount/(premium) at which the Company's Shares trade in relation to their respective Portfolio assets.

At 31 May 2012, the mid-market prices, net asset values ('NAV') and the discounts of the four Share classes were as follows:

	2012			2011		
SHARE CLASS	MID-MARKET PRICE (PENCE)	NET ASSET VALUE (PENCE)	DISCOUNT	MID-MARKET PRICE (PENCE)	NET ASSET VALUE (PENCE)	DISCOUNT
UK Equity	93.25	100.0	6.8%	101.0	105.3	4.1%
Global Equity Income	102.75	108.1	4.9%	114.5	120.9	5.3%
Balanced Risk	92.00	103.1	10.8%	105.0	112.1	6.3%
Managed Liquidity	99.75	102.5	2.7%	100.0	102.3	2.3%

During the year the Shares traded at the following discounts:

	2012 RANGE DURING YEAR		2011 RANGE DURING YEAR	
SHARES	MAXIMUM DISCOUNT %	MINIMUM DISCOUNT %	MAXIMUM DISCOUNT %	MAXIMUM DISCOUNT %
UK Equity	13.5	1.0	6.8	1.8
Global Equity Income	10.7	1.3	7.0	1.6
Balanced Risk	14.2	5.9	9.3	4.8
Managed Liquidity	7.4	0.7	4.0	0.6

Invesco Asset Management Limited ('IAML') and the Board closely monitor movements in the Company's Share prices and dealings in the Company's Shares. In order to avoid significant overhang or shortage of Shares in the market, the Board asks shareholders to approve resolutions every year that allow for the buy back of Shares (for cancellation or to be held as treasury shares) and also their issuance. This may assist in the management of the discount. Share buy backs in the year are summarised on pages 36 and 37. It is the Board's policy to sell treasury shares on terms that are in the best interests of shareholders.

Ongoing Charges Ratio

The expenses of managing the Company are reviewed by the Board at every meeting. The Board aims to minimise the ongoing charges ratio, which provides a guide to the effect on performance of all annual operating costs of the Company. The ongoing charges ratio is calculated by dividing the annualised ongoing charges, including those charged to capital, by the average undiluted net asset value during the year.

At the year end the ongoing charges ratios of the Company and the different Share classes, excluding any performance fees, were as follows:

	COMPANY	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY
2012	1.17%	1.20%	1.18%	1.55%	0.40%
2011	1.05%	1.09%	1.12%	1.58%	0.28%

The additional impact of performance fees of £388,000 (2011: £111,000) for the UK Equity Portfolio was:

	COMPANY	UK EQUITY
2012	0.41%	0.97%
2011	0.12%	0.30%

No performance fees arose in the year for the Global Equity Income Portfolio (2011: none).

Financial Position

Assets and Liabilities

At 31 May 2012 the Company's total net assets were £92.0 million (2011: £101.7 million). These comprised a portfolio of equity investments, debt securities, derivative instruments, cash and other debtors and liabilities. The Company has a £15 million multicurrency revolving credit facility of which £7.1 million (2011: £8.5 million) was drawn at the year end.

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.

Gearing Policy

Gearing Policy is under the control of the Board, which has established effective gearing parameters for the Portfolios. Gearing levels are regularly reviewed. As part of the Company's Investment Policy, the approved borrowing limits are 25% of the net assets of the UK Equity Portfolio, 20% of net assets of the Global Equity Income Portfolio and 5% of net assets of the Balanced Risk Portfolio.

Issued Share Capital

All Share classes have a nominal value of 1p per Share.

UK Equity Shares

At the year end and at the date of this report the UK Equity Share capital consisted of 38,941,883 UK Equity Shares, excluding 6,163,000 UK Equity Shares held in treasury.

Conversions to and from other Share classes during the course of the year reduced the number of UK Equity Shares in issue by 541,498. The number was further reduced by 598,000 being bought back into treasury, at an average price of 94.8p per share. These represented 1.5% of the UK Equity issued share capital (excluding treasury shares) at the beginning of the year. No UK Equity Shares have been bought back since the year end.

Global Equity Income Shares (formerly Global Equity Shares)

At the year end and at the date of this report the Global Equity Income Share capital consisted of 31,236,703 Global Equity Income Shares, excluding 4,488,000 Global Equity Income Shares held in treasury.

Conversions to and from other Share classes during the course of the year reduced the number of Global Equity Income Shares in issue by 462,935. The number was further reduced by 272,000 being bought back into treasury, at an average price of 102.6p per share. These represented 0.9% of the Global Equity Income issued Share capital (excluding treasury shares) at the beginning of the year. No Global Equity Income Shares have been bought back since the year end.

Balanced Risk Shares (formerly Hedge Fund Shares)

At the year end and at the date of this report the Balanced Risk Share capital consisted of 10,321,915 Balanced Risk Shares, excluding 3,125,000 Balanced Risk Shares held in treasury.

Conversions to and from other Share classes during the course of the year reduced the number of Balanced Risk Shares in issue by 190,895. The number was further reduced by 497,000 being bought back into treasury, at an average price of 101.4p per share. These represented 4.5% of the Balanced Risk issued share capital (excluding treasury shares) at the beginning of the year. No Balanced Risk Shares have been bought back since the year end.

Managed Liquidity Shares

At the year end the Managed Liquidity Share capital consisted of 8,438,316 Managed Liquidity Shares, excluding 4,452,216 Managed Liquidity Shares held in treasury.

Conversions to and from other Share classes during the course of the year increased the number of Managed Liquidity Shares in issue by 1,240,647. However, this was offset by 1,126,716 being bought back into treasury, at an average price of 99.1p per Share. These represented 13.5% of the Managed Liquidity issued share capital (excluding treasury shares) at the beginning of the year.

Further details on net changes in issued share capital are set out in note 13 to the financial statements on page 68.

Since the year end, 300,000 Managed Liquidity Shares have been bought back into treasury, at an average price of 99p per Share, leaving 8,138,316 Managed Liquidity Shares in issue, excluding 4,752,216 Managed Liquidity Shares held in treasury.

Current and Future Developments

As part of the Company's overall strategy, the Company seeks to manage its affairs so as to maximise returns for shareholders. The Board's also has a longer-term objective to increase the size of the Company in the belief that increasing the assets of the Company in this way will make the Company's Shares more attractive to investors and improve the liquidity of the Shares.

Details of trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Portfolio Managers' Reports and further details as to the risks affecting the Company are set out under 'Principal Risks and Uncertainties' below.

Principal Risks and Uncertainties

The Board has an ongoing process for identifying, evaluating and managing significant risks. This process is regularly reviewed by the Board and was in place throughout the year under review. The principal risk factors relating to the Company can be divided into various areas:

Investment Policy

There is no guarantee that the Investment Policy of the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objective.

The Board has established guidelines to ensure that the Investment Policy of the Company is pursued by the Manager.

Risks Applicable to the Company

Shares in the Company are designed to be held over the long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investments. Due to the potential difference between the mid-market price of the Shares and the prices at which they are sold, there is no guarantee that their realisable value will reflect their market price.

The market value of a Share, as well as being affected by its NAV, is also influenced by its dividend yield, where applicable, and prevailing interest rates, amongst other things. As such, the market value of a Share can fluctuate and may not always reflect its underlying NAV. The market price of a Share may therefore trade at a discount to its NAV. The Board and the Manager monitor the market rating of each Share class.

While it is the intention of the Directors to pay dividends to holders of the UK Equity, Global Equity Income and Managed Liquidity Shares, 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 dividends paid to 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 on the Shares in future years.

Compulsory Conversion of a Class of Shares

The continued listing on the Official List of each class of Share is dependent on at least 25% of the Shares in that class being held in public hands. This means that if more than 75% of the Shares of any class were held by, *inter alia*, the Directors, persons connected with Directors or persons interested in 5% or more of the relevant Shares, the listing of that class of Shares might be suspended or cancelled. The Listing Rules state that the FSA may allow a reasonable period of time for the Company to restore the appropriate percentage if this rule is breached, but in the event that the listing of any class of Shares were cancelled the Company would lose its investment trust status.

Accordingly, if at any time the Board considers that the listing of any class of Shares on the Official list is likely to be cancelled and the loss of such listing would mean that the Company would no longer be able to qualify for approval as an investment trust under section 1158 of the Corporation Tax Act 2010 ('CTA'), the Board may serve written notice on the holders of the relevant Shares requiring them to convert their Shares into another class of Shares.

Liability of a Portfolio for the Liabilities of Another Portfolio
The Directors intend that, in the absence of unforeseen circumstances, each Portfolio will effectively operate as if it were a stand-alone company. However, investors should be aware of the following factors:

- As a matter of law, the Company is a single entity. Therefore, in the event that any of the Portfolios has insufficient funds or assets to meet all of its liabilities, on a winding-up or otherwise, such a shortfall would become a liability of the other Portfolios and would be payable out of the assets of the other Portfolios in such proportions as the Board may determine; and
- The Companies Act 2006 prohibits the Directors from declaring any dividends in circumstances where the Company's assets represent less than one and a half times the aggregate of its liabilities. If the Company were to incur material liabilities in the future, a significant fall in the value of the Company's assets as a whole may affect the Company's ability to pay dividends on a particular class of Shares, even though there are distributable profits attributable to the relevant Portfolio.

Market Movements and Portfolio Performance
Individual Portfolio performance is substantially dependent on the performance of the securities (including derivative instruments) held within the Portfolio. The prices of these securities are influenced by many factors including the general health of worldwide economies; interest rates; inflation; government policies; industry conditions; political and diplomatic events; tax laws; environmental laws; and by the demand from investors for income. The Manager strives to maximise the total return from Portfolios, but the investments held are influenced by market conditions and the Board acknowledges the external influences on the performance of each Portfolio. Further risks specifically applicable to the Balanced Risk Shares are set out on page 39.

The performance of the Manager is carefully monitored by the Board, and the continuation of the Manager's mandates is reviewed each year. The Board has established guidelines to ensure that the investment policies of each class of Share are pursued by the Manager.

The Company is able to invest in emerging market securities. Securities of this nature involve certain risks and special considerations not typically associated with investing in other more established economies or securities markets.

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

For a fuller discussion of the economic and market conditions facing the Company and the current and future performance of the different Portfolios of the Company, please see both the Chairman's Statement on pages 3 to 5 and the Portfolio Managers' reports starting on page 7.

Gearing
Performance may be geared by use of a £15 million 364 day multicurrency revolving credit facility. In current market conditions, there is no guarantee that this facility will be renewed at maturity or on terms acceptable to the Company. If it were not possible to renew this facility or replace it with one from another lender, the amounts owing by the Company would need to be funded by the sale of securities. The Company also has an uncommitted overdraft facility of up to 10% of net assets.

Gearing levels of the different Portfolios will change from time to time in accordance with the respective Portfolio Managers' assessments of risk and reward. As a consequence, any reduction in the value of a Portfolio's investments may lead to a correspondingly greater percentage reduction in its NAV (which is likely to affect Share prices adversely). Any reduction in the number of Shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in a Portfolio's gearing.

Whilst the use of borrowings by the Company should enhance the total return on a particular class of Shares where the return on the underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Shares. Similarly, the use of gearing by investment companies or funds in which the Company invests increases the volatility of the NAV of the Company's Shares.

Hedging
The Company may use hedging derivatives for the purpose of efficient portfolio management. There may be a correlation between price movements in the underlying securities, currency or index, on the

one hand, and price movements in the investments, which are the subject of the hedge, on the other hand. In addition, an active market may not exist for a particular hedging derivative instrument at any particular time.

Regulatory and Tax Related

The Company is subject to various laws and regulations by virtue of its status as a public limited investment Company registered under the Companies Act 2006, its status as an investment trust and its listing on the London Stock Exchange. Loss of investment trust status could lead to the Company being subject to Capital Gains Tax on the sale of its investments. A serious breach of other regulatory rules could lead to suspension from the London Stock Exchange, a fine or a qualified Audit Report. Other control failures, either by the Manager or any other of the Company's service providers, could 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 the CTA and other financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's Compliance and Internal Audit Officers produce regular reports for review by the Company's Audit Committee.

The risks and risk management policies and procedures as they relate to the financial assets and liabilities of the Company are also detailed in note 17 to the financial statements.

Additional Risks Applicable to Balanced Risk Shares

The use of financial derivative instruments forms part of the investment policy and strategy of the Balanced Risk Portfolio. The Portfolio's ability to use these instruments may be limited by market conditions, regulatory limits and tax considerations. Such strategies might be unsuccessful and incur losses for the Portfolio, due to market conditions. Since the financial derivative instruments may be geared instruments, their use may result in greater fluctuations of the net asset value of the Portfolio. However, the range of exposures held is designed to mitigate this effect. The absence of a liquid market for any particular instrument at any particular time may inhibit the ability of the Manager to liquidate a financial derivative instrument at an advantageous price. However, the Manager actively seeks the most liquid means of obtaining the required exposures. The degree of leverage inherent in futures trading potentially means that a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Portfolio and possible impediments to efficient portfolio management or the ability to meet repurchase requests or other short term obligations because of the margin required to be deposited to cover such loss. Financial derivative instruments will not be used to create net short positions in any asset class.

Additional Risks Applicable to Managed Liquidity Shares

Investors should note that the Managed Liquidity Shares are not designed to replicate the returns or other characteristics of a bank or building society deposit or money market fund.

Reliance on Third Party Service Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party service providers for its executive function. In particular, the Manager performs services that are integral to the operation of the Company and the Custodian holds assets on its behalf. 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 successfully pursue its Investment Policy.

CORPORATE GOVERNANCE STATEMENT

Principles and Compliance

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

The Board has considered the principles and recommendations of the 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 UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

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

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

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company, since it has no executive employees and, given the extent of the Manager's role, in view of the Manager having an internal audit function.

This statement describes how the principles of the AIC Code have been complied with in the affairs of the Company for the year ended 31 May 2012. Any reference to the AIC Code in this statement includes references to the AIC Guide.

Directors

Independence

The Board comprises four Directors, all of whom are non-executive and all of whom are considered wholly independent. The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 27.

Chairman

The Chairman is Patrick Gifford, a non-executive Director, who has no conflicting relationships. Since all Directors are non-executive and day-to-day management responsibilities are subcontracted to the Manager, the Company does not have a Chief Executive Officer.

Senior Independent Director

The AIC Code recommends the appointment of a Senior Independent Director. The Board has appointed Alan Clifton as the Senior Independent Director. He is available to shareholders if they have concerns which contact through the normal channels of Chairman, Managers or Company Secretary have failed to resolve or for which such contact is inappropriate.

Board Responsibilities

The 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; the impact of the Company's operations on the community and the environment; the desirability of the Company to maintain a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company.

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.

In order to promote the success of the Company, the Board directs and supervises its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters reserved for the Board has been established. The schedule of matters is reviewed annually to ensure compliance with latest best practice and the AIC Code. The schedule of matters reserved for the Board will be available at the AGM and can be inspected at the Registered Office of the Company. It can also be found at *www.invescoperpetual.co.uk/investmenttrusts*.

The main responsibilities of the Board include: setting policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; approving accounting and dividend policies; managing the capital structure; setting long-term objectives and strategy; assessing risk; reviewing investment performance; approving loans and borrowing; approving recommendations presented by the Company's respective Board Committees; controlling risks; and the ongoing assessment of the Managers. 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-yearly financial reports, interim management statements, fact sheets and NAV disclosures.

The Board as a whole periodically undertakes the responsibilities which would otherwise be assumed by a remuneration committee, having agreed that a separate remuneration committee is not appropriate for a company of this size and nature.

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 per Director, having first consulted with the Chairman.

Supply of Information

To enable the members of the Board to fulfil their roles, the Manager and Company Secretary ensure that Directors have timely access to all relevant management, financial and regulatory information. The Board meets on a regular basis at least four times each year and additional meetings are arranged as necessary. Regular contact is maintained between the Manager, Company Secretary and the Board outside formal meetings.

Board meetings follow a formal agenda, which includes a review of each Portfolio with a report from the respective Portfolio Managers on the current investment position and outlook; strategic direction; performance against relevant indices and the Portfolio's peer group (where appropriate); asset allocation; gearing policy; cash management; revenue forecasts for the financial year; marketing and shareholder relations; corporate governance; and industry and other issues.

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 Company Secretary 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.

Appointment, Re-election, Tenure and the 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 Patrick Gifford. The main responsibilities of the Nomination Committee are to review the size, structure and skills of the Board and to make recommendations to the Board with regard to any changes considered necessary or new appointments. The Nomination Committee has written terms of reference, which are reviewed annually and clearly define its responsibilities and duties. The terms of reference are in line with best practice and the AIC Code. No Director has a contract of employment with the Company.

The Board has formulated a formal, rigorous and transparent procedure for the selection and appointment of new Directors to the Board. The Nomination Committee carries out the procedure with a view to making recommendations to the Board. The Nomination Committee may consider using an executive search consultancy or open advertising when seeking new candidates for appointment or they may consider that candidates found from sources within the Company and through its advisers are of a sufficiently high quality.

The Articles of Association require that each Director shall retire and be subject to election at the first AGM after appointment and re-election at least every three years thereafter. A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders. If this is the case, then a long-serving Director will stand for annual re-election at the Company's AGM.

Patrick Gifford is standing for re-election at this year's AGM. The Board confirms that his performance continues to be effective and that he continues to demonstrate commitment to his role. The Board therefore recommends that shareholders support AGM resolution 3 relating to the re-election of Mr Gifford.

Terms of reference of the Nomination Committee, the Articles of Association of the Company and Directors' letters of appointment will be available at the AGM; can be inspected at the Registered Office of the Company; and are available on the Manager's website: *www.invescoperpetual.co.uk/investmenttrusts*.

Board, Committee and Directors' Performance Appraisal

The Directors recognise the importance of the AIC Code, particularly in terms of evaluating the performance of the Board as a whole, the respective Committees and individual Directors. Performance of the Board, Committees 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 due to the diversity of skills and experience each Director brings to the meetings; and
- the Board's ability to challenge the Manager's recommendations, select topics for discussion and fix timetables for consideration of the future strategy of the Company.

Alan Clifton was responsible for the performance evaluation of the Chairman, taking into account the views of the other Directors.

The Board conducted its performance evaluation through questionnaires and discussion between the Directors and the Chairman. The review concluded that the Board and its Committees collectively, and the Directors individually, continue to be effective and that the Directors demonstrate commitment to the role.

Attendance at Board and Committee Meetings

The number of meetings held during the year to 31 May 2012 and the attendance of individual Directors are shown in the table below:

	SCHEDULED BOARD MEETINGS	AUDIT COMMITTEE MEETINGS
Number of Meetings	5	3
Patrick Gifford	5	3
Sir Michael Bunbury	5	3
Alan Clifton	5	3
David Rosier	5	3

Board members also attended a number of additional ad-hoc Board and Committee meetings during the year to deal with various items, including share conversions, dividend declarations and approval of the circular to shareholders published in October 2011.

Conflicts of Interest

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

The Articles of Association of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards that apply when Directors decide whether to do so. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and second, 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. Any potential conflicts of interest are entered into the Company's Register of Potential Conflicts, which is reviewed regularly by the Board. The Register of Potential Conflicts of Interest is kept at the Registered Office of the

Company. The Directors are obliged to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest. Directors will not participate in Board decisions on issues where they may be conflicted.

Directors' Interests

The beneficial interests of Directors in the issued share capital of the Company as at 1 June 2011 and 31 May 2012 are shown below:

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY
31 May 2012				
Patrick Gifford	9,050	63,576	98,173	–
Sir Michael Bunbury*	11,500	11,000	22,000	–
Alan Clifton	25,000	25,000	25,000	–
David Rosier	–	25,000	–	–
1 June 2011				
Patrick Gifford	9,050	63,576	88,173	–
Sir Michael Bunbury	11,500	11,000	8,000	–
Alan Clifton	25,000	10,000	10,000	–
David Rosier	–	25,000	–	–

*Sir Michael Bunbury also has a non-beneficial interest in 66,000 Balanced Risk Shares.

Save as aforesaid, no Director had any interest, beneficial or otherwise, in the securities of the Company during the year.

There have been no changes in the above interests between 31 May 2012 and the date of this report.

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.

Directors' Indemnification and Insurance

A Deed of Indemnity has been executed on behalf of the Company under the terms of which a Director may be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the discharge of his duties or the exercise of his powers or discretions as a Director of the Company. This includes any liability incurred by the Director in disputing, defending, investigating or providing evidence in connection with any actual or threatened or alleged claims, demands, investigations or proceedings whether civil or criminal, and any settlement thereof. A Director may also receive reimbursement of any expenditure incurred in connection with any such liability. Directors will continue to be indemnified under the terms of the indemnity notwithstanding that they may have ceased to be Directors of the Company.

However, Directors will not be entitled to be indemnified for any liability to the Company, for fines payable to regulatory authorities, for defending any criminal proceedings in which they are convicted or in defending any civil proceedings bought by the Company in which judgment is given against them. The indemnity does not apply to the extent that a liability is recoverable from any insurers, if it is prohibited by the Companies Act 2006 or otherwise prohibited by law, if it relates to tax payable on remuneration or other benefits received, or if a liability arises from an act or omission of the Director which is shown to have been in bad faith.

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

Internal Controls and Risk Management

The Directors acknowledge that they are responsible for the Company maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets.

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal control is designed to manage rather than eliminate risk of failure to adhere to the Company's Investment Policy. This system can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from their review. No significant failings or weaknesses were identified in the year ended 31 May 2012 or since up to the date of this annual financial report.

The Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Manager's internal audit and compliance departments. Formal reports are also produced on the internal controls and procedures in place for custodial, investment management, company secretarial and accounting activities, and these are reviewed annually by the Board.

Audit Committee

As the Board is considered small for the purposes of the AIC Code, all the Directors are members of the Audit Committee under the chairmanship of Sir Michael Bunbury. Audit Committee members consider that collectively they are appropriately experienced to fulfil the role required. The Audit Committee has written terms of reference which are reviewed annually and clearly define its responsibilities and duties. A separate risk committee has not been established. Review of the Company's internal control and risk management fall within the terms of reference of the Audit Committee. The terms of reference of the Audit Committee, including its role and authority, will be available for inspection at the AGM, at the Registered Office of the Company and on the Company's website.

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process, the systems of internal control and the management of financial risks, the audit process, relationships with external auditor, the Company's processes for monitoring compliance with laws and regulations and for making recommendations to the Board. It is also responsible for making recommendations to the Board in respect of the appointment, re-appointment and removal of auditor.

The Audit Committee meets at least twice each year to review the internal financial and non-financial controls, to approve the contents of the draft annual and half-yearly financial reports to shareholders and to review the Company's accounting policies. In addition, the Audit Committee reviews the Auditor's independence, objectivity and effectiveness the quality of the services of all the service providers to the Company; the effectiveness of the audit process and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. The Manager's internal audit and compliance teams report to the Committee at least twice each year. Representatives of Ernst & Young LLP, the Company's Auditor, attend the Audit Committee meeting at which the draft annual financial report is reviewed.

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

Auditor

The Audit Committee has considered the independence of the Auditor and the objectivity of the audit process and is satisfied that Ernst & Young LLP has fulfilled its obligations to shareholders as Independent Auditor to the Company. Non-audit fees payable to Ernst & Young LLP for the year to 31 May 2012 of £9,000 (2011: £6,000) in relation to tax services are not considered to impair this independence.

Ernst & Young LLP are willing to continue in office and a resolution, in accordance with section 489 of the Companies Act 2006, to reappoint them and to authorise the Directors to set the Auditor's remuneration will be proposed at the forthcoming AGM.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this to be appropriate as the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, the Directors took into account the value of net assets; the Company's Investment Policy; its risk management policies; the diversified portfolio of readily realisable securities which can be used to meet funding commitments; the credit facility and the overdraft which can be used for short-term funding requirements; the liquidity of the investments which could be used to repay the credit facility in the event that the facility could not be renewed or replaced; its revenue; and the ability of the Company in the light of these factors to meet all of its liabilities and ongoing expenses.

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. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure these standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. Your Company's voting rights are exercised on an informed and independent basis.

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

Manager Details and Assessment

Statement of Manager's Responsibilities

Invesco Asset Management Limited ('IAML' or 'the Manager') is responsible for the investment management of the Company's Portfolios.

As such, IAML is responsible for the day-to-day investment management activities of the Company, seeking and evaluating investment opportunities and analysing the results of investee companies and funds. The individual Portfolio Managers have full discretion to manage the assets of the individual Portfolios in accordance with the Company's stated Investment Policy as determined from time to time by the Board and approved by shareholders. The Portfolio Managers have discretion to make purchases and sales, make and withdraw cash deposits and exercise all rights over the investment portfolio. The Portfolio Managers also advise on borrowings.

IAML also provides full company secretarial and administration services to the Company, ensuring that the Company complies with all legal, regulatory and corporate governance requirements and attending on the Directors at Board meetings and shareholders' meetings. IAML additionally maintains records of the Company's investment transactions, Portfolio and all monetary transactions, from which the annual and half-yearly financial reports and interim management statements and various statistical reports and information are prepared on behalf of the Company.

Assessment of the Manager

The performance of IAML in the roles of Manager and Company Secretary and Administrator is subject both to continual review by the Board and regular annual reviews of the management contracts by the Management Engagement Committee.

The individual Portfolio Managers determine stock and fund selection and asset allocation with a view to achieving the Company's Investment Policy and meeting shareholder expectations. The Board has reviewed the Manager's performance and, taking into account the performance of the individual Portfolios, the other services provided by IAML and the risk and governance environment in which the Company operates, the Board considers that the continuation of the appointment of the Manager on the current terms is in the best interests of shareholders.

Investment Management Agreement ('IMA')

IAML is entitled to a basic fee (payable quarterly) in respect of each Portfolio (0.75% per annum of net assets in the case of the UK Equity, Global Equity Income and Balanced Risk Portfolios and 0.25% per annum of net assets in the case of the Managed Liquidity Portfolio). The IMA provides for a basic fee to be reduced by any fee payable separately to the Manager on any investments in other funds managed by the Manager. The Hedge Fund Portfolio's basic fee was 0.25% per annum of net assets up to the Portfolio's change of name to Balanced Risk and associated change of investment objective and policy on 8 February 2012.

IAML is also entitled to receive performance fees in respect of the UK Equity and Global Equity Income Portfolios of 12.5% of the increase in net assets per relevant Share in excess of a hurdle of the relevant benchmark plus 1% per annum. The amount of the performance fee payable in any one year is limited to 0.75% of the net assets of the relevant Portfolio. Any underperformance of the benchmark, or performance above the cap, is carried forward to subsequent periods.

The IMA can be terminated by either party giving 12 months' notice and, in certain circumstances, the IMA may be terminated without notice.

Management Engagement Committee

As the Board is considered small for the purposes of the AIC Code, all Directors are members of the Management Engagement Committee under the chairmanship of Sir Michael Bunbury. The Management Engagement Committee has written terms of reference, which clearly define its responsibilities and duties. The terms of reference are reviewed annually to ensure compliance with latest best practice and the AIC Code. They will be available for inspection at the AGM, can be inspected at the Registered Office of the Company and can be viewed on the Manager's website. The Management Engagement Committee meets at least once a year to review the performance of the Manager, the services provided and the Management Agreement.

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 for advising the Board through the Chairman on all governance matters. The appointment and ongoing assessment and review of the Company Secretary are matters for the Board as a whole.

Environmental Matters, Employees and Social and Community Issues

As an investment trust company with no employees, property or activities outside investment, no disclosure of information about environmental matters, employees or social and community issues is given.

The Manager considers various factors when evaluating potential investments. Some are financial ratios and measures, such as free cash flow, earnings per share and price to book value. Others are more subjective indicators which rely on first hand research; for example, quality of management, innovation and product strength. While a company's policy towards the environment and social responsibility is considered as part of the overall assessment of risk and the suitability of a company for the Portfolio, the individual Portfolio Managers do not necessarily preclude an investment being made on these grounds alone.

The Company may send or supply documents or information to shareholders in electronic form (e.g. by e-mail) or by means of a website. This delivers environmental benefits through reduced use of paper and the energy required for its production and distribution.

Individual Savings Account ('ISA')

The Ordinary Shares of each class in the Company are qualifying investments under the applicable ISA regulations.

Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. The Company had no trade creditors at the year end (2011: nil).

Rights Attaching to Shares

The rights attached to the Shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association ('Articles'). The Articles may only be changed by the shareholders by special resolution.

The holders of each class of Shares have the right to receive the revenue profits of the Company (including accumulated revenue reserves) attributable to the Portfolio established for that class and available for distribution.

On a return of assets, on a liquidation or otherwise, the surplus assets of the Company in each Portfolio, after satisfaction of all liabilities, shall be paid to the holders of the class of Shares for which the relevant Portfolio was established (and distributed amongst such holders rateably according to the amounts paid up on the Shares of the relevant class).

The holders of each class of Shares have the right to receive notice of and to attend, speak and vote at any general meeting of the Company, except that the holders of any class of Shares do not have the right to vote on any resolution relating to the payment of a dividend on any other class of Shares. Details of the voting rights attaching to the different classes of Shares are given in note 11 to the Notice of Meeting on page 84.

Shares are convertible at the option of holders into any other class of Shares on or around 1 February, 1 May, 1 August and 1 November each year.

Restrictions on Shares

Subject to statute, market rules and the requirements of the UK Listing Authority the Directors may, in certain circumstances including where it is in favour of more than four persons jointly, refuse to register a transfer of Shares.

The Directors may also restrict voting powers, dividends and transfers where shareholders fail to provide information with respect to interests in voting rights when so requested.

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

Substantial Shareholdings

The Company was aware of the following holdings of 3% and over of each class of the Company's issued share capital:

	AT 30 JUNE 2012		AT 31 MAY 2012	
UK EQUITY SHARES	HOLDINGS	%	HOLDINGS	%
Merrill Lynch Portfolio Managers*	5,720,668	14.7	5,720,668	14.7
D Price	2,391,604	6.1	2,391,604	6.1
JM Finn & Co*	2,231,598	5.7	2,231,598	5.7
Smith & Williamson*	2,156,787	5.5	2,156,787	5.5
Rathbone Investment Management*	2,149,129	5.5	2,131,034	5.5
P Radburn	2,001,285	5.1	2,001,285	5.1
S Price	1,773,927	4.6	1,773,927	4.6
Hargreave Hale*	1,214,683	3.1	1,214,683	3.1
Brewin Dolphin*	1,211,614	3.1	1,211,614	3.1
P Stormonth Darling	1,205,937	3.1	1,205,937	3.1
Perkins Echo Trust	1,195,000	3.1	1,195,000	3.1

	AT 30 JUNE 2012		AT 31 MAY 2012	
GLOBAL EQUITY INCOME SHARES	HOLDINGS	%	HOLDINGS	%
Brewin Dolphin*	1,955,728	6.3	1,953,789	6.3
Merrill Lynch Portfolio Managers*	1,451,018	4.6	1,451,018	4.6
P Stormonth Darling	1,588,552	5.1	1,588,552	5.1
Rathbone Investment Management*	1,426,518	4.6	1,408,423	4.5
J Salkeld	1,410,931	4.5	1,410,931	4.5
P Davidson	1,367,965	4.4	1,367,965	4.4
Williams de Broë*	1,176,662	3.8	1,176,662	3.8
R Bernays	1,066,086	3.4	1,066,086	3.4
J Pfeil	1,057,433	3.4	1,057,433	3.4
P Radburn	1,005,289	3.2	1,005,289	3.2

	AT 30 JUNE 2012		AT 31 MAY 2012	
BALANCED RISK SHARES	HOLDINGS	%	HOLDINGS	%
Schroder & Co, Zurich	1,286,545	12.5	1,286,545	12.5
J Salkeld	798,922	7.7	798,922	7.7
P Davidson	774,594	7.5	774,594	7.5
Williams de Broë*	687,242	6.7	687,242	6.7
J Pfeil	672,941	6.5	672,941	6.5
Smith & Williamson*	450,366	4.4	450,366	4.4
Killik & Co*	422,750	4.1	422,750	4.1
Merrill Lynch Portfolio Managers*	331,763	3.2	331,763	3.2

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2012
continued

	AT 30 JUNE 2012		AT 31 MAY 2012	
MANAGED LIQUIDITY SHARES	HOLDINGS	%	HOLDINGS	%
Barclays Stockbrokers*	757,836	9.3	757,836	9.0
Merrill Lynch Portfolio Managers*	700,347	8.6	700,347	8.3
J Pfeil	442,956	5.4	442,956	5.2
CG Asset Management*	314,710	3.9	429,975	5.1
JM Finn & Co*	291,000	3.6	291,000	3.4
Smith & Williamson*	275,101	3.4	275,101	3.3
M Franzman	250,000	3.1	250,000	3.0

*Aggregate of the named institution's clients who individually hold less than 3% of the Share class.

Shareholder Relations

Shareholder relations are given high priority by the Board and the Manager. The prime means by which the Company communicates with shareholders are the annual and half-yearly 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 publication of interim management statements, the daily calculation of the NAVs, which are published via the Stock Exchange, and monthly and daily factsheets. A presentation is made by a Portfolio Manager following the business of the AGM each year. Shareholders have the opportunity to communicate directly with the Board, Chairman and the Chairmen of the Committees of the Board at the AGM. All shareholders are encouraged to attend the AGM.

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

It is the intention of the Board that the annual financial report and the notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or in writing to the Company Secretary at the address given on page 28.

Shareholders can also visit the Manager's website at *www.invescoperpetual.co.uk/investmenttrusts* in order to access copies of annual and half-yearly financial reports; interim management statements, shareholder circulars; Company factsheets; Stock Exchange announcements; schedule of matters reserved for the Board; terms of reference of Board Committees; Directors' letters of appointment; the Company's Share price; and proxy voting results.

Annual General Meeting ('AGM')

The following summarises the business of the forthcoming AGM of the Company, which is to be held at 30 Finsbury Square, London, EC2A 1AG at 11.30am on 3 October 2012. Refreshments will be provided and there will follow a fund manager presentation in respect of the Global Equity Income Portfolio. The Notice of the AGM and related notes can be found on pages 81 to 84.

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 Directors' Remuneration Report. It is mandatory for listed companies to put their report on Directors' remuneration to an advisory shareholder vote. The Report on Directors' Remuneration is set out on pages 50 and 51 of this Annual Financial Report.

Resolution 3 is to re-elect Patrick Gifford as a Director. The Board has confirmed that Mr Gifford continues to perform effectively and demonstrate independence and commitment to his role. Brief biographical details are set out on page 27.

Resolution 4 is to reappoint the Auditor and to authorise the Directors to determine the Auditor's remuneration. Ernst & Young LLP have expressed their willingness to continue to hold office until the conclusion of the next annual general meeting of the Company.

Resolution 5 is to renew the Directors' authority to allot shares. Your Directors are asking for authority to allot new ordinary shares up to an aggregate nominal value of £1,000,000 for each of the four Share classes in issue. This will allow Directors to issue shares within the prescribed limits should any favourable opportunities arise to the advantage of shareholders. The powers authorised will not be exercised at a price below NAV of the relevant Share class so that the interests of existing shareholders are not diluted. This authority will expire at the AGM in 2013.

Resolution 6 is to renew the authority to disapply pre-emption rights. Your Directors are asking for the usual authority to issue new Shares in each share class, either pursuant to a rights issue or otherwise, up to an aggregate nominal amount of £38,941 in UK Equity Shares, £31,236 in Global Equity Income Shares, £10,321 in Balanced Risk Shares and £8,138 in Managed Liquidity Shares (10% of the issued share capital of each Share class) disapplying pre-emption rights. This will allow Shares to be issued to new shareholders without them having to be offered to existing shareholders first, thus broadening the shareholder base of the Company. This authority will expire at the AGM in 2013.

Resolution 7 is to renew the authority for the Company to purchase its own shares. Your Directors are seeking to renew the authority to buy back up to 14.99% of each Share class, being approximately 5,837,388 UK Equity Shares, 4,682,381 Global Equity Income Shares, 1,547,255 Balanced Risk Shares and 1,219,933 Managed Liquidity Shares, subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2013. Your Directors are proposing that Shares bought back by the Company either be cancelled or, alternatively, be 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 as a whole.

Resolution 8 is to amend the Company's Articles of Association to allow distribution of capital profits by way of dividends. This follows the introduction of new investment trust tax rules which no longer prohibit such distributions. This change is proposed in order for the additional flexibility permitted by the new rules to be available to the Company. However, the Directors have no current intention to declare dividends payable from capital reserve.

Resolution 9 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.

By order of the Board

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

25 July 2012

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2012

This Remuneration Report has been prepared under the requirements of schedule 8 of the Large and Medium-sized Companies and Group Regulations 2008. An Ordinary Resolution for the approval of this Report will be put to shareholders at the Annual General Meeting ('AGM'). 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 auditor's opinion is included in their report on pages 53 and 54.

Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration responsibilities are therefore regarded as part of the Board's responsibilities to be addressed regularly as a whole.

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

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the time commitment and responsibilities of the Directors. It is intended that this policy will continue for the year ending 31 May 2013 and subsequent years.

The Directors' remuneration throughout the year was as follows:

Chairman	£30,000 pa;
Chairman of the Audit Committee	£24,000 pa; and
Directors	£20,000 pa.

The fees were last revised with effect from 1 December 2010.

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 £200,000 in aggregate per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Service Contracts

All Directors have letters of appointment which are available for inspection at the AGM, on the Company's website and at the Registered Office of the Company. The Company has no employees other than the non-executive Directors.

Under the Articles of Association of the Company, the terms of the Directors' appointment provide that a Director shall retire and be subject to election at the first AGM after appointment and re-election at least every three years thereafter.

The Company's Performance

The Directors' Remuneration Report Regulations 2002 require that a performance graph be included with the Directors' Remuneration Report which compares the total return to each class of shareholder to a notional total return of a broad market index. The Directors do not consider that a single graph for the Company's Portfolios would be meaningful. However, graphs for each of the Portfolios are shown on pages 6, 12, 18 and 24.

Directors' Emoluments for the Year (Audited)

The Directors who served during the year to 31 May 2012 received the following emoluments in the form of fees:

	2012 £	2011 £
Patrick Gifford (Chairman)	30,000	28,750
Sir Michael Bunbury (Audit Committee Chairman)	24,000	23,000
Alan Clifton	20,000	19,250
David Rosier	20,000	19,250
John Martin (retired 1 November 2010)	–	7,696
Total	94,000	97,946

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 25 July 2012.

Signed on behalf of the Board of Directors

Patrick Gifford
Chairman

DIRECTORS' RESPONSIBILITY STATEMENT

in respect of the preparation of the annual financial report

The Directors are responsible for preparing the annual financial report in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

The Directors who held office at the date of approval of the Report of the Directors confirm that:

- in 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 all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

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

Signed on behalf of the Board of Directors

Patrick Gifford
Chairman

25 July 2012

INDEPENDENT AUDITOR'S REPORT

to the members of Invesco Perpetual Select Trust plc

We have audited the financial statements of Invesco Perpetual Select Trust plc for the year ended 31 May 2012 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, reconciliation of net cash flow to movement in net debt, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibility Statement set out on page 52, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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. In addition, we read all the financial and non-financial information in the annual financial report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2012 and of its net return 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.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following.

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

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 44, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on director's remuneration.

Caroline Gulliver (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP
Statutory Auditor
London

25 July 2012

INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	NOTES	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000
(Losses)/gains on investments	9	–	(6,283)	(6,283)	–	10,632	10,632
Gains/(losses) on derivative instruments	10	55	(66)	(11)	–	–	–
Foreign exchange losses		–	(46)	(46)	–	(52)	(52)
Income	2	3,279	11	3,290	2,903	328	3,231
Management fees	3	(175)	(426)	(601)	(164)	(416)	(580)
Performance fees	3	–	(388)	(388)	–	(111)	(111)
Other expenses	4	(427)	(4)	(431)	(377)	(2)	(379)
Net return before finance costs and taxation		2,732	(7,202)	(4,470)	2,362	10,379	12,741
Finance costs	5	(38)	(100)	(138)	(39)	(104)	(143)
Return on ordinary activities before tax		2,694	(7,302)	(4,608)	2,323	10,275	12,598
Tax on ordinary activities	6	(142)	–	(142)	(105)	–	(105)
Return on ordinary activities after tax for the financial year		2,552	(7,302)	(4,750)	2,218	10,275	12,493
Basic return per ordinary share:	7						
– UK Equity Share Portfolio		4.2p	(5.4)p	(1.2)p	4.1p	19.5p	23.6p
– Global Equity Income Share Portfolio(i)		2.7p	(13.1)p	(10.4)p	2.0p	8.5p	10.5p
– Balanced Risk Share Portfolio(ii)		0.1p	(9.5)p	(9.4)p	(0.5)p	(0.7)p	(1.2)p
– Managed Liquidity Share Portfolio		0.3p	(0.1)p	0.2p	0.5p	–	0.5p

(i) Formerly Global Equity Share Portfolio.
(ii) Formerly Hedge Fund Share Portfolio.

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The supplementary revenue and capital columns are prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations and the Company has no other gains or losses. Therefore no statement of recognised gains or losses is presented. No operations were acquired or discontinued in the period. Income statements for the different Share classes are shown on pages 11, 17, 23 and 26 for the UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity Share Portfolios respectively.

The accompanying notes are an integral part of this statement.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MAY

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	SPECIAL RESERVE £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVES £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 May 2010	1,071	1,290	96,896	323	(872)	–	98,708
Cancellation of deferred shares	–	–	(1)	1	–	–	–
Shares bought back and held in treasury	–	–	(7,278)	–	–	–	(7,278)
Realised gains on disposal of investments	–	–	–	–	2,261	–	2,261
Movement in investment holding gains	–	–	–	–	8,371	–	8,371
Foreign exchange losses	–	–	–	–	(52)	–	(52)
Special dividend taken to capital	–	–	–	–	328	–	328
Charged to capital:							
– management fees	–	–	–	–	(416)	–	(416)
– performance fees	–	–	–	–	(111)	–	(111)
– other expenses	–	–	–	–	(2)	–	(2)
– finance costs	–	–	–	–	(104)	–	(104)
Revenue return on ordinary activities per the income statement	–	–	–	–	–	2,218	2,218
Dividends – note 8	–	–	–	–	–	(2,211)	(2,211)
At 31 May 2011	1,071	1,290	89,617	324	9,403	7	101,712
Shares bought back and held in treasury	–	–	(2,457)	–	–	–	(2,457)
Realised losses on disposal of investments	–	–	–	–	(124)	–	(124)
Movement in investment holding losses	–	–	–	–	(6,159)	–	(6,159)
Losses on derivative instruments	–	–	–	–	(66)	–	(66)
Foreign exchange losses	–	–	–	–	(46)	–	(46)
Special dividend taken to capital	–	–	–	–	11	–	11
Charged to capital:							
– management fees	–	–	–	–	(426)	–	(426)
– performance fees	–	–	–	–	(388)	–	(388)
– other expenses	–	–	–	–	(4)	–	(4)
– finance costs	–	–	–	–	(100)	–	(100)
Revenue return on ordinary activities per the income statement	–	–	–	–	–	2,552	2,552
Dividends – note 8	–	–	–	–	–	(2,509)	(2,509)
As at 31 May 2012	1,071	1,290	87,160	324	2,101	50	91,996

The accompanying notes are an integral part of this statement.

BALANCE SHEET

AS AT 31 MAY 2012

	NOTES	UK EQUITY £'000	GLOBAL EQUITY INCOME[i] £'000	BALANCED RISK[ii] £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
Fixed assets						
Investments held at fair value through profit or loss	9	46,520	33,733	9,617	8,732	98,602
Current assets						
Derivative assets held at fair value through profit or loss	10	–	–	374	–	374
Debtors	11	393	180	8	76	657
Cash, short-term deposits and cash held at brokers		189	512	1,343	5	2,049
		582	692	1,725	81	3,080
Creditors: amounts falling due within one year						
Derivative liabilities held at fair value through profit or loss	10	–	–	(658)	–	(658)
Other creditors	12	(8,177)	(645)	(45)	(161)	(9,028)
Net current (liabilities)/assets		(7,595)	47	1,022	(80)	(6,606)
Net assets		38,925	33,780	10,639	8,652	91,996
Shareholders' funds						
Share capital	13(a)	451	357	135	128	1,071
Share premium	14	–	–	1,290	–	1,290
Special reserve	14	39,621	30,624	8,787	8,128	87,160
Capital redemption reserve	14	73	78	19	154	324
Capital reserves	14	(1,372)	2,476	758	239	2,101
Revenue reserve	14	152	245	(350)	3	50
Shareholders' funds		38,925	33,780	10,639	8,652	91,996
Net asset value per ordinary share	15	100.0p	108.1p	103.1p	102.5p	

(i) Formerly Global Equity.
(ii) Formerly Hedge Fund.

These financial statements were approved and authorised for issue by the Board of Directors on 25 July 2012.

Signed on behalf of the Board of Directors

Patrick Gifford
Chairman

The accompanying notes are an integral part of this statement.

BALANCE SHEET

AS AT 31 MAY 2011

	NOTES	UK EQUITY £'000	GLOBAL EQUITY INCOME(i) £'000	BALANCED RISK(ii) £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
Fixed assets						
Investments held at fair value through profit or loss	9	49,734	38,170	13,412	8,617	109,933
Current assets						
Derivative assets held at fair value through profit or loss	10	–	–	–	–	–
Debtors	11	560	225	40	64	889
Cash, short-term deposits and cash held at brokers		36	364	–	–	400
		596	589	40	64	1,289
Creditors: amounts falling due within one year						
Derivative liabilities held at fair value through profit or loss	10	–	–	–	–	–
Other creditors	12	(8,113)	(121)	(1,112)	(164)	(9,510)
Net current (liabilities)/assets		(7,517)	468	(1,072)	(100)	(8,221)
Net assets		42,217	38,638	12,340	8,517	101,712
Shareholders' funds						
Share capital	13(a)	457	362	136	116	1,071
Share premium	14	–	–	1,290	–	1,290
Special reserve	14	40,750	31,394	9,488	7,985	89,617
Capital redemption reserve	14	73	78	19	154	324
Capital reserves	14	773	6,620	1,763	247	9,403
Revenue reserve	14	164	184	(356)	15	7
Shareholders' funds		42,217	38,638	12,340	8,517	101,712
Net asset value per ordinary share	15	105.3p	120.9p	112.1p	102.3p	

(i) Formerly Global Equity.
(ii) Formerly Hedge Fund.

The accompanying notes are an integral part of this statement.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY

	NOTES	2012 £'000	2011 £'000
Net cash inflow from operating activities	16(a)	2,301	1,847
Servicing of finance	16(b)	(140)	(140)
Taxation		(44)	124
Capital expenditure and financial investment	16(b)	5,534	5,771
Equity dividends paid	8	(2,509)	(2,211)
Net cash inflow before management of liquid resources and financing		5,142	5,391
Financing	16(b)	(3,858)	(6,011)
Increase/(decrease) in cash		1,284	(620)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

FOR THE YEAR ENDED 31 MAY

	NOTES	2012 £'000	2011 £'000
Increase/(decrease) in cash		1,284	(620)
Exchange movements		(46)	(52)
Cash movements from changes in debt		1,400	(2,227)
Movement in year		2,638	(2,899)
Net debt at beginning of year		(8,227)	(5,328)
Net debt at end of year	16(c)	(5,589)	(8,227)

The accompanying notes are an integral part of this statement.

1. Accounting Policies

The principal accounting policies, all of which have been consistently applied throughout this year and the preceding year, are set out below.

(a) Basis of preparation

(i) *Accounting Standards applied*

The financial statements have been prepared in accordance with applicable United Kingdom law and Accounting Standards and with the Statement of Recommended Practice ('SORP') 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009.

(ii) *Definitions used in the financial statements*

'Portfolio' the UK Equity Share Portfolio, the Global Equity Income Share Portfolio, the Balanced Risk Share Portfolio and/or the Managed Liquidity Share Portfolio (as the case may be). Comprising investment portfolio, derivative instruments, cash, loans, debtors and other creditors, which together make up the net assets as shown in the balance sheet.

'Shares' UK Equity Shares, Global Equity Income Shares, Balanced Risk Shares, Managed Liquidity Shares and/or Deferred Shares (as the case may be).

The financial statements for the Company comprise the income statement, reconciliation of movements in shareholders' funds, the total column of the balance sheet, the cash flow statement and the company totals shown in the notes to the financial statements.

The UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity Share Portfolios' income statements and summaries of net assets do not represent statutory accounts, are not required under UK Generally Accepted Accounting Practice or the SORP, and are not audited. These have been disclosed to assist shareholders' understanding of the assets and liabilities, and income and expenses of the different Share classes.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of a dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements for approval as an investment trust.

(iii) *Functional and presentational currency*

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

(iv) *Transactions and balances*

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

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

(iii) *Derecognition of financial liabilities*

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

(iv) *Trade date accounting*

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

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

Financial assets

The Company's investments, including financial derivative instruments, are classified as held at fair value through profit or loss.

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

Fair value for investments, including financial derivative instruments, 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 with regard to the International Private Equity and Venture Capital Valuation Guidelines and on recommendations from Invesco's Pricing Committee, both of which use valuation techniques such as earnings multiples, recent arm's length transactions and net assets.

Financial liabilities

Financial liabilities, excluding financial derivative instruments but 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) Hedging and Derivatives

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

Futures contracts may be entered into for hedging purposes and any profits and losses on the closure or revaluation of positions are included in capital reserves. Where futures contracts are used for investment exposure any net income/expense is included within revenue in the income statement.

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

(d) Income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established, normally the ex-dividend date. UK dividends are stated net of related tax credits. Interest income arising from cash is recognised on an accruals basis and underwriting commission is recognised as earned. Income from fixed income securities is recognised in the income statement using the effective interest method.

1. Accounting Policies (continued)

(e) Expenses and finance costs

All expenses are accounted for on an accruals basis. Expenses are charged to the income statement and shown in revenue except where expenses are presented as capital items when a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and thus management fees and finance costs are charged to revenue and capital to reflect the Directors' expected long-term view of the nature of the investment returns of each Portfolio.

Finance costs are accounted for on an accruals basis using the effective interest rate method.

The management fees and finance costs are charged in accordance with the Board's expected split of long-term returns, in the form of capital gains and income, to the applicable Portfolio as follows:

PORTFOLIO	REVENUE RESERVE	CAPITAL RESERVE
UK Equity	30%	70%
Global Equity Income (formerly Global Equity)	30%	70%
Balanced Risk (formerly Hedge Fund)*	30%	70%
Managed Liquidity	100%	–

*Allocation changed on 8 February 2012 following the change of investment objective and policy. Previously this was charged 100% to capital.

Any entitlement to the investment performance fee which is attributable to the UK Equity and, or, the Global Equity Income Portfolio is allocated 100% to capital as it is directly attributable to the capital performance of the investments in that Portfolio.

(f) Dividends

Dividends are accrued in the financial statements when there is an obligation to pay the dividends at the balance sheet date.

(g) Taxation

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

For the Company, any allocation of tax relief to capital is based on the marginal basis, such that tax allowable capital expenses are offset against taxable income. Where individual Portfolios have extra tax capacity arising from unused tax allowable expenses which can be used by a different Portfolio, this extra tax capacity is transferred between the Portfolios at a valuation of 1% of the amount transferred.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences.

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

Investment trusts which have approval under the appropriate tax regulations are not liable for taxation on capital gains.

(h) Cash and cash funds

Cash and cash funds in the balance sheet comprise cash at bank, short-term deposits and, for all Portfolios except for the Managed Liquidity Portfolio, investments in Short-Term Investments Company (Global Series), all with a maturity of three months or less.

2. Income

2012	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Income from investments					
UK dividends	1,765	177	–	–	1,942
UK scrip dividends	6	12	–	–	18
Overseas dividends	242	1,000	3	2	1,247
Unfranked investment income – interest	3	1	–	58	62
Interest from Treasury bills	–	–	9	–	9
	2,016	1,190	12	60	3,278
Other income					
Deposit interest	–	–	1	–	1
Total income	2,016	1,190	13	60	3,279
2011					
Income from investments					
UK dividends	1,665	194	–	–	1,859
UK scrip dividends	–	30	–	–	30
Overseas dividends	211	717	–	3	931
Unfranked investment income – interest	2	2	–	78	82
	1,878	943	–	81	2,902
Other income					
Deposit interest	–	1	–	–	1
Total income	1,878	944	–	81	2,903

Special dividends received in UK Equity of £8,000 (2011: £328,000) and Global Equity Income of £3,000 (2011: nil) have been recognised in capital.

3. Management and performance fees

2012	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Management fee:					
– charged to revenue	90	77	7	1	175
– charged to capital	210	180	36	–	426
Total management fee	300	257	43	1	601
Performance fee charged to capital	388	–	–	–	388
2011					
Management fee:					
– charged to revenue	80	84	–	–	164
– charged to capital	187	195	34	–	416
Total management fee	267	279	34	–	580
Performance fee charged to capital	111	–	–	–	111

Details of the investment management agreement, are given on page 45 in the Report of the Directors.

4. Other expenses

2012	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Charged to revenue:					
Directors' fees	39	35	12	8	94
Fees payable to the Company's auditor for the audit of the annual financial statements*	11	9	3	3	26
Fees payable to the Company's auditor and its associates for other services:					
– relating to taxation*	4	3	1	1	9
Other expenses	130	109	39	20	298
	184	156	55	32	427
Charged to capital:					
Transaction costs	2	2	–	–	4
Total	186	158	55	32	431

2011	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Charged to revenue:					
Directors' fees	35	37	14	12	98
Fees payable to the Company's auditor for the audit of the annual financial statements*	9	9	3	2	23
Fees payable to the Company's auditor and its associates for other services:					
– relating to taxation*	3	2	1	–	6
Other expenses	96	92	46	16	250
	143	140	64	30	377
Charged to capital:					
Transaction costs	1	1	–	–	2
Total	144	141	64	30	379

* VAT on fees payable to the Company's auditor is included within other expenses.

5. Finance costs

2012	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Interest payable on borrowings repayable within one year as follows:					
Charged to revenue	37	1	–	–	38
Charged to capital	86	3	11	–	100
Total	123	4	11	–	138

2011	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Interest payable on borrowings repayable within one year as follows:					
Charged to revenue	39	–	–	–	39
Charged to capital	89	–	15	–	104
Total	128	–	15	–	143

6. Taxation

(a) Current tax charge

2012	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Overseas tax	36	106	–	–	142
2011					
Overseas tax	31	74	–	–	105

The accounting policy for taxation is disclosed in note 1(g).

(b) Reconciliation of current tax charge

2012	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Return on ordinary activities before taxation	(440)	(3,188)	(999)	19	(4,608)
UK Corporation Tax rate of 25.67%	(113)	(819)	(256)	5	(1,183)
Effect of:					
– Non taxable losses on investments and derivatives	377	1,001	250	2	1,630
– Non taxable losses/(gains) on foreign exchange	(1)	16	(4)	–	11
– Non taxable scrip dividends	(4)	(3)	–	–	(7)
– UK dividends which are not taxable	(453)	(46)	–	–	(499)
– Overseas dividends which are not taxable	(62)	(257)	(1)	–	(320)
– Overseas tax	36	106	–	–	142
– Disallowable expenses	1	1	–	–	2
– Accrued income taxable on receipt	–	5	(4)	–	1
– Excess of allowable expenses over taxable income	248	102	10	–	360
– Excess of allowable expenses over taxable offshore fund gains	–	–	5	–	5
– Transfer of expenses between Portfolios:					
– revenue expenses at 24.67%	7	–	–	(7)	–
Tax charge for the year	36	106	–	–	142
2011					
Return on ordinary activities before taxation	9,234	3,466	(150)	48	12,598
UK Corporation Tax rate of 27.67%	2,555	959	(42)	13	3,485
Effect of:					
– Non taxable gains on investments	(2,215)	(814)	5	1	(3,023)
– Non taxable losses/(gains) on foreign exchange	–	(1)	6	–	5
– Non taxable scrip dividends	–	(8)	–	–	(8)
– UK dividends which are not taxable	(461)	(62)	–	–	(523)
– Overseas dividends which are not taxable	(58)	(178)	–	–	(236)
– Overseas tax	31	74	–	–	105
– Disallowable expenses	–	–	–	(1)	(1)
– Accrued income taxable on receipt	–	(5)	–	–	(5)
– Excess expenses for the year carried forward	166	109	31	–	306
– Transfer of expenses between Portfolios:					
– revenue expenses at 26.67%	13	–	–	(13)	–
Tax charge for the year	31	74	–	–	105

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Taxation (continued)

(b) Reconciliation of current tax charge (continued)

Given the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain the necessary approval in the foreseeable future, the Company has not provided any UK corporation tax on any realised or unrealised capital gains or losses arising on investments.

(c) Factors that may affect future tax charges

The Company has excess management expenses and loan relationship deficits of £3,451,000 (2011: £2,007,000) that are available to offset future taxable revenue. A deferred tax asset of £828,000 (2011: £524,000) has not been recognised in respect of these expenses since they are recoverable only to the extent that the Company has sufficient future taxable revenue against which they may be set.

7. Basic return per Ordinary Share

Basic revenue, capital and total return per ordinary share is based on the returns on ordinary activities after taxation as shown by the income statement for the applicable Share class and on the following number of Shares being the weighted average number of Shares in issue throughout the year for each applicable Share class:

	AVERAGE NUMBER OF SHARES	
SHARE	2012	2011
UK Equity	39,602,185	38,981,102
Global Equity Income	31,590,128	32,455,572
Balanced Risk	10,633,343	12,736,626
Managed Liquidity	8,148,347	10,514,144

8. Dividends

Dividends paid for each applicable Share class, which represent distributions for the purpose of s1159 of the Corporation Tax Act 2010, follow:

	2012			2011		
	NUMBER OF SHARES	DIVIDEND RATE (PENCE)	TOTAL £'000	NUMBER OF SHARES	DIVIDEND RATE (PENCE)	TOTAL £'000
UK Equity						
First interim	39,510,181	2.00	790	38,249,001	1.65	631
Second interim	39,601,295	0.85	337	38,669,957	2.55	986
Third interim	39,586,944	1.40	554	–	–	–
		4.25	1,681		4.20	1,617
Global Equity Income						
First interim	31,699,638	1.00	317	32,203,164	0.45	145
Second interim	31,454,464	0.45	142	32,255,274	1.25	403
Third interim	31,423,044	1.05	330	–	–	–
		2.50	789		1.70	548
Managed Liquidity						
First interim	7,820,365	0.50	39	9,283,030	0.50	46
		0.50	39		0.50	46
Total paid in respect of the year			2,509			2,211

On 19 July 2012, the Company declared first interim dividends in respect of the next financial year for the UK Equity Share Portfolio of 1.15p per share and the Global Equity Income Share Portfolio of 1.00p per share.

9. Investments held at fair value

(a) Analysis of investments by listing status

	2012 £'000	2011 £'000
UK listed investments	61,986	45,241
UK unlisted investments	625	500
Overseas listed investments(i)	35,911	50,780
Unquoted hedge fund investments	80	13,412
	98,602	109,933

(i) Includes the Short-Term Investments Company (Global Series) investment held by the Managed Liquidity Portfolio of £1,166,000 (2011: £340,000) and Balanced Risk Portfolio of £550,000 (2011: nil).

(b) Analysis of investments gains/(losses)

	2012 £'000	2011 £'000
Opening valuation	109,933	105,167
Movements in year:		
Purchases at cost	66,697	28,611
Sales – proceeds	(71,745)	(34,477)
– net realised (losses)/gains on sales	(124)	2,261
Movement in investment holding (losses)/gains in year	(6,159)	8,371
Closing valuation	98,062	109,933
Closing book cost	94,551	99,723
Closing investment holding gains	4,051	10,210
Closing valuation	98,062	109,933
Realised (losses)/gains based on historical cost	(124)	2,261
Movement in investment holding (losses)/gains in year	(6,159)	8,371
(Losses)/gains on investments	(6,283)	10,632

(c) Transaction costs

Transaction costs were £144,000 (2011: £96,000) on purchases and £70,000 (2011: £44,000) on sales.

10. Derivative instruments

	2012 £'000	2011 £'000
Derivative assets held at fair value through profit and loss	374	–
Derivative liabilities held at fair value through profit and loss	(658)	–
Net derivative liabilities held at fair value shown in balance sheet	(284)	–
Net realised gains on derivative instruments	218	–
Net capital loss on derivative instruments as shown in the income statement	(66)	–
Net income arising on derivatives	55	–
Total loss on derivatives instruments	(11)	–

The derivative assets/liabilities shown in the balance sheet are the unrealised gains/losses arising from the revaluation to fair value of futures contracts held in the Balanced Risk Share Portfolio, as shown on page 22.

11. Debtors

	2012 £'000	2011 £'000
Amounts due from brokers	117	249
Taxation recoverable	174	129
Prepayments and accrued income	366	511
	657	889

12. Other creditors

	2012 £'000	2011 £'000
Overdraft	538	127
Bank loan	7,100	8,500
Shares bought back	–	1
Taxation payable	149	149
Amounts due to brokers	279	161
Performance fee accrued	680	292
Accruals	282	280
	9,028	9,510

At the year end the Company had a maximum uncommitted overdraft facility of 10% of net assets and a £15 million committed 364 day multicurrency revolving credit facility, which is due for renewal on 24 April 2013, both with The Bank of New York Mellon.

13. Share capital and reserves

(a) Movements in Share Capital During the Year

Issued and fully paid:

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY	TOTAL SHARE CAPITAL
ORDINARY SHARES (NUMBER)					
At 31 May 2011	40,081,381	31,971,638	11,009,810	8,324,385	91,387,214
Shares bought back into treasury	(598,000)	(272,000)	(497,000)	(1,126,716)	(2,493,716)
Arising on share conversion:					
– October 2011	118,114	(245,174)	100,413	36,615	9,968
– January 2012	(14,351)	(31,420)	16,592	31,081	1,902
– April 2012	(645,261)	(186,341)	(307,900)	1,172,951	33,449
At 31 May 2012	38,941,883	31,236,703	10,321,915	8,438,316	88,938,817
TREASURY SHARES (NUMBER)					
At 31 May 2011	5,565,000	4,216,000	2,628,000	3,325,500	15,734,500
Shares bought back into treasury	598,000	272,000	497,000	1,126,716	2,493,716
At 31 May 2012	6,163,000	4,488,000	3,125,000	4,452,216	18,228,216
ORDINARY SHARES OF 1 PENCE EACH (£'000)					
At 31 May 2011	401	320	110	83	914
Shares bought back into treasury	(6)	(3)	(5)	(11)	(25)
Arising on share conversion:					
– October 2011	1	(2)	1	–	–
– January 2012	–	–	–	–	–
– April 2012	(7)	(3)	(2)	12	–
At 31 May 2012	389	312	104	84	889

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY	TOTAL SHARE CAPITAL
TREASURY SHARES OF 1 PENCE EACH (£'000)					
At 31 May 2011	56	42	26	33	157
Shares bought back into treasury	6	3	5	11	25
At 31 May 2012	62	45	31	44	182
TOTAL SHARE CAPITAL (£'000)					
Ordinary share capital	389	312	104	84	889
Treasury share capital	62	45	31	44	182
Total share capital	451	357	135	128	1,071
Average buy back price	94.8p	102.6p	101.4p	99.1p	

The total cost of share buy backs was £2,457,000 (2011: £8,238,000). As part of the conversion process 9,447 (2011: 157,938) deferred shares of 1p each were created and subsequently cancelled during the year. No deferred shares were in issue at the start or end of the year.

(b) Movements in Share Capital after the Year End to 25 July 2012

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY
ORDINARY SHARES				
Shares bought back into treasury	–	–	–	300,000
Average buy back price	n/a	n/a	n/a	99p

(c) Dividend and Voting Rights

Each of the classes of Shares have the right to receive the revenue profits of the Company attributable to the Portfolio relating to that class of Shares as determined to be distributed by way of interim and/or final dividend at such times as the Board determines.

Shares do not carry a fixed number of votes. At general meetings of the Company the voting rights of each Share are determined by reference to the NAV of the Shares of the relevant class. The relative voting power of each class of Share at the general meeting depends on the number of Shares of that class in issue and the NAV of the Portfolio attributable to that class of Shares. In relation to dividends, each class of Shares is only able to vote on dividends for that class.

As the Portfolios are not legal entities in their own right, if the assets of one of the Portfolios were insufficient to meet its liabilities, any shortfall would have to be met from assets of the other Portfolio(s).

(d) Deferred Shares

The Deferred shares do not carry any rights to participate in the Company's profits, do not entitle the holder to any repayment of capital on a return of assets (except for the sum of 1p) and do not carry any right to receive notice of or attend or vote at any general meeting of the Company. Any Deferred shares that arise as a result of conversions of Shares are cancelled in the same reporting period.

(e) Future Convertibility of the Shares

Shares are convertible at the option of the holder into any other class of Share. Further conversion details are given on page 1 and in the Shareholder Information on page 29.

14. Reserves

The special reserve is available as distributable profits to be used for all purposes under the Companies Act 2006, including buy back of shares and payment of dividends. The capital redemption reserve arises from the nominal value of shares bought back and cancelled; this and the share premium are non-distributable. The revenue reserve is distributable by way of dividend.

The capital reserve is currently non-distributable by way of dividend and includes investment holding gains/(losses) being the difference between cost and market value at the balance sheet date, totalling a gain of £4,051,000 at 31st May 2012 (2011: £10,210,000).

15. Net asset values per Share

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

ORDINARY SHARES	2012		2011	
	NET ASSET VALUE PER SHARE PENCE	NET ASSETS ATTRIBUTABLE £'000	NET ASSET VALUE PER SHARE PENCE	NET ASSETS ATTRIBUTABLE £'000
UK Equity	100.0	38,925	105.3	42,217
Global Equity Income	108.1	33,780	120.9	38,638
Balanced Risk	103.1	10,639	112.1	12,340
Managed Liquidity	102.5	8,652	102.3	8,517

Net asset value per Share is based on net assets at the year end and on the number of relevant Shares in issue at the year end.

16. Notes to the cash flow statement

(a) Reconciliation of operating (loss)/profit to operating cash flows

	2012 £'000	2011 £'000
Total return before finance costs and taxation	(4,470)	12,741
Adjustment for losses/(gains) on investments	6,283	(10,632)
Adjustment for losses on derivatives	66	–
Adjustment for exchange losses	46	52
Scrip dividends received as income	(18)	(30)
Decrease/(increase) in debtors	145	(85)
Increase/(decrease) in creditors	391	(94)
Overseas tax	(142)	(105)
Net cash inflow from operating activities	2,301	1,847

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

	2012 £'000	2011 £'000
Servicing of finance		
Interest paid	(140)	(140)
Net cash outflow from servicing of finance	(140)	(140)
Capital expenditure and financial investment		
Purchase of investments	(66,579)	(28,487)
Sale of investments	71,877	34,228
Sale of futures	218	–
Scrip dividends received as income	18	30
Net cash inflow from capital expenditure and financial investments	5,534	5,771
Financing		
Share buy back costs	(2,458)	(8,238)
(Decrease)/increase in bank borrowings	(1,400)	2,227
Net cash outflow from servicing of finance	(3,858)	(6,011)

(c) Analysis of changes in net debt

	31 MAY 2011 £'000	CASH FLOW £'000	EXCHANGE MOVEMENTS £'000	31 MAY 2012 £'000
Cash, short-term deposits and cash held at brokers	400	1,695	(46)	2,049
Bank loan	(8,500)	1,400	–	(7,100)
Overdraft	(127)	(411)	–	(538)
Net debt	(8,227)	2,684	(46)	(5,589)

17. Risk management, financial assets and liabilities

The Company's financial instruments comprise the following:

- investments in equities, fixed interest securities and liquidity funds which are held in accordance with the Company's investment objectives and the investment objectives of the four Portfolios;
- short-term debtors, creditors and cash arising directly from operations;
- short-term forward foreign currency contracts; and
- bank loans and short-term overdrafts, used to finance operations.

The financial instruments held in each of the four investment portfolios are shown on pages 9, 15, 21, 22 and 26.

The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for these financial instruments. This note 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, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk – arising from any difficulty in meeting obligations associated with financial liabilities that are settled by delivering each or another financial asset.

Credit risk, incorporating counterparty 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

As an investment trust the Company invests in equities and other investments for the long-term so as to meet its investment objectives and policies. In pursuing its objectives, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction of the profits available for dividends. The risks applicable to the Company and the Directors' policies for managing these risks follow. These have not changed from those applying in the previous year, except as a result of the changes to the Balanced Risk Portfolio.

17. Risk management, financial assets and liabilities (continued)

Risk Management Policies and Procedures (continued)

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

The main risk that the Company faces arising from its financial instruments is market risk – this risk is reviewed in detail below. Since the Company mainly invests in quoted investments and derivative instruments traded on recognised stock exchanges, liquidity risk and credit risk are significantly mitigated.

Market Risk

The Company's portfolio managers assess the individual investment portfolio exposures when making each investment decision for their Portfolios, and monitor the overall level of market risk on the whole of their investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance for the four Portfolios and the Company, as disclosed in the Board Responsibility section on pages 40 and 41. Borrowings can be used by the UK Equity, Global Equity Income and Balanced Risk Portfolios, however, this will also increase the Company's exposure to market risk and volatility. The borrowing limits for these Portfolios are 25%, 20% and 5% of attributable net assets, respectively.

Currency Risk

A majority of the Global Equity Income and Balanced Risk Portfolios and a small proportion of the UK Equity Portfolio include assets, liabilities and income denominated in currencies other than sterling. As a result, movements in exchange rates will affect the sterling value of those items.

Management of Currency Risk

The portfolio managers monitor the separate Portfolios' exposure to foreign currencies on a daily basis and report to the Board on a regular basis. Forward foreign 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 the asset exposure to those currencies. No such contracts were in place at the current or preceding year end. Income denominated in foreign currencies is converted to sterling on receipt.

Foreign Currency Exposure

The fair value or amortised cost of the Company's monetary items that have foreign currency exposure at 31 May 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 in order to show the overall level of exposure.

UK EQUITY PORTFOLIO:	31 MAY 2012 £'000	31 MAY 2011 £'000
Investments at fair value through profit or loss that are monetary items		
Swedish Krona	176	–
Swiss Franc	2,325	1,245
US Dollar	2,660	2,747
	5,161	3,992

GLOBAL EQUITY INCOME PORTFOLIO:

YEAR ENDED 31 MAY 2012

CURRENCY	DEBTORS (DUE FROM BROKERS AND DIVIDENDS) £'000	CASH/ (OVERDRAFT) AT BANK* £'000	CREDITORS (DUE TO BROKERS AND ACCRUALS) £'000	TOTAL FOREIGN CURRENCY EXPOSURE ON NET MONETARY ITEMS £'000	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS THAT ARE EQUITIES £'000	TOTAL NET CURRENCY £'000
Australian Dollar	–	–	–	–	1,064	1,064
Brazilian Real	–	–	–	–	–	–
Euro	24	(3)	–	21	3,200	3,221
Hong Kong Dollar	12	–	–	12	485	497
Indian Rupee	–	–	–	–	–	–
Japanese Yen	7	–	–	7	2,907	2,914
Korean Won	–	–	–	–	–	–
Norwegian Krone	5	–	–	5	497	502
Singapore Dollar	–	–	–	–	1,067	1,067
Swiss Franc	52	–	–	52	2,551	2,603
Taiwan Dollar	–	505	–	505	–	505
US Dollar	56	10	–	66	16,607	16,673
	156	512	–	668	28,378	29,046

YEAR ENDED 31 MAY 2011

CURRENCY	DEBTORS (DUE FROM BROKERS AND DIVIDENDS) £'000	CASH AT BANK £'000	CREDITORS (DUE TO BROKERS AND ACCRUALS) £'000	TOTAL FOREIGN CURRENCY EXPOSURE ON NET MONETARY ITEMS £'000	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS THAT ARE EQUITIES £'000	TOTAL NET CURRENCY £'000
Australian Dollar	–	–	–	–	918	918
Brazilian Real	2	5	–	7	976	983
Euro	–	–	–	–	6,650	6,650
Hong Kong Dollar	–	–	–	–	4,525	4,525
Indian Rupee	–	–	–	–	863	863
Japanese Yen	33	–	–	33	3,113	3,146
Norwegian Krone	–	–	–	–	–	–
Korean Won	–	–	–	–	2,034	2,034
Singapore Dollar	–	–	–	–	–	–
Swiss Franc	–	–	–	–	3,619	3,619
Taiwan Dollar	–	21	–	21	959	980
US Dollar	34	–	(11)	23	7,783	7,806
	69	26	(11)	84	31,440	31,524

17. Risk management, financial assets and liabilities (continued)

Market Risk (continued)

BALANCED RISK PORTFOLIO:

YEAR ENDED 31 MAY 2012

CURRENCY	DERIVATIVE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS £'000	CASH/ (OVERDRAFT) AT BANK* £'000	DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS £'000	TOTAL FOREIGN CURRENCY EXPOSURE ON NET MONETARY ITEMS £'000	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS THAT ARE EQUITIES £'000	TOTAL NET CURRENCY £'000
Australian Dollar	186	98	–	284	–	284
Canadian Dollar	21	103	–	124	–	124
Euro	84	118	(92)	110	–	110
Hong Kong Dollar	–	48	(1)	47	–	47
Japanese Yen	20	129	(113)	36	–	36
US Dollar	25	660	(380)	305	80	385
	336	1,156	(586)	906	80	986

*Cash includes amounts held at brokers.

YEAR ENDED 31 MAY 2011

CURRENCY	DERIVATIVE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS £'000	CASH AT BANK £'000	DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS £'000	TOTAL FOREIGN CURRENCY EXPOSURE ON NET MONETARY ITEMS £'000	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS THAT ARE EQUITIES £'000	TOTAL NET CURRENCY £'000
US Dollar	–	–	–	–	352	352

Foreign Currency Sensitivity

The sensitivity analysis 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 rates. The effect of strengthening or weakening of sterling against other currencies to which the Company is exposed is calculated by reference to the volatility of exchange rates during the year using the standard deviation of currency fluctuations against the mean, giving the following exchange rate fluctuations:

	2012	2011
£/Australian Dollar	+/– 2.5%	+/– 4.6%
£/Brazillian Real	+/– 6.2%	+/– 1.9%
£/Canadian Dollar	+/– 1.5%	n/a
£/Euro	+/– 3.1%	+/– 2.4%
£/Hong Kong Dollar	+/– 1.9%	+/– 3.0%
£/Indian Rupee	+/– 5.5%	+/– 2.1%
£/Japanese Yen	+/– 3.4%	+/– 1.8%
£/Korean Won	+/– 2.2%	+/– 1.7%
£/Norwegian Krone	+/– 2.3%	+/– 2.9%
£/Singapore Dollar	+/– 1.2%	+/– 1.6%
£/Swedish Krona	+/– 2.4%	n/a
£/Swiss Franc	+/– 4.6%	+/– 4.5%
£/Taiwan Dollar	+/– 1.2%	+/– 2.7%
£/US Dollar	+/– 1.8%	+/- 3.0%

The tables that follow illustrate the sensitivity of returns after taxation for the year and equity with regard to the Company's monetary financial assets and liabilities and exchange rates for the UK Equity, Global Equity Income and Balanced Risk Portfolios.

If sterling had strengthened against the currencies shown by the table above, this would have had the following after tax effect:

UK EQUITY PORTFOLIO:

	2012 REVENUE RETURN	2012 CAPITAL RETURN	2012 TOTAL RETURN	2011 REVENUE RETURN	2011 CAPITAL RETURN	2011 TOTAL RETURN
Swedish Krona	–	(4)	(4)	–	–	–
Swiss Franc	(4)	(106)	(110)	(1)	(56)	(57)
US Dollar	(2)	(49)	(51)	(4)	(82)	(86)
	(6)	(159)	(165)	(5)	(138)	(143)

GLOBAL EQUITY INCOME PORTFOLIO:

	2012 REVENUE RETURN	2012 CAPITAL RETURN	2012 TOTAL RETURN	2011 REVENUE RETURN	2011 CAPITAL RETURN	2011 TOTAL RETURN
Australian Dollar	(1)	(27)	(28)	(2)	(42)	(44)
Brazilian Real	(1)	–	(1)	–	(18)	(18)
Euro	(6)	(100)	(106)	(4)	(159)	(163)
Hong Kong Dollar	(1)	(9)	(10)	(2)	(134)	(136)
Indian Rupee	(1)	–	(1)	–	(18)	(18)
Japanese Yen	(3)	(99)	(102)	(1)	(57)	(58)
Korean Won	–	–	–	–	(34)	(34)
Norwegian Krone	(1)	(12)	(13)	–	–	–
Singapore Dollar	(1)	(13)	(14)	–	–	–
Swiss Franc	(4)	(119)	(123)	(3)	(162)	(165)
Taiwan Dollar	–	(6)	(6)	–	(25)	(25)
US Dollar	(6)	(305)	(311)	(5)	(233)	(238)
	(25)	(690)	(715)	(17)	(882)	(899)

BALANCED RISK PORTFOLIO:

	2012 REVENUE RETURN	2012 CAPITAL RETURN	2012 TOTAL RETURN	2011 REVENUE RETURN	2011 CAPITAL RETURN	2011 TOTAL RETURN
Australian Dollar	–	(7)	(7)	–	–	–
Canadian Dollar	–	(2)	(2)	–	–	–
Euro	–	(3)	(3)	–	–	–
Hong Kong Dollar	–	(1)	(1)	–	–	–
Japanese Yen	–	(1)	(1)	–	–	–
US Dollar	–	(7)	(7)	–	(11)	(11)
	–	(21)	(21)	–	(11)	(11)

If sterling had weakened against the currencies shown, the effect would have been the converse.

17. Risk management, financial assets and liabilities (continued)

Market Risk (continued)

Interest Rate Risk

Interest rate movements may affect:

– the fair value of the investments in fixed-interest rate securities;
– the level of income receivable on cash deposits; and
– the interest payable on variable rate borrowings.

Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account as part of the portfolio management and borrowings processes of the portfolio managers. The Board reviews on a regular basis the investment portfolio and borrowings. This encompasses the valuation of fixed-interest and floating rate securities and gearing levels.

When the Company has cash balances, they are held in variable rate bank accounts yielding rates of interest dependant on the base rate of the custodian. The Company has a £15 million, 364 day multicurrency revolving credit facility which is due for renewal on 24 April 2013. The Company uses the facility when required at levels approved and monitored by the Board.

Interest rate exposure

At 31 May the exposure of financial assets and financial liabilities to interest rate risk is shown by reference to:

– floating interest rates (giving cash flow interest rate risk) – when the interest rate is due to be re-set; and
– fixed interest rates (giving fair value interest rate risk) – when the financial instrument is due for repayment.

The following table sets out the cash and borrowings exposure at the year end:

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2012					
Exposure to floating interest rates:					
Investments held at fair value through profit and loss*	–	–	550	8,732	9,282
Cash, short-term deposits and cash held at brokers	189	512	1,343	5	2,049
Bank loans	(7,100)	–	–	–	(7,100)
Overdraft	–	(538)	–	–	(538)
	(6,911)	(26)	1,893	8,737	3,693
Exposure to fixed interest rates:					
Investments held at fair value through profit and loss – including UK Treasury Bills	36	–	8,987	–	9,023
Net exposure to interest rates	(6,875)	(26)	10,880	8,737	12,716

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2011					
Exposure to floating interest rates:					
Investments held at fair value through profit and loss*	–	–	–	8,617	8,617
Cash, short-term deposits and cash held at brokers	36	364	–	–	400
Bank loans	(7,550)	–	(950)	–	(8,500)
Overdraft	–	–	(124)	(3)	(127)
	(7,514)	364	(1,074)	8,614	390
Exposure to fixed interest rates:					
Investments held at fair value through profit and loss	38	–	–	–	38
Net exposure to interest rates	(7,476)	(364)	(1,074)	8,614	428

* Comprises holdings in the Short-Term Investments Company (Global Series) and Invesco Perpetual Money Fund.

The income on the Invesco Perpetual Money Fund and Short Term Investments Company (Global Series) is dependent on interbank lending rates as described in detail in the Managed Liquidity Investment Manager's Report; the principal amount should, however, remain stable regardless of interest rate movements.

Interest rate sensitivity

At the maximum possible gearing of £15 million, the effect of a 0.5% movement in interest rates would result in a £75,000 maximum movement in the Company's income statement and net assets.

The effect of a 1% movements in the interest rates on investments held at fair value through profit and loss would result in a £12,000 (2011: nil) maximum movement in the Company's income statement and net assets.

The above exposure and sensitivity analysis are not representative of the year as a whole, since the level of exposure changes frequently throughout the year

Other Price Risk

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

Management of Other Price Risk

The Directors monitor the market price risks inherent in the investment portfolios by meeting regularly to review the Managers and the investment performances.

The Company's investment portfolios are the result of the Manager's investment processes and as a result are not wholly correlated with the individual Portfolios' benchmarks or the markets in which the Portfolios invest. The value of the investment portfolios will not move in line with the markets but will move as a result of the performance of the company shares within the investment portfolios.

17. Risk management, financial assets and liabilities (continued)

Market Risk (continued)

If the value of an investment portfolio moved by 10% at the balance sheet date, the profit after tax and equity for the year would increase/decrease by the following amounts:

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000
2012				
Profit after tax increase due to rise of 10%	4,652	3,373	962	873
Profit after tax decrease due to fall of 10%	(4,652)	(3,373)	(962)	(873)
2011				
Profit after tax increase due to rise of 10%	4,973	3,817	1,345	862
Profit after tax decrease due to fall of 10%	(4,973)	(3,817)	(1,345)	(862)

Liquidity Risk

Management of liquidity risk

Liquidity risk is minimised as the majority of the Company's investments comprise diversified portfolios of readily realiseable securities which can be sold to meet funding commitments. If required, the Company's borrowing facilities provide additional long-term and short-term flexibility.

The Directors' policy is for the Company to remain fully invested in normal market conditions and that short-term borrowings be used to manage short term liabilities and working capital requirements.

Liquidity risk

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

	UK EQUITY		GLOBAL EQUITY INCOME	BALANCED RISK		MANAGED LIQUIDITY	COMPANY TOTAL
	3 MONTHS OR LESS £'000	MORE THAN 3 MONTHS £'000	3 MONTHS OR LESS £'000	3 MONTHS OR LESS £'000	MORE THAN 3 MONTHS £'000	3 MONTHS OR LESS £'000	£'000
2012							
Overdraft	–	–	538	–	–	–	538
Bank loan	7,100	–	–	–	–	–	7,100
Amount due to brokers	279	–	–	–	–	–	279
Other creditors and accruals	118	–	107	45	–	161	431
Performance fee accrued	–	680*	–	–	–	–	680
Derivative financial instruments	–	–	–	544	112	–	656
	7,497	680	645	589	112	161	9,684
2011							
Overdraft	–	–	–	124	–	3	127
Bank loan	7,550	–	–	950	–	–	8,500
Amount due to brokers	150	–	11	–	–	–	161
Other creditors and accrued	121	–	110	38	–	161	430
Performance fee accruals	–	292*	–	–	–	–	292
Derivative financial instruments	–	–	–	–	–	–	–
	7,821	292	121	1,112	–	164	9,510

* The performance fee in respect of performance above the cap is carried forward to subsequent periods.

Credit Risk, incorporating Counterparty 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, and cash balances of the Company held by the custodian, depositories or brokers. Cash held at brokers includes that arising from margin on the futures contracts and during the year only one futures broker, Merrill Lynch, was used. This counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian, The Bank of New York Mellon, or its Manager, Invesco Asset Management Limited, suffers insolvency or other financial difficulties. The Board reviews the custodian's and the Manager's annual controls reports and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of £2.5 million for each Portfolio with any one depositary, with only depositaries approved by the Manager being used.

Fair Value Hierarchy Disclosures

The majority of the Company's investments are in the Level 1 category. The three levels set out in Financial Reporting Standard 29 ('FRS 29') 'Financial Instruments: Disclosures' follow.

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; and

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. All quoted equity investments and Treasury bills are deemed to be Level 1. Level 2 comprises all other quoted fixed income investments, the UK Equity Portfolio's holding of Barclays Bank Nuclear Power Notes, derivative instruments and liquidity funds held in the Managed Liquidity and Balanced Risk Portfolios. Level 3 investments comprise any unquoted securities and the remaining hedge fund investments of the Balanced Risk Portfolio. There were no transfers between any levels during the year.

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2012					
Financial assets designated at fair value through profit or loss:					
Level 1	45,740	33,733	8,987	–	88,460
Level 2	155	–	924	8,732	9,811
Level 3	625	–	80	–	705
Total for financial assets	46,520	33,733	9,991	8,732	98,976
Financial liabilities:					
Level 2 – Derivative instruments	–	–	658	–	658
2011					
Financial assets designated at fair value through profit or loss:					
Level 1	49,049	38,170	–	–	87,219
Level 2	185	–	–	8,617	8,802
Level 3	500	–	13,412	–	13,912
Total for financial assets	49,734	38,170	13,412	8,617	109,933

17. Risk management, financial assets and liabilities (continued)

Fair Value Hierarchy Disclosures (continued)

A reconciliation of the fair value movement in Level 3 is set out below.

	UK EQUITY £'000	BALANCED RISK £'000	TOTAL £'000
2012			
Opening fair value	500	13,412	13,912
Purchases at cost	–	–	–
Sales – proceeds	–	(12,429)	(12,429)
– net realised losses	–	(903)	(903)
Movement in investment holding gains	125	–	125
Closing fair value of Level 3	625	80	705
2011			
Opening fair value	500	15,933	16,433
Purchases at cost	–	593	593
Sales – proceeds	–	(3,097)	(3,097)
– net realised gains	–	(198)	(198)
Movement in investment holding gains	–	181	181
Closing fair value of Level 3	500	13,412	13,912

Fair Values of Financial Assets and Financial Liabilities

The fair values of the financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivative instruments), or the balance sheet amount as a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals, cash at bank/overdraft and loan).

Capital Management

The Company does not have any externally imposed capital requirements. The Company's capital is as disclosed in the balance sheet and is managed on a basis consistent with its investment objective and policy, as disclosed in the Report of the Directors. The principal risks and their management are contained within this note and under the 'Principal Risks and Uncertainties' section of the Report of the Directors.

18. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end.

19. Related party transactions

IAML, a wholly owned subsidiary of Invesco Limited, acts as Manager, Company Secretary and Administrator to the Company. Details of IAML's services and fees are disclosed in the Report of the Directors and in note 3. Full details of Directors' interests are set out in the Report of the Directors on page 43. There are no other related party transactions.

THIS NOTICE OF ANNUAL GENERAL MEETING 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 Invesco Perpetual Select 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 ('AGM') of Invesco Perpetual Select Trust plc will be held at 30 Finsbury Square, London EC2A 1AG at 11.30am on 3 October 2012 for the following purposes:

Ordinary Business

1. To receive the Report of the Directors, Financial Statements and the Auditor's Report for the year ended 31 May 2012.
2. To approve the Directors' Remuneration Report.
3. To re-elect Patrick Gifford a Director of the Company.
4. To reappoint Ernst & Young LLP as Auditor to the Company and authorise the Directors to determine the Auditor's remuneration.

Special Business

To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

5. THAT:
   the Directors be and they are hereby generally and unconditionally authorised, for the purpose of section 551 of the Companies Act 2006 as amended from time to time prior to the date of passing this resolution ('2006 Act') to exercise all the powers of the Company to allot relevant securities (as defined in sections 551(3) and (6) of the 2006 Act) up to an aggregate nominal amount equal to £1,000,000 of UK Equity Shares, £1,000,000 of Global Equity Income Shares, £1,000,000 of Balanced Risk Shares and £1,000,000 of Managed Liquidity Shares, provided that this authority shall expire at the conclusion of the next AGM of the Company or the date falling fifteen months after the passing of this resolution, whichever is the earlier, but so that such 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 and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

To consider and, if thought fit, to pass the following resolutions which will be proposed as Special Resolutions:

6. 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 ('2006 Act') to allot Shares in each class (UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity) for cash, either pursuant to the authority given by resolution 5 set out above or (if such allotment constitutes the sale of relevant Shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if section 561 of the 2006 Act did not apply to any such allotment, provided that this power shall be limited:

   (a) to the allotment of Shares in connection with a rights issue in favour of all holders of a class of Share where the Shares attributable respectively to the interests of all holders of Shares of such class are either proportionate (as nearly as may be) to the respective numbers of relevant Shares held by them or are otherwise allotted in accordance with the rights attaching to such Shares (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 £38,941 of UK Equity Shares, £31,236 of Global Equity Income Shares, £10,321 of Balanced Risk Shares and £8,138 of Managed Liquidity Shares; and

(c) to the allotment of equity securities at a price of not less than the net asset value per Share as close as practicable to the allotment or sale.

and this power shall expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this power shall allow the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry as if the power conferred by this resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the 2006 Act shall bear the same meanings in this resolution.

7. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with section 701 of the Companies Act 2006 as amended from time to time prior to the date of passing this resolution ('2006 Act') to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its issued Shares in each Share class (UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity).

PROVIDED ALWAYS THAT

(i) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of each class of the Company's share capital at 3 October 2012, the date of the Annual General Meeting (equivalent, at 25 July 2012, to 5,837,388 UK Equity Shares, 4,682,381 Global Equity Income Shares, 1,547,255 Balanced Risk Shares and 1,219,933 Managed Liquidity Shares);

(ii) the minimum price which may be paid for a Share shall be 1p;

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

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

(v) 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

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

8. THAT:

Article 113.2 of the Company's Articles of Association be amended by deleting the words: "and shall not in any event be available for dividend".

9. THAT:

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

All Resolutions are explained further in the Report of the Directors on pages 48 and 49.

Dated 25 July 2012

By order of the Board

Invesco Asset Management Limited
Company Secretary

Notes:

1. A form of appointment of proxy accompanies this annual financial report.

   A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different Share or Shares. A proxy need not be a member of the Company.

   In order to be valid an appointment of proxy must be returned by one of the following methods:

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

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

   The 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 the AGM.

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 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 person entered on the Register of Members at close of business on 28 September 2012 (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.

4. The Register of Directors' interests; the schedule of matters reserved for the Board; the terms of reference of the Audit, Management Engagement and Nomination Committees; and the letters of appointment for Directors will be available for inspection for at least 15 minutes prior to and during the Company's AGM.

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

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

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

shareholder as to the exercise of voting rights. The statement of the above rights of the shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.

8. 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.

9. 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.

10. As at 25 July 2012 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 38,941,883 UK Equity Shares, 31,236,703 Global Equity Income Shares, 8,138,316 Managed Liquidity Shares and 10,321,915 Balanced Risk Shares (all excluding shares held in treasury).

11. Subject to the Articles, voting takes place on a show of hands with every member who is present in person or by proxy having a right to one vote (except that if a proxy's instructions include votes for and against (in respect of different shares) the proxy has one vote for and one vote against on a show of hands). On a poll the number of votes per Share of each class will vary with the Net Asset Value ('NAV') of the respective underlying Portfolio and is determined in accordance with the following formula: $V = A \div B$

    WHERE:

    V is the number of votes for each Share of a particular class;

    A is the Portfolio NAV for the relevant Share class; and

    B is the number of Shares of the relevant class in issue (excluding treasury shares).

    The value of $A \div B$ (the net asset value per Share) for each class is calculated and announced (expressed in pence) daily.

    For the purposes of the AGM, the number of votes which may be cast and the total voting rights will be determined by the number of Shares in issue and the NAV as at a date no more than ten business days prior to the date of the AGM.

12. 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/ipst*.

13. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006 ('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 accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which the annual financial report was laid in accordance with section 437 of the 2006 Act (in each case) that the members propose to raise at the relevant Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 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 AGM includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

GLOSSARY OF TERMS

Discount

A description of the situation when the cum income share price is lower than the cum income NAV per share, with debt taken at amortised cost. 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.

Gearing

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

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

Gross Gearing

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

Net Gearing

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

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 and supply for the shares.

Ongoing Charges Ratio

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.

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 investment companies with different dividend policies. Any dividends (after tax) 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).

Volatility

Volatility refers to the amount of uncertainty or risk about the size of changes in a security's value. It is a statistical measure of the dispersion of returns for a given security or market index measured by using the standard deviation or variance of returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

The Manager of Invesco Perpetual Select Trust plc is Invesco Asset Management Limited.

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

Invesco Perpetual is a business name of Invesco Asset Management Limited.

Invesco is one of the largest independent global investment management firms, with funds under management in excess of $646.6 billion.*

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

** Funds under Management as at 30 June 2012.*

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 combined with a degree of security. The Company is geared by bank debt.

Invesco Income Growth Trust plc

Aims to provide shareholders with a long-term growth in capital and real, long-term growth in dividends from an above-average yielding portfolio comprising mainly UK equities and equity-related securities. Seeks to achieve a total return in excess of the FTSE All-Share Index. The Company is geared by bank debt.

Invesco Leveraged High Yield Fund Limited

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

Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio

Aims to generate an appropriate level of income combined with a high degree of security.

Invesco Perpetual Select Trust plc – UK Equity Share Portfolio

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

Invesco Property Income Trust Limited

The Company is a closed-ended investment company with limited liability incorporated in Jersey. The Company's current objective is to repay its bank borrowings and other liabilities on or before 28 September 2014 and, having met those obligations, provide a return for shareholders.

Keystone Investment Trust plc

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

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 Edinburgh Investment Trust plc

Invests in UK securities with long term objective of achieving:

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

The Company is geared by way of two debenture stocks.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

Aims to achieve long-term total returns for the Company's shareholders from investment in a broad cross-section of small to medium size UK-quoted companies. The Company may gear by bank debt.

Investing Internationally

Invesco Asia Trust plc

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

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, predominately through investment in a diversified portfolio of equities worldwide. The portfolio is geared by bank debt.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

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

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

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

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

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

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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