Invesco Perpetual Select Trust plc

Annual Financial Report
Year Ended 31 May 2011

Invesco Perpetual Select Trust plc

Annual Financial Report 2011

If you have any queries about Invesco Perpetual Select Trust plc
or any of the other specialist funds managed by Invesco Perpetual,
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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
- Hedge Fund
- Managed Liquidity

Invesco Asset Management Limited manages the UK Equity, Global Equity and Managed Liquidity Share Portfolios. The Hedge Fund Share Portfolio is advised by Fauchier Partners LLP, a hedge fund specialist.

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 25 to 28. 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 tax free between Share classes, currently every six months. A proposal is being put to shareholders to increase the frequency of conversion opportunities to quarterly. Further information can be found on page 24.

FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 MAY

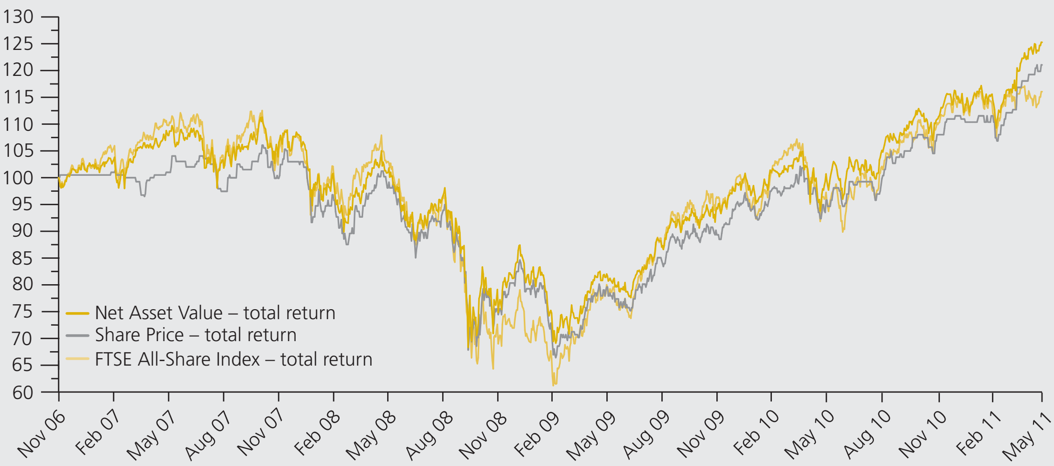
The Company commenced trading on 23 November 2006

† Source: Thomson Reuters

* Defined in the Glossary of Terms

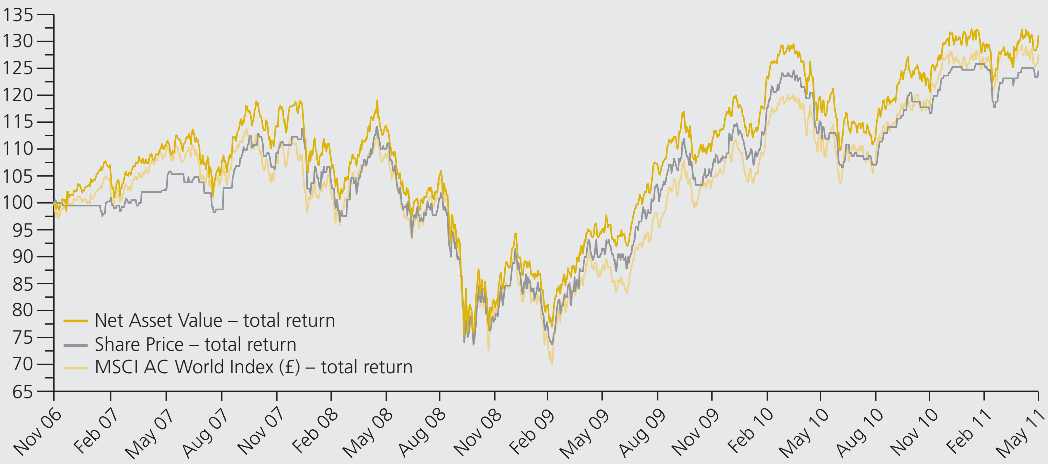
UK Equity Share Portfolio

	2011	2010	% CHANGE
Net asset value†* – total return			+28.2
Share price† – total return			+27.5
Discount* at year end	4.1%	3.4%	
FTSE All-Share Index† – total return			+20.4
Revenue return per share	4.1p	3.7p	
Dividend – first interim	1.65p	1.65p	
– second interim	2.55p	2.15p	
– total	4.20p	3.80p	



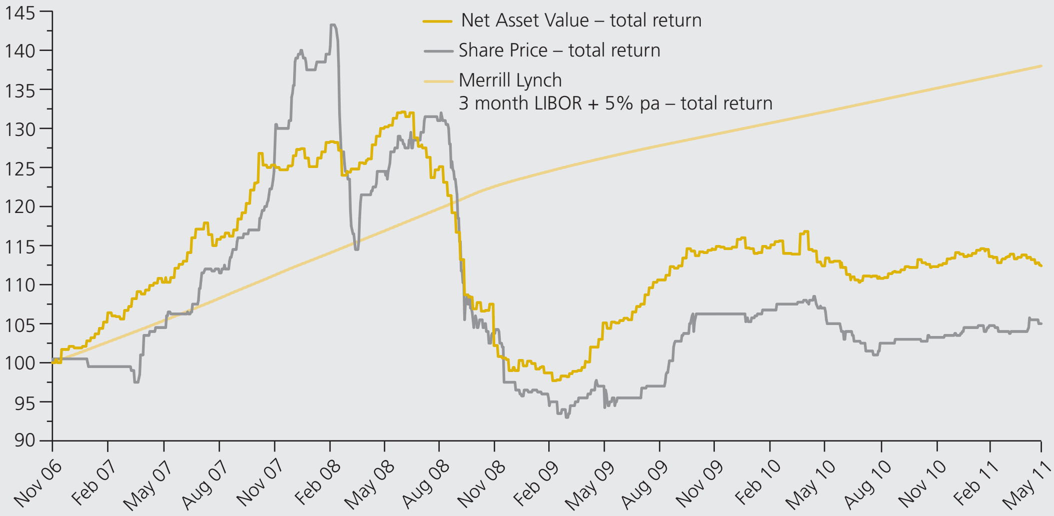
Global Equity Share Portfolio

	2011	2010	% CHANGE
Net asset value†* – total return			+9.5
Share price† – total return			+8.1
Discount* at year end	5.3%	3.8%	
MSCI AC World Index (£)† – total return			+13.7
Revenue return per share	2.0p	1.5p	
Dividend – first interim	0.45p	0.45p	
– second interim	1.25p	0.90p	
– total	1.70p	1.35p	



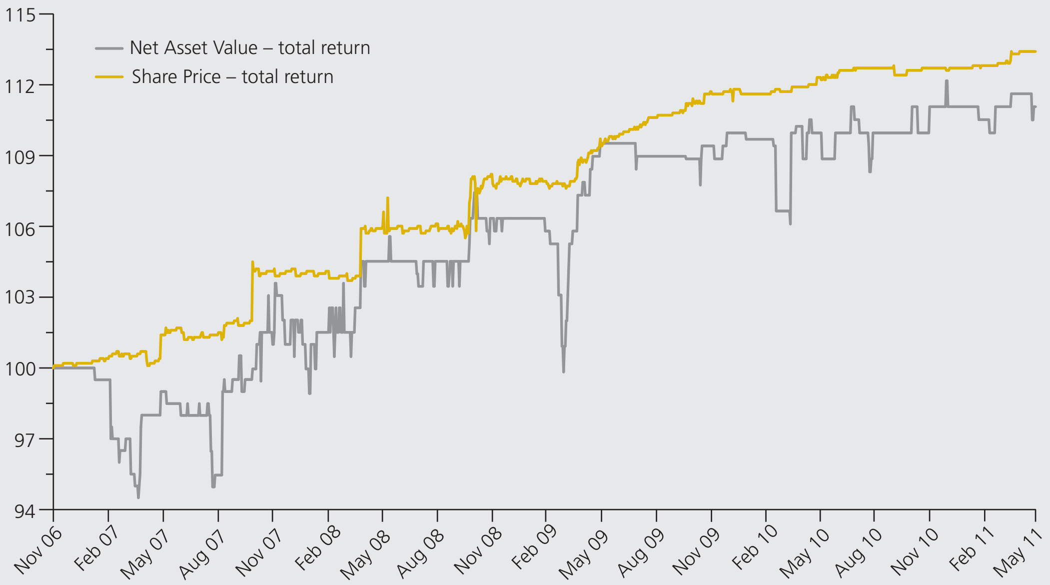
Hedge Fund Share Portfolio

	2011	2010	% CHANGE
Net asset value* – total return			–0.3
Share price† – total return			–1.9
Discount* at year end	6.6%	4.8%	
3 months LIBOR +5% pa – total return			+5.7



Managed Liquidity Share Portfolio

	2011	2010	% CHANGE
Net asset value†* – total return			+1.0
Share price† – total return			+1.0
Discount* at year end	2.3%	2.3%	
Revenue return per share	0.5p	0.3p	
Dividend – first interim	0.5p	0.4p	



CHAIRMAN'S STATEMENT

The Company

In earlier years the Company's annual report has been published in July or August. As you will see below we have been reviewing ways in which the Company could be improved to benefit shareholders and consequently have delayed publication this year while we developed proposals following that review.

Invesco Perpetual Select Trust has now been in existence for nearly five turbulent years, both in economies and markets, but also in British government tax policy. Your Board has considered the impact of these developments on the service that the Company provides to both current and potential future shareholders. It continues to believe that the structure of the Company, divided into different share classes with switching possible between them on a tax-efficient basis, is an appropriate one. In order to improve this, it is proposing to introduce quarterly switch dates. It also continues to review both the relevance and the performance of the different share classes. Both the UK Equity share class and the Managed Liquidity share class pass both tests, even though the latter suffers inevitably from the current very low level of UK interest rates. It does, however, underpin the Company's ability to buy back shares if necessary at a very low discount. However, in the Board's view a fund of hedge funds is likely to continue to struggle to provide low-volatility excess returns, especially as cost drag has risen as a proportion of low nominal and real returns. We also believe that in the present economic environment a greater emphasis on income in the Global Equity share class would be beneficial to shareholders.

Performance

For the Company's structure to work well it is important that all the classes provide good performance. Otherwise the presence of the switching arrangements becomes of academic interest only. In this context the results for the year were mixed. The UK Equity share class and the Managed Liquidity share class both performed well, whereas the Global Equity share class and the Hedge Fund share class were somewhat disappointing. The UK Equity share class enjoyed a very good year with a Net Asset Value total return of 28.2% compared with a return of 20.4% on the FTSE All-Share Index. The Global Equity share class produced a positive return of 9.5% which lagged the 13.7% return of the new benchmark, the MSCI AC World Index. The Managed Liquidity share class returned 1.0% and the Hedge Fund share class returned –0.3% including losses suffered on the directly held assets and the costs incurred in managing the share class's structure which reduced the basic return of 2.5% after fees from the Paragon Fund. This was, however disappointing when compared with the target return of 3-months LIBOR plus 5%, which amounted to 5.7%. The background to these performances remained unusual as the developed world struggled to find a solid base for economic growth while the rest of the world found that it had almost more growth than it could handle without disruption and particularly inflation. Real yields remained significantly negative in Europe and the US while emerging market central banks were raising interest rates and trying to avoid large inflows of short-term capital. Throughout the period the quoted corporate sector performed well as it recovered from the shocks of 2008-9. As a result profits tended to surprise positively which, together with a steep yield curve, helped equity markets. However, evidence that the financial crisis of 2008 still had the power to cause shocks came both from the long drawn out problem of Greece's financial position and also the looming risk of a default by the US government as it hits its borrowing limits, a problem made worse by intransigence in the US political system, debt-financed wars and the hangover from recession.

Proposed Portfolio Changes

We are proposing a move to a greater income orientation in the investment policy of the Global Equity Portfolio, which will entail a change of portfolio manager within Invesco Perpetual. The initial target dividend yield will be 3.5% with the potential for dividend growth in the future. We are also proposing replacement of the fund of hedge funds strategy. In its place we are recommending the adoption of a different strategy that offers attractive total returns in differing economic and inflationary environments, and with low correlation to equity and bond market indices, based on a diversified long-only portfolio of highly liquid investments, under the management of the Invesco Global Strategies team in Atlanta. These proposals are subject to shareholder approval. Details of the proposals will be set out in a separate circular which will also include a notice convening a general meeting of the Company for the same date as the annual general meeting at which the necessary resolutions will be proposed.

Outlook

The process of adjustment following the excesses of the period up to 2008 continues to be slow. In the US most notably because of its scale but also in several other developed countries including the UK both the household sector and the state need to reduce indebtedness and generate net financial inflows. The household sector is having some success at this. However, for the process to work well it is necessary for the corporate sector and/or the external sector to go into financial flow deficit, preferably without a major slump in demand. While the former might benignly result from more capital expenditure and larger dividends and share repurchases the latter requires a major shift in balance of payments flows, partly achievable by a reduction in US overseas military expenditure but largely requiring a policy shift in China and Germany beyond anything so far contemplated by the authorities there. At present the risk that the adjustment process will be rather chaotic and depress potential output has risen. Since the Company's year end we have seen a farcical soap opera in the US about the federal borrowing limit and continued problems in Europe focused on sovereign indebtedness. These macro economic concerns have obscured recognition that substantial losses have already been incurred by commercial banks, bond holders, the European Central Bank and governments, and that present policy offerings do little to address either competitiveness or the lack of growth. In the absence of a greater emphasis on supportive fiscal policy change may be slow. The deficit countries, where savings are insufficient, will only slowly claw their way back to balance while the surplus countries, especially China, may well struggle with inflation. As this process continues it will remain very important to sustain growth in real final demand. Without this, debt burdens will become intolerable and will continue to be transferred to creditors in the form of write-offs and losses thereby increasing the risk of renewed recession.

At some point interest rates must rise unless deflation is imminent, which still seems unlikely. This will be good news for the long-suffering holders of the Managed Liquidity share class though it may restrain equity markets both in corporate profitability and valuation.

The corporate sector has probably now seen the bulk of the cyclical improvement in profits after the recession and growth will be more muted. In recognition of the deterioration in the economic environment and the apparent absence of effective policy the mood of equity markets has worsened and credit spreads in sovereign bond markets have become much wider. For example the MSCI AC World Index has fallen by 14.5% since the Company's year end while the price of five to ten-year gilts has risen by 6.7%. There is, however, good news around. All sentiment indicators show a deeply oversold position and most equity markets now look cheap. In addition, the pressure on policymakers has increased substantially, possibly producing a positive policy shift. We therefore believe that a policy of investing in high quality equities for the relevant portfolios, supported by strong market positions and dividend yield, remains appropriate in a very uncertain world. The proposed new investment policy for the hedge fund class has shown an ability to perform well in a variety of market environments and we think it will prove a satisfactory replacement after the disappointing returns from this asset class.

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 Shares, without incurring any tax (under current legislation). Currently shares can be converted on or around 1 May and 1 November each year. The Directors are proposing the adoption of new Articles of Association that will provide further conversion opportunities on or around 1 February and 1 August each year. The resolution to adopt the new Articles will be proposed at a general meeting to be held on the same date as the annual general meeting. Details of the Share class conversions during the year under review are shown in note 12(b) on page 65. Further information about the conversion mechanics can be found on page 24 and in note 12(f) on page 66.

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 and Managed Liquidity Shares will vary from year to year depending on net portfolio income; in future the Board aims to declare dividends quarterly on these three Share classes. Little or no net income is received from the assets underlying the Hedge Fund Shares and, accordingly, no dividends are paid on those Shares.

For the year ended 31 May 2011, your Directors have declared two interim dividends on the UK Equity and Global Equity Shares and one interim dividend on the Managed Liquidity Shares totalling 4.20p (2010: 3.80p), 1.70p (2010: 1.35p) and 0.50p (2010: 0.40p) respectively. As a consequence of very low interest rates prevailing throughout the year ended 31 May 2011, the net revenue of the Managed Liquidity Share Portfolio has been minimal. In view of the administrative costs and in common with the previous year, the Directors therefore decided not to declare a second interim dividend on the Managed Liquidity Shares. The net revenue earned will be taken into account in considering the dividend for the year ending 31 May 2012.

Share Capital Movements

During the year to 31 May 2011, the Company purchased and placed in treasury 1,764,000 UK Equity Shares, 1,616,000 Global Equity Shares, 1,528,000 Hedge Fund Shares and 2,330,000 Managed Liquidity Shares. No Shares were cancelled from treasury in the financial year.

CHAIRMAN'S STATEMENT

continued

Since the year end a further 571,000 UK Equity Shares, 186,000 Global Equity Shares, 412,000 Hedge Fund Shares and 142,000 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 the highest 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 2011, they have complied with the provisions of the AIC Code of Corporate Governance as endorsed by the Financial Reporting Council, save in respect of matters discussed in the Corporate Governance statement contained on pages 41 to 46. In their view 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')

At the AGM there are four items of Special Business to be proposed:

Share Issuance
Your Directors are asking for a renewal of the authority to issue up to £1,000,000 in UK Equity Shares, £1,000,000 in Global Equity Shares, £1,000,000 in Hedge Fund Shares and £1,000,000 in Managed Liquidity Shares. 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 2012.

Pre-emption Rights
Your Directors are also 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 £39,510 in UK Equity Shares, £31,785 in Global Equity Shares, £10,597 in Hedge Fund Shares and £8,182 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 2012.

Share Buy Backs
Your Directors are seeking to renew the authority to buy back up to 14.99% of each Share class, being approximately 5,922,606 UK Equity Shares, 4,764,667 Global Equity Shares, 1,588,611 Hedge Fund Shares and 1,226,539 Managed Liquidity Shares, subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2012. 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.

Calling General Meetings at 14 Days' Notice
For general meetings other than annual general meetings, the minimum notice period permitted by the Companies Act 2006 is 14 days. However, the EU Shareholder Rights Directive increases the minimum notice period for listed company general meetings to 21 days, except that companies can reduce this period back to 14 days, other than for annual general meetings, provided that 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. The Board is therefore proposing a Special Resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than annual general meetings. It is intended that this flexibility will be used only where the Board believes it is in the interests of shareholders as a whole.

The Board recommends that shareholders vote in favour of all resolutions as each of the Directors intend to do in respect of their own Shares.

Patrick Gifford
Chairman
27 September 2011

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

In the twelve months to May 2011 the UK stock market came close to matching its 22.9% rise of the previous year, delivering returns of 20.4%. The increase of the past year, however, was achieved against the more challenging backdrop of rising risk aversion as concerns grew over both the pace of global growth and a spreading sovereign debt crisis.

The period was notable for the volatility of indices. The aftermath of the BP oil spill in the Gulf of Mexico and consequent fall in the company's share price caused the FTSE 100 index to fall in the early months of the year. But, as corporate results continued to surprise on the upside, this resulted in a strong rally in UK equities, particularly at the end of 2010. As 2011 unfolded, market sentiment was plagued by a variety of worries: Middle East politics, the Eurozone debt crisis, the consequences of the Japanese earthquake and slowing economic growth in China. Towards the end of the period the price of gold hit an all time high and the price of oil was at a three year high.

Monetary stimulus on both sides of the Atlantic arguably played a large part in the rise of equity markets in the period. UK interest rates remained at 0.5% for the duration of the year, although inflation stayed above the 2% target the government has set the Bank of England. Concerns grew that interest rates might be increased sooner rather than later, but these were assuaged by the minutes from the Bank of England's recent meetings, which have shown no new support for an increase, despite the Bank warning that inflation was likely to remain above its target for the remainder of the year.

Portfolio Strategy and Review

On a total return basis, the Net Asset Value of the UK Equity share class rose by 28.2% during the 12 months to the end of May 2011, compared to a gain of 20.4% in the FTSE All-Share index.

The performance of the portfolio particularly benefited from its holdings in the telecommunications sector. The most significant contribution over the year came from the holding in BT, with the company confirming both its ability to produce double digit growth in earnings and an improving free cash flow outlook. Vodafone also provided a positive impact; the sale of non-core assets by the company forced the market to re-appraise the value of its core business, while the price agreed by AT&T for the acquisition of T-Mobile highlighted the value inherent within the mobile telecoms sector.

Another notable contributor to performance was oil and gas company, BG Group; good full year results were accompanied by news of further Brazilian oil discoveries while the company is a likely beneficiary of an increasingly positive outlook for gas demand.

The tobacco sector also continued to generate positive returns, with the holdings in Reynolds American and British American Tobacco particularly benefiting performance.

A notable negative contributor to the portfolio's performance was Yell. The company continued to suffer as a result of the underperformance of its directory business and on continued speculation concerning its long-term future. The Portfolio Manager remains cautiously optimistic as a result of the new strategy to migrate more of Yell's business online. Elsewhere in the portfolio, Rentokil Initial's share price struggled as investors focused on problems in its parcel division, City Link; more recent share price performance has been more encouraging.

In terms of portfolio activity, a number of new holdings were introduced to the portfolio. These comprised both larger companies, including Roche, Serco and Daily Mail, along with some smaller businesses, including Amlin, Brown (N), Chemring, HaloSource and TalkTalk Telecom.

The portfolio reduced its exposure to the utilities sector over the twelve months, disposing of holdings in National Grid and Northumbrian Water. The Portfolio Manager is concerned that a more onerous UK regulatory outlook will hamper these companies' ability to generate adequate returns on equity and can see more attractive investment opportunities elsewhere.

UK EQUITY SHARE PORTFOLIO MANAGER'S REPORT

continued

Outlook

We continue to pursue a cautious stance on the outlook for the UK economy, believing that a number of headwinds persist; the full extent of public spending cuts have yet to be felt, the squeeze on household incomes will continue and, although the manufacturing side of the economy is benefiting from the strength of overseas markets, it is doubtful this can fully compensate for weaknesses in other areas of the economy. We anticipate that the performance of the UK stock market will continue to be volatile over the next few months.

At the same time, there are opportunities for the long term investor. The stock market's obsession with chasing earnings momentum that inevitably follows through into price momentum has created opportunities for investors who are more interested in evaluating the intrinsic value of a business than in second guessing the direction of near term earnings.

We are increasingly convinced that the most attractive companies are currently those which can grow earnings independently of the economic cycle. A number of these are the very large cap stocks, which dominate the UK Equity portfolio, but increasingly and selectively there is also value in the mid cap areas. In terms of stock selection, security of cash flows and dividends is key. The ability and desire to buy back equity is an additional attraction that has become more common in recent months, with companies recognising that retiring equity represents a low risk way of creating shareholder value.

We are reassured by the fundamental qualities of the portfolio's holdings, being strong, reliable businesses that are managed in the interests of their shareholders. It is worth remembering that the most under-rated virtue of stock market investing is patience, and that the market rarely recognises under-valuation in the timeframe originally envisaged. However, the majority of the portfolio is still being valued by the market at a significant discount to its intrinsic value. The quality of the companies is demonstrable, it requires a degree of patience for the value to be realised.

Mark Barnett
Portfolio Manager
Invesco Asset Management Limited
27 September 2011

UK EQUITY SHARE PORTFOLIO LIST OF INVESTMENTS

AT 31 MAY 2011

Ordinary shares listed in the UK unless stated otherwise

COMPANY	INDUSTRY GROUP†	MARKET VALUE £'000	% OF PORTFOLIO
Reynolds American – *US common stock*	Tobacco	2,747	5.5
British American Tobacco	Tobacco	2,637	5.3
Imperial Tobacco	Tobacco	2,563	5.2
BT	Fixed Line Telecommunications	2,444	4.9
GlaxoSmithKline	Pharmaceuticals and Biotechnology	2,325	4.7
Vodafone	Mobile Telecommunications	2,211	4.4
BG	Oil and Gas Producers	2,183	4.4
AstraZeneca	Pharmaceuticals and Biotechnology	2,146	4.3
Tesco	Food and Drug Retailers	1,591	3.2
Reckitt Benckiser	Household Goods and Home Construction	1,495	3.0
Capita	Support Services	1,472	3.0
Centrica	Gas, Water and Multiutilities	1,370	2.8
Babcock International	Support Services	1,355	2.7
BAE Systems	Aerospace and Defence	1,313	2.6
Roche – *Swiss common stock*	Pharmaceuticals and Biotechnology	1,245	2.5
Hiscox	Non-Life Insurance	1,230	2.5
Scottish and Southern Energy	Electricity	1,159	2.3
Compass	Travel and Leisure	1,138	2.3
International Power	Electricity	1,138	2.3
Balfour Beatty	Construction and Materials	1,074	2.2
Provident Financial	General Financial	997	2.0
Pennon	Gas, Water and Multiutilities	965	1.9
Drax	Electricity	920	1.8
KCOM	Fixed Line Telecommunications	858	1.7
Homeserve	Support Services	834	1.7
Amlin	Non-Life Insurance	829	1.7
BTG	Pharmaceuticals and Biotechnology	795	1.6
Tate & Lyle	Food Producers	754	1.5
Chemring	Aerospace and Defence	753	1.5
Wm Morrison Supermarkets	Food and Drug Retailers	709	1.4
Serco	Support Services	676	1.4
Daily Mail & General Trust	Media	658	1.3
Ladbrokes	Travel and Leisure	628	1.3
Beazley	Non-Life Insurance	617	1.2
Rentokil Initial	Support Services	617	1.2
Bunzl	Support Services	607	1.2
A J Bell – *Unquoted*	General Financial	500	1.0
Impax Environmental Markets	Equity Investment Instruments	394	0.8
TalkTalk Telecom	Fixed Line Telecommunications	300	0.6
Vectura	Pharmaceuticals and Biotechnology	248	0.5
Brown (N)	General Retailers	231	0.5
UK Coal	Mining	200	0.4
HaloSource(2)	Chemicals	181	0.4
Barclays Bank – *Nuclear Power Notes 28 February 2019*(1)	Electricity	149	0.3
Landkom International(3)	Food Producers	139	0.3
PuriCore	Health Care Equipment and Services	125	0.3
XCounter(4)	Health Care Equipment and Services	65	0.1
Yell	Media	53	0.1
Renovo	Pharmaceuticals and Biotechnology	43	0.1
Ecofin Water and Power Opportunities	Equity Investment Instruments		
– *6% Convertible Loan Stock*		38	0.1
– *Subscription shares*		–	
Helphire	Financial Services	15	0.0
		49,734	100.0

† FTSE Industry Classification Benchmark.

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

(2) Listed on AiM.

(3) Listed in Isle of Man.

(4) Listed in Sweden.

UK EQUITY SHARE PORTFOLIO INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
Gains on investments	–	7,668	7,668	–	5,093	5,093
Foreign exchange gains/(losses)	–	10	10	–	(11)	(11)
Income	1,878	328	2,206	1,808	–	1,808
Management fee	(80)	(187)	(267)	(53)	(122)	(175)
Performance fee	–	(111)	(111)	–	–	–
Other expenses	(143)	(1)	(144)	(131)	(3)	(134)
Net return before finance costs and taxation	1,655	7,707	9,362	1,624	4,957	6,581
Finance costs	(39)	(89)	(128)	(40)	(93)	(133)
Return on ordinary activities before tax	1,616	7,618	9,234	1,584	4,864	6,448
Tax on ordinary activities	(31)	–	(31)	(25)	–	(25)
Return on ordinary activities after tax for the financial year	1,585	7,618	9,203	1,559	4,864	6,423
Basic return per ordinary share	4.1p	19.5p	23.6p	3.7p	11.4p	15.1p

SUMMARY OF NET ASSETS

AT 31 MAY

	2011 £'000	2010 £'000
Fixed assets	49,734	39,987
Current assets	596	445
Creditors falling due within one year, excluding borrowings	(563)	(593)
Bank loan	(7,550)	(6,100)
Net assets	42,217	33,739
Net asset value per share	105.3p	85.7p
Gearing:		
Gross	17.9%	18.1%
Net	17.8%	17.6%

GLOBAL EQUITY SHARE PORTFOLIO MANAGER'S REPORT

Investment Objective

The investment objective of the Global Equity Share Portfolio is to deliver long-term capital growth through investing principally in global securities (including UK equities).

Market and Economic Review

Last year was a volatile year for global equity markets, with momentum being primarily influenced by macro-economic newsflow and characterised by a 'risk-on, risk-off' market mentality, especially in developed markets. The period from April to July 2010 was dominated by the European sovereign debt concerns which came to define the financial landscape of last year. Greece's first bailout, coupled with a series of disappointing economic data releases including rising US unemployment and growing fears of a global double-dip recession, led to a period of risk aversion and equity market declines. In the third quarter of 2010, however, markets entered a new phase of renewed risk appetite. Expectations about a further round of quantitative easing (QE2) in the US and improving economic data drove equity markets higher. Meanwhile, as the end of 2010 approached, Europe's sovereign debt crisis once again began to unfold. This time it was Ireland making the headlines. Yet the European corporate sector, in contrast, was in good shape financially, characterised by strong cash flows, attractive margins, and increased earnings. The flurry of M&A (merger and acquisition) activity at the end of the year served to emphasize this, highlighting cash-rich corporates' strong balance sheets and cheap valuations.

Meanwhile, inflationary pressures continued to build around the world. Inflation is most acute in emerging markets as a consequence of rising oil prices and food prices reaching an all-time high. In the first quarter of 2011 geo-political tensions, as evidenced by the unpredictable nature of civil unrest in North Africa and the Middle East and disruption to the global supply chain from Japan's earthquake and tsunami in March, came to dominate investor sentiment. By the second quarter of 2011, Europe's sovereign debt crisis played out again and markets braced themselves for the end of QE2. There is evidence, however, that the "soft patch" in the US has the characteristics of a mid-cycle pause rather than heralding a major economic downturn. Equity markets on the whole continue to be undervalued, trading at attractive levels relative to the last 30 years. Developed markets have outperformed emerging markets since the start of the calendar year, primarily due to interest-rate tightening to ease inflationary pressures in the emerging world.

Portfolio Performance

On a total return basis, the Global Equity Share Portfolio's Net Asset Value rose by 9.5% over the year to the end of May 2011, compared to a gain of 13.7% in the MSCI AC World Index – total return.

Portfolio Strategy and Review

While the portfolio underperformed the benchmark over the year, all of the underperformance took place in the first half of the review period, to the end of November 2010. Performance picked up in the second half and the mix of attractively valued defensive growth companies, alongside mis-priced (in our view) cyclical exposure and recovery plays like Japan, gives us confidence that the portfolio has significant upside potential over the next 12 to18 months.

Energy and materials were the best performing sectors over the 12 months under review, but our low exposure to these cyclical commodity areas detracted from relative performance in the light of soaring oil and commodity prices. However, companies on the whole remain in very good shape with strong free cash flows. The portfolio is broadly exposed to a recovery in corporate spending, primarily through industrial and technology stocks, while maintaining selective consumer exposure, particularly towards autos. Personal balance sheets in the developed world remain under pressure, yet consumer-related areas performed well in the momentum-driven conditions of last year and our low exposure to these areas also detracted from relative performance. The portfolio's high exposure to industrials proved to be the key positive contributor to performance. The strongest performing stocks within the sector were Asian conglomerates such as Hutchison Whampoa and Jardine Matheson, and European construction and engineering companies like OHL and Bilfinger, where the value of some of their assets started to be reflected in their share prices over the year.

In the second half of the review period, the portfolio's exposure to stable earning areas like pharmaceuticals and tobacco began to pay off as uncertainty over the strength and pace of economic recovery heightened uncertainty and weighed on investor sentiment. The portfolio's exposure to Japan

GLOBAL EQUITY SHARE PORTFOLIO MANAGER’S REPORT

continued

was a big drag on performance in the aftermath of the earthquake. However, Japanese equities are trading at attractive valuations in our view, and we continue to maintain exposure. Uncertainty over the next six months due to supply chain disruptions and power shortages, and the risk of policy error, mean that there are short term performance risks, but there are a number of reasons for mid-to-long term confidence. The portfolio is mainly exposed to cheap financials in Japan which are well placed to benefit as the economy recovers.

Outlook

The global economic backdrop has deteriorated in recent months and the outlook remains one of slow and prolonged economic recovery, as fiscal austerity and an extended period of deleveraging restrain growth. Against this backdrop, and with increased Eurozone sovereign debt worries, markets have moved quickly, and often indiscriminately, to price in a sharp deterioration. Many corporates, however, are in good health as they have restructured their cost bases and rebuilt balance sheets following the financial crisis, and recent market weakness has left a lot of quality companies trading at very attractive valuations, discounting a more severe earnings outlook than we believe is likely. Reflecting our outlook, the portfolio has a core of sustainable growth, cash generative names in areas like pharmaceuticals and tobacco, and companies with a strong aftermarket or services element which supports earnings stability, many of which are found in industrial sectors. Being entirely stock driven, the portfolio also has a number of turnaround and special situation investments which we think the market is mis-pricing. Exposure to commodity cyclicals like materials, and to consumer discretionary spend, is modest in the portfolio.

Bob Yerbury
Portfolio Manager
Invesco Asset Management Limited
27 September 2011

GLOBAL EQUITY SHARE PORTFOLIO LIST OF INVESTMENTS

AT 31 MAY 2011

Ordinary shares unless stated otherwise

COMPANY	INDUSTRY GROUP†	COUNTRY†	MARKET VALUE £'000	% OF PORTFOLIO
Novartis	Pharmaceuticals, Biotechnology and Life Sciences	Switzerland	1,548	4.1
Imperial Tobacco	Food, Beverages and Tobacco	UK	1,500	3.9
Jardine Matheson	Capital Goods	Hong Kong	1,379	3.6
Mitsubishi Estate	Real Estate	Japan	1,286	3.4
Samsung Electronics	Semiconductors and Semiconductor Equipment	South Korea	1,265	3.4
HSBC	Banks	UK	1,251	3.3
Rentokil Initial	Commercial and Professional Services	UK	1,208	3.2
Oracle	Software and Services	US	1,185	3.1
Obrascon Huarte Lain	Capital Goods	Spain	1,114	2.9
Safran	Capital Goods	France	1,111	2.9
Roche	Pharmaceuticals, Biotechnology and Life Sciences	Switzerland	1,080	2.8
Hutchison Whampoa	Capital Goods	Hong Kong	1,070	2.8
Stanley Black & Decker	Consumer Durables and Apparel	US	1,065	2.8
GlaxoSmithKline	Pharmaceuticals, Biotechnology and Life Sciences	UK	1,047	2.7
Sumitomo Mitsui Financial	Banks	Japan	1,041	2.7
Bilfinger Berger	Capital Goods	Germany	1,035	2.7
G4S	Commercial and Professional Services	Denmark	1,016	2.7
UBS	Banks	Switzerland	991	2.6
Viacom	Media	US	982	2.6
Taiwan Semiconductor Manufacturing	Semiconductors and Semiconductor Equipment	Taiwan	959	2.5
Telefonica	Telecommunication Services	Spain	955	2.5
JPMorgan Chase	Diversified Financials	US	919	2.4
United Phosphorus	Materials	India	863	2.3
BBVA	Banks	Spain	858	2.3
Automatic Data Processing	Support Services	US	854	2.2
Schlumberger	Energy	US	854	2.2
Hewlett-Packard	Technology Hardware and Equipment	US	845	2.2
HKR International	Real Estate	Hong Kong	825	2.2
ING	Diversified Financials	Netherlands	820	2.1
Nomura	Diversified Financials	Japan	786	2.1
Shinhan Financial	Banks	South Korea	769	2.0
Visa	Diversified Financials	US	769	2.0
Daimler	Automobiles and Parts	Germany	758	2.0
Cobham	Capital Goods	UK	739	1.9
Foster's	Food, Beverage and Tobacco	Australia	731	1.9
Lukoil Oil – *ADR*	Energy	Russia	642	1.7
BAE Systems	Capital Goods	UK	578	1.5
PDG Realty	Real Estate	Brazil	514	1.3
JSL	Transportation	Brazil	462	1.2
Gran Tierra Energy	Oil and Gas Producers	Canada	309	0.8
Treasury Wine Estates	Food, Beverage and Tobacco	Australia	187	0.5
			38,170	100.0

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

GLOBAL EQUITY SHARE PORTFOLIO INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	2011			2010		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments	–	2,984	2,984	–	7,721	7,721
Foreign exchange (losses)/gains	–	(42)	(42)	–	28	28
Income	944	–	944	814	–	814
Management fee	(84)	(195)	(279)	(84)	(196)	(280)
Other expenses	(140)	(1)	(141)	(136)	(2)	(138)
Return on ordinary activities before finance costs	720	2,746	3,466	594	7,551	8,145
Finance costs	–	–	–	–	(1)	(1)
Return on ordinary activities before taxation	720	2,746	3,466	594	7,550	8,144
Tax on ordinary activities	(74)	–	(74)	(56)	–	(56)
Return on ordinary activities after tax for the financial year	646	2,746	3,392	538	7,550	8,088
Basic return per ordinary share	2.0p	8.5p	10.5p	1.5p	21.4p	22.9p

SUMMARY OF NET ASSETS

AT 31 MAY

	2011 £'000	2010 £'000
Fixed assets	38,170	36,278
Current assets	589	472
Creditors falling due within one year, excluding borrowings	(121)	(283)
Net assets	38,638	36,467
Net asset value per share	120.9p	111.7p
Gearing:		
Gross	0%	0%
Net	(0.9)%	(0.8)%

HEDGE FUND SHARE PORTFOLIO INVESTMENT ADVISER'S REPORT

Investment Objective

The investment objective of the Hedge Fund Share Portfolio is to achieve an absolute return of 3-month sterling LIBOR plus 5% per annum over a rolling 5-year period, coupled with low volatility. Capital preservation is a priority.

Portfolio

From 1 June 2010 the principal hedge fund assets underlying the Portfolio have been shares in Paragon Capital Appreciation Fund ('PCAF'), which replaced the Fauchier Allocator Funds I and II ('FAFs') following the transfer on 31 May 2010 of the substantial majority of the FAFs' assets to PCAF. In order to allow the FAFs to commence winding-up, during the period the Company acquired the residual holdings of the FAFs, which are now held directly by the Hedge Fund Share Portfolio. The remainder of this report describes the activities of PCAF in the period.

Performance

For the twelve months to 31 May 2011, PCAF produced a return of 2.5%, net of fees. Since 30 November 2006, the combination of FAFs followed by PCAF has achieved an average annual compound return of 3.6%. Over the same period the annualised volatility of the same has been approximately 9.1% and the "beta" to the FTSE All-Share Index (Total Return) some 0.31 and to the Citigroup UK Gilt Index (greater than 5 years) negative 0.23.

Market Review

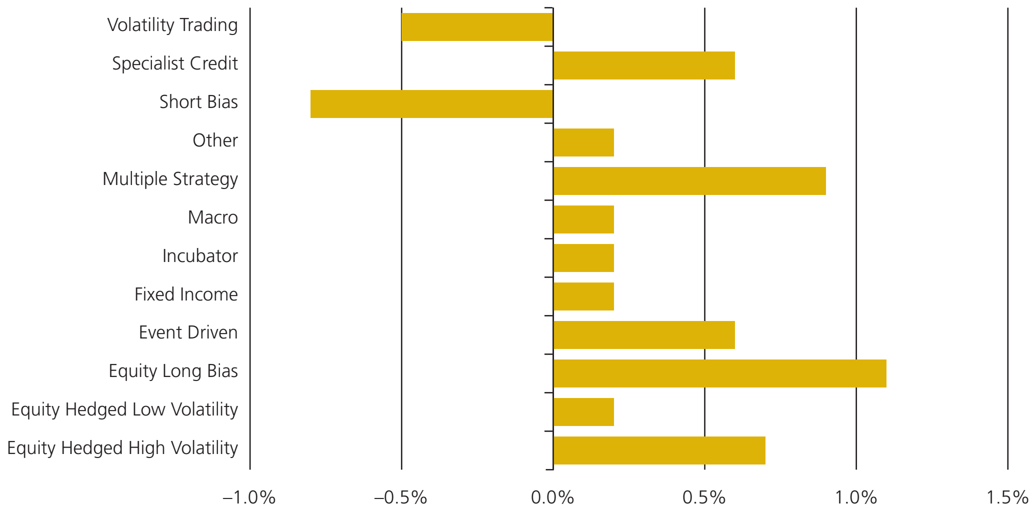
As the magnitude of Greece's fiscal problems became apparent at the start of the year, a period of "risk-on, risk-off" sentiment began that saw heightened levels of correlation across securities and asset classes. Markets calmed somewhat coming in to 2011 only to stumble again in May 2011 as recovery in developed economies began to look increasingly fragile and Eurozone sovereign concerns reached new heights. The MSCI World (Total Return) Index ended the year up 4.2%.

Equity market volatility declined over the period, although the trend was interrupted by short sharp rises in a pattern that reflected the changeable mood of equity markets. The VIX Index finished around 15.5, less than half the level at the start of the period.

For much of 2010 government bonds rallied as growth forecasts were adjusted downwards and investors sought safe haven assets. Liquidity in credit markets improved thanks to sustained levels of new issuance, with high-yield credits generally outperforming investment grade assets. Most major currencies were volatile as market sentiment swung between the Eurozone debt crisis and the Federal Reserve's Quantitative Easing programme ("QE2"). Meanwhile, the price of gold, crude oil and commodities, especially agricultural commodities, all appreciated.

Hedge Fund Strategies

Contribution by Strategy
Twelve Months ending 31 May 2011



HEDGE FUND SHARE PORTFOLIO INVESTMENT ADVISER'S REPORT

continued

The performance of the Macro strategy was mixed with most managers generally well positioned to profit from concerns over Eurozone debt but less consistent in anticipating the impact of a second round of US quantitative easing. Currency, equity and commodity orientated managers did well, while those with a fixed income approach had a tougher time.

The Fixed Income manager had a challenging year but ended up overall. Directional trading around US and European interest rates and tactical currency trading produced most of the gains.

The majority of our Equity Hedged managers made money during the year. Many of our managers profited from the broad upward movement in equity markets, and despite the sentiment-driven nature of markets, were compensated for the idiosyncratic risk in their portfolios by generating some gains from stock-specific situations. Technology and Healthcare focussed managers were among the best performers while the biggest detractors had exposure to Financials and short positions in Consumer Cyclicals.

Short Bias managers struggled in the face of generally rising equity markets. Managers have been pursuing longer term themes, for example, around mid-cap Consumer Discretionary and Chinese economic overheating, which failed to materialise during the year.

Event Driven managers benefited from several catalyst-driven investments, such as corporate re-structuring, which reacted positively to specific events that our managers had anticipated. Managers with an activist approach did well, successfully identifying several instances of under-valued businesses that directly benefitted from their intervention.

The Specialist Credit managers all posted small gains for the year. Long positions in high-yield securities did well while short positions in investment grade securities caused a slight drag. Gains were also derived from certain distress-related situations.

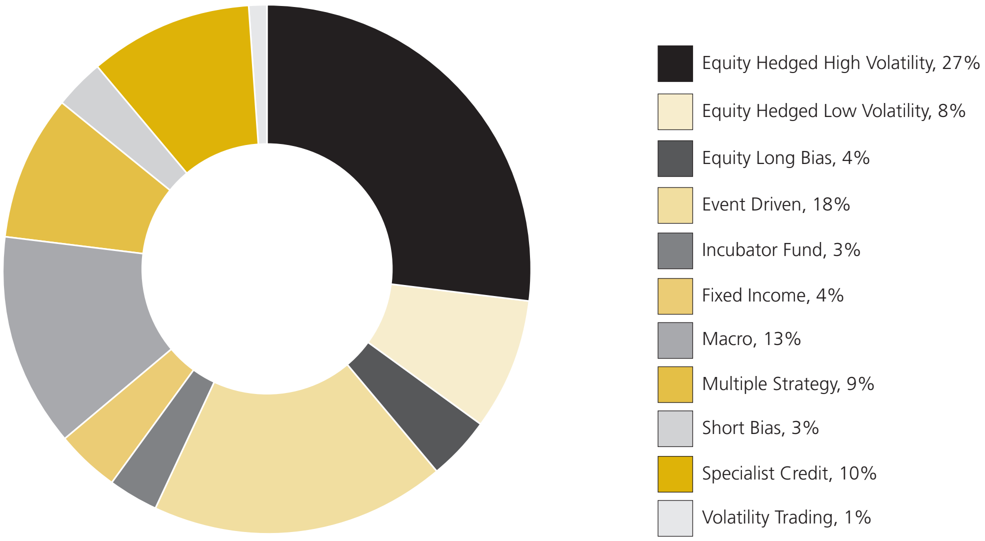
The small stub position in a redeemed Volatility Trading manager produced losses when on the advice of its third party valuation firm, some of the positions held at year end were written down. The remaining exposure represents the tail end of positions in illiquid investments that the manager is in the process of liquidating.

All the Multiple Strategy funds were up over the year. Gains came from a wide range of asset classes and geographies, including equity, credit and commodity-related investments. Positions intended to profit from a more inflationary environment, specifically oil, gold and agricultural equities, were among the biggest contributors.

The Portfolio

During the year, there were a number of changes to the portfolio composition. The allocations to Event Driven and Specialist Credit managers were increased, partly by reducing exposure to the Equity Hedged strategy, where capital was taken away from those managers taking insufficient risk for the Fund's performance target. As at 31 May 2011 PCAF had holdings in 33 hedge funds across twelve different strategies. Approximately 67% of the assets were invested in Absolute Value strategies with the balance in Relative Value strategies. The chart on the following page gives a detailed breakdown of the holdings in PCAF by strategy as at 31 May 2011.

Composition of Portfolio (excluding Cash) by Strategy
As at 31 May 2011



Outlook

We remain positive on the Specialist Credit, Event Driven and Equity Hedged strategies. However, the current environment of elevated macro risks is likely to present many investment challenges.

Credit spreads have tightened dramatically from their post-crisis levels and while spreads may be at historic average levels, absolute yields are trading around all-time lows on the back of the rally in Treasuries. Consequently, it is difficult to see how much further high-yield bond prices can run on the upside, leading to an increasingly attractive risk/reward proposition for shorting. Our Specialist Credit managers make money through security selection and restructurings rather than trending spread tightening and we expect them to perform well in this type of market.

As companies hardest hit by the credit crisis and economic downturn restructure their balance sheets and emerge from the bankruptcy process, there is a good opportunity for a small group of specialist managers to capitalise on the rehabilitation of their securities. Post-reorganisation equity is an area where some of our Specialist Credit and Event Driven managers have already been active and this is expected to continue.

Conditions are also favourable for activist investing, as more pragmatic institutional shareholders turn to the handful of hedge fund managers who have the tools and experience to bring about a realisation of value. The environment is poised for an increase in corporate activity, and our managers will be actively involved in the upcoming round of corporate break-ups, spin-offs and divestitures. They will be looking to initiate strategic transactions at businesses where, if necessary, they will act as the catalyst for change.

Finally, correlation across asset classes and stocks has once again spiked to crisis levels. The indiscriminate nature of the current market volatility is creating opportunities, both long and short. We remain constructive on Equity Hedged as we anticipate that our fundamentally based long/short equity managers are well placed to profit from these dislocations as markets normalise. However, many of the macro issues that dogged the first half of 2011 remain unresolved and, as we are currently witnessing, have the potential to flare up again. In particular, the on-going Eurozone crisis remains a flashpoint that could cause the situation to worsen before it improves. In the light of this, capital preservation remains a priority for all of our managers.

Fauchier Partners LLP
Investment Adviser

27 September 2011

HEDGE FUND SHARE PORTFOLIO LIST OF INVESTMENTS

AT 31 MAY 2011

STRATEGY	FUND NAME	% OF PORTFOLIO
Underlying Investments of PCAF		
Macro	Wexford Offshore Spectrum Fund	3.6
	Fortress Macro Fund	3.4
	COMAC Global Macro Fund	3.3
	Fortress Commodities Fund	1.7
		12.0
Equity Long Bias	Bay Resource Partners Offshore Fund	3.9
Equity Hedged High Volatility	Elm Ridge Value Partners Offshore Fund	4.1
	Criterion Capital Partners	4.0
	Lansdowne Global Financials Fund	4.0
	Lansdowne UK Equity Fund	3.7
	Miura Global Fund	3.7
	Brahman Partners II Offshore	3.6
	Dabroes Offshore Fund	3.1
		26.2
Equity Hedged Low Volatility	Alydar Fund	3.0
	Ascend Partners Fund II	2.9
	Walker Smith International Fund	2.1
		8.0
Short Bias	Fauchier Partners Counterpoint Fund	3.0
Specialist Credit	CFIP Overseas Fund	3.1
	Knighthead Offshore Fund	2.9
	Riva Ridge Overseas Fund	2.5
	Claren Road Credit Fund	0.9
		9.4
Event Driven	Empyrean Capital Overseas Fund	3.6
	RoundKeep Icho Global Fund	3.6
	Pershing Square International	2.9
	Trian Partners	2.9
	Harbinger Capital Partners Offshore Fund I	2.1
		15.1
Volatilty Trading	Vicis Capital Fund (International)	0.9
Fixed Income	Brevan Howard Fund	3.7
Multiple Strategy	OZ Europe Overseas Fund II	3.8
	Sunbeam Opportunities Offshore	3.8
	Shepherd Select Asset	0.5
	Highbridge Asia Opportunities Fund	0.1
		8.2
Incubator	Fauchier Partners Incubator Fund	2.8
Other	Jubilee Special Situations Fund	2.6
Cash		2.0
Assets Held Directly	Plainfield 2009 Liquidating	1.5
	Harbinger Class PE Holdings	0.5
	CCM SPV II	0.1
	Indus Pacific Opportunities Distribution	0.1
	Harbinger Class L Holdings	–
		2.2
Total fixed assets		100.0

HEDGE FUND SHARE PORTFOLIO INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	2011			2010		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Losses)/gains on investments	–	(17)	(17)	–	1,256	1,256
Foreign exchange losses	–	(20)	(20)	–	–	–
Management fee	–	(34)	(34)	–	(40)	(40)
Other expenses	(64)	–	(64)	(79)	–	(79)
Return on ordinary activities before finance costs	(64)	(71)	(135)	(79)	1,216	1,137
Finance costs	–	(15)	(15)	–	(14)	(14)
Return on ordinary activities before taxation	(64)	(86)	(150)	(79)	1,202	1,123
Tax on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after tax for the financial year	(64)	(86)	(150)	(79)	1,202	1,123
Basic return per ordinary share	(0.5)p	(0.7)p	(1.2)p	(0.5)p	8.0p	7.5p

SUMMARY OF NET ASSETS

AT 31 MAY

	2011 £'000	2010 £'000
Fixed assets	13,412	15,933
Current assets	40	8
Creditors falling due within one year, excluding borrowings	(38)	(27)
Overdraft	(124)	–
Bank loan	(950)	(300)
Net assets	12,340	15,614
Net asset value per share	112.1p	112.4p
Gearing:		
Gross	8.7%	1.9%
Net	8.7%	1.9%

Hedge Fund investments

At 31 May 2011 the investments of the Hedge Fund Share Portfolio consisted principally of two Certificates, the performance of each of which is linked to the performance of Paragon Capital Appreciation Fund ('PCAF'). PCAF is an open-ended investment company domiciled in Guernsey and listed on the Irish Stock Exchange. Fauchier Partners act as investment manager to PCAF.

The definitions of the various hedge fund strategies are detailed in the Glossary of Terms contained on pages 80 and 81.

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 interest rates remained unchanged at 0.5% throughout the year under review, and the existing £200 billion Quantitative Easing programme stayed in place. The range of opinion in the Bank of England's Monetary Policy Committee (MPC) changed several times over the period. In the last quarter of 2010 Andrew Sentance was the lone member voting in favour of higher rates while Adam Posen voted for an extension of asset purchases (Quantitative Easing) from October. With energy and food prices pushing up inflation, Sentance moved to voting for a 0.5% rise in February and he was joined in the 'hawk' camp by Martin Weale and Spencer Dale, both voting for a 0.25% hike. UK GDP growth unexpectedly fell by 0.5% in the final quarter of 2010. This period was affected by severe weather, but growth of just 0.5% in the first quarter of 2011 suggested that the economy was indeed still weak and this has been confirmed with a 0.2% GDP figure for the second quarter. CPI inflation rose from 3.4% to 4.5% over the year to May 2011, with subsequent levels for June, July and August of 4.2%, 4.4% and 4.5%, respectively; however, a marked deterioration in economic indicators over recent months, in the US and the Eurozone as well as the UK, and increasing concerns about the Eurozone sovereign debt crisis have made the committee more 'dovish'. In its most recent meeting (August 2011), the committee was once more unanimous in voting for no change to the 0.5% rate, emphasising the risks associated with slowing global growth and the low level of earnings inflation in the UK. The MPC, for now, seems content to look through current inflation to the deflationary impact of negative real income growth and high unemployment.

Sterling three-month interbank lending rates rose over the year to May 2011 from 0.71% to 0.83% and have since risen to 0.92%. Corporate bonds recorded a modestly positive total return over the year but yields rose, the market becoming increasingly risk-averse.

Portfolio Strategy and Review

Our investment strategy is achieved by investing in the Invesco Perpetual Money Fund and Short-Term Investments Company (Global Series) plc, 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 the London Interbank Offered Rate ('LIBOR'), the rate at which the largest banks lend money to one another. As UK interest rates are widely expected to remain near their current low level for a considerable time the fund also holds 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

Looking ahead, although inflation may remain high in the short term, limited credit availability, ongoing concerns about slow growth, low earnings growth and a desire to reduce debt will most likely see it begin to moderate. Therefore, while it is possible that we will see a modest increase in short-term UK interest rates from the current historic low levels, we would be surprised if they moved significantly higher over the next year.

Stuart Edwards
Portfolio Manager
Invesco Asset Management Limited

27 September 2011

MANAGED LIQUIDITY SHARE PORTFOLIO LIST OF INVESTMENTS

AS AT 31 MAY

	2011 MARKET VALUE £'000	2011 % OF PORTFOLIO	2010 MARKET VALUE £'000	2010 % OF PORTFOLIO
Invesco Perpetual Money Fund†	8,277	96.1	12,969	100.0
Short-Term Investments Company (Global Series)	340	3.9	–	–
	8,617	100.0	12,969	100.0

† At the year end the Managed Liquidity Share Portfolio held 13.4% (2010: 22.2%) of the Invesco Perpetual Money Fund.

MANAGED LIQUIDITY SHARE PORTFOLIO INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
(Losses)/gains on investments	–	(3)	(3)	–	202	202
Income	81	–	81	130	–	130
Management fee	–	–	–	(5)	–	(5)
Other expenses	(30)	–	(30)	(83)	–	(83)
Return on ordinary activities before taxation	51	(3)	48	42	202	244
Tax on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after tax for the financial year	51	(3)	48	42	202	244
Basic return per ordinary share	0.5p	–	0.5p	0.3p	1.1p	1.4p

SUMMARY OF NET ASSETS

AT 31 MAY

	2011 £'000	2010 £'000
Fixed assets	8,617	12,969
Current assets	64	826
Creditors falling due within one year, excluding borrowings	(161)	(907)
Overdraft	(3)	–
Net assets	8,517	12,888
Net asset value per share	102.3p	101.8p

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, and a director of JPMorgan Russian Securities plc. He is also a director of AlphaGen Aldebaran Fund. 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 a director of Foreign & Colonial Investment Trust plc, chairman of JPMorgan Claverhouse Investment Trust plc and HarbourVest Global Private Equity Ltd. He has other directorships of various property investment and development companies.

John Martin retired on 1 November 2010.

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, the asset management arm of CGNU plc (now Aviva plc). He is now chairman of Schroder UK Growth Fund and of JPMorgan Fleming Japanese Smaller Companies Investment 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.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

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

Investment Adviser to the Fauchier Allocator Funds

Fauchier Partners LLP
72 Welbeck Street
London W1G 0AY

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team, available to assist you from 8.30am to 6pm every working day. Please feel free to take advantage of their expertise.
☎ 0800 085 8677

Custodian

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

Auditor

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

Corporate Brokers

Canaccord Genuity Limited
Cardinal Place
7th Floor
80 Victoria Street
London SW1E 5JL

Registrars

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

If you hold your Shares directly on the register of members and not through a savings scheme or ISA and have queries relating to your shareholding you should contact the Registrars
☎ 0871 664 0300.
(From outside the UK: +44 (0)208 639 3399)
Calls cost 10p per minute plus network charges.
Lines are open from 8.30am 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 0384.
(From outside the UK: +44 (0)203 367 2691)
Calls cost 10p per minute plus network charges.
Lines are open from 8am to 4.30pm every working day.

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

NAV Publication

The UK Equity, Global Equity and Managed Liquidity Share Portfolios' net asset values ('NAVs') are calculated by the Manager on a daily basis and notified to the Stock Exchange on the next business day. The Hedge Fund Share Portfolio NAV is calculated weekly using a Wednesday valuation and released on the following Friday. The 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 Shares	IVPG.L
Hedge Fund Shares	IVPH.L
Managed Liquidity Shares	IVPM.L
Bloomberg	
UK Equity Shares	IVPU: LN
Global Equity Shares	IVPG: LN
Hedge Fund Shares	IVPH: 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.

Conversion Details

Shares are convertible at the option of holders into any other class of Shares on or around 1 May and 1 November each year. The Directors are proposing, at a separate general meeting, the adoption of new Articles of Association that will provide further conversion opportunities on or around 1 February and 1 August each year. Notice from a shareholder to convert any class of Shares on any conversion date will be required up to ten business days prior to the relevant conversion date, save in the case of the conversion of Hedge Fund Shares in relation to which notice to convert must be given approximately four months prior to the relevant conversion date because of the less liquid nature of the underlying hedge fund investments. However, Hedge Fund shareholders do not have to choose which class of Share to convert into until 10 days before the conversion date. Forms for conversion can be obtained from the Company Secretary and will be available on the Manager's website.

The Directors are proposing changes to the Hedge Fund Portfolio which, if passed by shareholders, will mean that Hedge Fund shareholders will be able to participate in conversions within the same timeframe as the other classes.

Conversion from one class of Shares into another is on the basis of a ratio derived from the prevailing underlying NAV of each class of relevant Share, calculated shortly before the date of conversion.

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

Financial Calendar

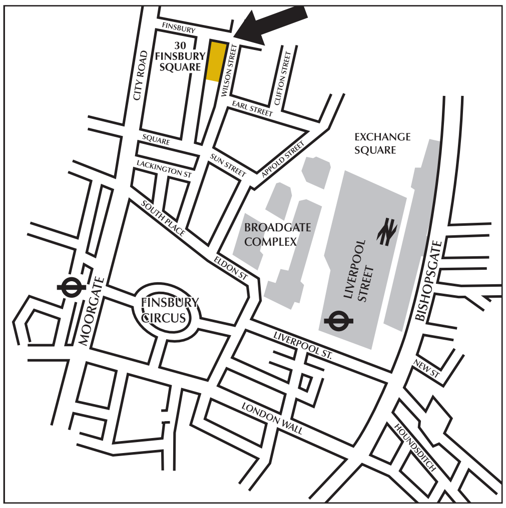
Annual Financial Results	September 2011
Half-yearly Financial Results	January
Interim Management Statements	April/October
Year end	31 May
AGM	November 2011

Ordinary Share Dividends

Each year, interim dividends have usually been paid on the UK Equity, Global Equity and Managed Liquidity Shares in May and November. It is expected that commencing in 2012 dividends will additionally be paid in February and August.

Location of Annual General Meeting

The Annual General Meeting will be held at 4.00pm on 15 November 2011 at 30 Finsbury Square, London EC2A 1AG.



REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2011

Introduction and Content

The Directors have pleasure in presenting their Report for the year ended 31 May 2011, which incorporates the Business Review. It also includes the Corporate Governance Statement, which starts on page 41.

Nature of the Company

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 sections 1158 to 1165 of the Corporation Tax Act 2010 ('CTA'). 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 2010.

In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval. It is the Company's intention to continue to seek approval as an investment trust under the CTA.

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.

Invesco Asset Management Limited (the 'Manager') manages the UK Equity, Global Equity and Managed Liquidity Share Portfolios and Fauchier Partners LLP (the 'Investment Adviser') provides investment advice for the Hedge Fund Share Portfolio.

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 Shares, Hedge Fund 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.

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

– gearing 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 Share Portfolio ('Global Equity Portfolio')

Investment Objective

The investment objective of the Global Equity Portfolio is to deliver long-term capital growth through investing principally in global securities (including UK equities).

Investment Policy and Risk

The Global Equity Portfolio has no rigid sector, geographic or capitalisation limits; investments are made wherever the Manager believes the most attractive returns are to be found, while ensuring that there is sufficient diversification at the total Portfolio level.

The Global Equity Portfolio is a high conviction Portfolio drawn from issuers globally and will reflect the Manager's views of the best prospects for absolute returns. Investment decisions are based on conviction derived from an understanding of the drivers of an investment's valuation. The Global Equity Portfolio's investment universe is not conditioned by a capitalisation-weighted index and index weightings play no part in stock selection. Investment decisions are active and reflect the Manager's conviction in the attractiveness of the investment.

The Manager controls the stock-specific risk of individual securities by ensuring that the Global Equity Portfolio is always appropriately diversified across stock market and geographical 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.

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

Investment Limits

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

– no more than 12% of the gross assets of the Global Equity Portfolio may be held in a single investment;

– no more than 10% of the gross assets of the Global Equity Portfolio may be held in other listed investment companies; and

– gearing may be used to raise equity exposure up to a maximum of 20% of the net assets of the Global Equity Portfolio where it is considered appropriate.

The Directors are proposing changes to the Global Equity Portfolio, as noted in the Chairman's Statement on page 4. If passed by shareholders these changes are expected to be implemented with effect from 1 December 2011.

Hedge Fund Share Portfolio ('Hedge Fund Portfolio')

Investment Objective

The investment objective of the Hedge Fund Portfolio is to achieve an absolute return of 3-month sterling LIBOR plus 5% per annum over a rolling 5-year period, coupled with low volatility. Capital preservation is a priority.

Investment Policy and Risk

The Hedge Fund Portfolio principally consists of investments in debt securities, the return on each of which is directly linked to the performance of a diversified fund of hedge funds which is managed by Fauchier Partners Management Limited on advice from Fauchier Partners LLP ('Fauchier').

Fauchier applies a top-down approach to the allocation of different hedge fund strategies as the framework within which specific investment decisions are taken. This allows Fauchier, firstly, to ensure that the Hedge Fund Portfolio is sufficiently diversified through the identification of different sources of return and secondly, to identify capacity constraints within different hedge fund strategies and to assess whether the prevailing market environment is favourable for specific strategies. In recommending a specific hedge fund for investment, Fauchier undertakes significant due diligence on the hedge fund in question, on its management company and on its administrative arrangements. In addition, a thorough review is undertaken of the risk profile of the fund; the systems which are in place to monitor risk and business performance; the legal structure of the fund; and the formal relationship of the fund with its administrator, prime brokers and bankers.

Fauchier does not attempt to time or predict the direction of markets, but rather allocates to strategies according to its perception of the potential which exists to generate returns in any particular strategy over a given period of time.

Fauchier does not invest in hedge funds which engage in mutual fund timing; invest long only; employ excessive leverage to generate returns; invest in mortgage-backed securities; or are purely systems driven.

Investment Limits

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

– no more than 10% of the gross assets of the Hedge Fund Portfolio may be held in any one underlying hedge fund;

– no more than 20% of the gross assets of the Hedge Fund Portfolio may be held with any single portfolio management group; and

– gearing may be used for investment purposes to raise equity exposure up to a maximum of 10% of net assets of the Hedge Fund Portfolio where it is considered appropriate.

The Directors are proposing changes to the Hedge Fund Portfolio, as noted in the Chairman's Statement on page 4. If passed by shareholders these changes are expected to be implemented early in 2012.

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.

Share Capital Details

Issued Share Capital

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

UK Equity Shares

At the year end the UK Equity Share capital consisted of 40,081,381 UK Equity Shares, excluding 5,565,000 UK Equity Shares held in treasury.

Since the year end, a further 571,000 UK Equity Shares were bought back and held in treasury, leaving 39,510,381 UK Equity Shares in issue, excluding 6,136,000 UK Equity Shares held in treasury.

Global Equity Shares

At the year end the Global Equity Share capital consisted of 31,971,638 Global Equity Shares, excluding 4,216,000 Global Equity Shares held in treasury.

Since the year end, a further 186,000 Global Equity Shares were bought back and held in treasury, leaving 31,785,638 Global Equity Shares in issue, excluding 4,402,000 Global Equity Shares held in treasury.

Hedge Fund Shares

At the year end the Hedge Fund Share capital consisted of 11,009,810 Hedge Fund Shares, excluding 2,628,000 Hedge Fund Shares held in treasury.

Since the year end, a further 412,000 Hedge Fund Shares were bought back and held in treasury, leaving 10,597,810 Hedge Fund Shares in issue, excluding 3,040,000 Hedge Fund Shares held in treasury.

Managed Liquidity Shares

At the year end the Managed Liquidity Share capital consisted of 8,324,385 Managed Liquidity Shares, excluding 3,325,500 Managed Liquidity Shares held in treasury.

Since the year end, a further 142,000 Managed Liquidity Shares were bought back and held in treasury, leaving 8,182,385 Managed Liquidity Shares in issue, excluding 3,467,500 Managed Liquidity Shares held in treasury.

Rights Attached to the 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.

Under the Articles, any UK Equity, Global Equity, Hedge Fund or Managed Liquidity Shares in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

At a general meeting of the Company the holders of UK Equity, Global Equity, Hedge Fund and Managed Liquidity Shares shall have the right to attend and vote at any general meeting of the Company, except that the holders shall not by virtue of their holding of such Shares have the right to vote on any resolution relating to the payment of a dividend on any class of Shares that they do not hold. Details of the voting rights attaching to the different classes of Shares are given in note 11 to the Notice of Meeting on page 79.

Subject to statute, the Articles specify that rights attached to any class of Shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued

Shares of that class, or with the sanction of a special resolution passed at a separate General Meeting of the holders of Shares of that class.

Restrictions on the Transfer of Shares

All transfers of certificated Shares shall be effected by instrument in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid Shares) by or on behalf of the transferee. The transferor shall remain the holder of the Shares concerned until the name of the transferee is entered in the register of members. All transfers of Shares which are in uncertificated form may be effected by means of the CREST system.

The Directors may, in the case of Shares in certificated form, in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of Shares (not being fully-paid Shares) provided that, where any such Shares are admitted to the Official List of the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in the Shares of that class from taking place on an open and proper basis. The Directors may likewise refuse to register an allotment or transfer of Shares (whether fully paid or not) in favour of more than four persons jointly. The Directors may decline to recognise an instrument of transfer unless it is in respect of only one class of Share.

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

Conversion of Shares

Shares are convertible at the option of holders into any other class of Shares on or around 1 May and 1 November each year. The Directors are proposing, at a separate general meeting, the adoption of new Articles of Association that will provide further conversion opportunities on or around 1 February and 1 August each year. Further details can be found under 'Conversion Details' on page 24.

During the year Share conversions resulted in net changes in issued share capital as set out in note 12(b) to the financial statements on page 65.

Share Capital Movements

Shareholders voted to renew the Company's authority to buy back Shares, either for cancellation or to be held in treasury, at the Company's last AGM on 27 September 2010. The maximum number of Shares authorised to be purchased was 5,884,204 UK Equity Shares, 4,859,482 Global Equity Shares, 2,011,071 Hedge Fund Shares and 1,760,347 Managed Liquidity Shares. This authority will expire at the conclusion of the AGM in November 2011, at which a resolution to further renew the authority will be proposed.

UK Equity Shares

During the year, 1,764,000 UK Equity Shares were bought back and held in treasury at an average price of 88.8p per share. The UK Equity Shares bought back represented 4.5% of the UK Equity issued share capital (excluding treasury shares) at the beginning of the year.

Since the year end, 571,000 UK Equity Shares were bought back, at an average price of 94.8p per Share, and held in treasury.

Global Equity Shares

During the year, 1,616,000 Global Equity Shares were bought back and held in treasury at an average price of 110.1p per share. The Global Equity Shares bought back represented 5.0% of the Global Equity issued Share capital (excluding treasury shares) at the beginning of the year.

Since the year end, 186,000 Global Equity Shares were bought back, at an average price of 105.5p per Share, and held in treasury.

Hedge Fund Shares

During the year, 1,528,000 Hedge Fund Shares were bought back and held in treasury at an average price of 103.3p per share. The Hedge Fund Shares bought back represented 11.0% of the Hedge Fund issued share capital (excluding treasury shares) at the beginning of the year.

Since the year end, 412,000 Hedge Fund Shares were bought back, at an average price of 102.1p per Share, and held in treasury.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2011
continued

Managed Liquidity Shares

During the year, 2,330,000 Managed Liquidity Shares were bought back and held in treasury at an average price of 98.8p per Share. The Managed Liquidity Shares bought back represented 18.4% of the Managed Liquidity issued share capital (excluding treasury shares) at the beginning of the year.

Since the year end, 142,000 Managed Liquidity Shares were bought back, at an average price of 99.2p per Share, and held in treasury.

Share Valuations

On 31 May 2011, the mid-market prices, net asset values ('NAV') and the discounts of the four Share classes were as follows:

	2011			2010		
SHARE CLASS	MID-MARKET PRICE (PENCE)	NET ASSET VALUE (PENCE)	DISCOUNT	MID-MARKET PRICE (PENCE)	NET ASSET VALUE (PENCE)	DISCOUNT
UK Equity	101.0	105.3	4.1%	82.75	85.7	3.4%
Global Equity	114.5	120.9	5.3%	107.50	111.7	3.8%
Hedge Fund	105.0	112.1	6.3%	107.00	112.4	4.8%
Managed Liquidity	100.0	102.3	2.3%	99.50	101.8	2.3%

Revenue and Dividends

The Company's financial results for the year are shown in the income statement on page 52. Revenue for the year for the UK Equity, Global Equity, Hedge Fund and Managed Liquidity Portfolios was £1,585,000 (2010: £1,559,000), £646,000 (2010: £538,000), £64,000 (loss) (2010: £79,000 (loss)) and £51,000 (2010: £42,000), respectively.

For the year ended 31 May 2011, the Directors have paid two interim dividends on the UK Equity and Global Equity Shares totalling 4.2p (2010: 3.80p) and 1.70p (2010: 1.35p) respectively and one interim dividend on the Managed Liquidity Shares of 0.50p (2010: 0.40p).

The Company will only pay dividends on the respective Share classes to the extent that it has the profits available for the purpose, which will largely depend on the amount of income which the Company receives on its investments.

Key Performance Indicators

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
- Dividend policy
- Premium/Discount
- Total Expense Ratio

Investment Performance

The Board uses a number of indices in assessing the performance of the assets of the Company because, given the constraints and objectives set from time to time by the Board, no index can fully represent the performance that might reasonably be expected from one or all of the Company's Share classes.

However, in reviewing the performance of the assets of the Company the Board monitors the NAVs of the individual Share classes relative to that of the most appropriate indices.

UK and Global Equity Portfolios

Every decision is based on conviction derived from an understanding of the drivers of an investment's valuation. The investment universe is not conditioned by a capitalisation-weighted index and index weightings play no part in stock selection. Investment decisions are active and reflect the Manager's conviction of the attractiveness of the investment.

The NAV total return of the UK Equity Shares rose by 28.2% during the course of the year under review, compared with a total return gain of 20.4% in the FTSE All-Share Index.

The NAV total return of the Global Equity Shares rose by 9.5% during the course of the year under review, compared with a total return gain of 13.7% in the MSCI AC World Index (Sterling).

Hedge Fund Portfolio

The NAV total return of the Hedge Fund Shares fell by 0.3% during the course of the year under review, compared with a total return of +5.7% in the Merrill Lynch 3 month LIBOR +5% p.a.

Managed Liquidity Portfolio

The NAV total return of the Managed Liquidity Shares rose by 1.0% during the course of the year under review.

Dividend Policy

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.

For the year ended 31 May 2011, the Directors have declared and paid two interim dividends totalling 4.2p per UK Equity Share.

Global Equity Portfolio

The Board aims to distribute by way of dividend substantially all of the net income of the Global Equity Portfolio after attributable expenses and taxation, but the primary objective will be to maximise total returns. The Board intends to declare dividends on the Global Equity Portfolio prior to each conversion.

For the year ended 31 May 2011, the Directors have declared and paid two interim dividends totalling 1.7p per Global Equity Share.

Hedge Fund Portfolio

Since the underlying funds in which the Hedge Fund Portfolio invests do not generate any material income, no dividends have been paid in respect of the Hedge Fund 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 2011, the net revenue of the Managed Liquidity Portfolio has been minimal. In view of the administrative costs, the Directors decided not to declare a second interim dividend on the Managed Liquidity Shares.

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

Discount/(Premium)

The Board closely monitors the discount/(premium) at which the Company's share classes trade in relation to their respective Portfolio assets. The Shares traded at the following discounts/(premiums):

	2011			2010		
	RANGE DURING YEAR		AT YEAR	RANGE DURING YEAR		AT YEAR
SHARES	MAXIMUM DISCOUNT %	MINIMUM DISCOUNT %	END DISCOUNT %	MAXIMUM DISCOUNT %	MAXIMUM (PREMIUM) %	END DISCOUNT %
UK Equity	6.8	1.8	4.1	7.6	1.2	3.4
Global Equity	7.0	1.6	5.3	6.7	1.4	3.8
Hedge Fund	9.3	4.8	6.3	12.3	4.8	4.8
Managed Liquidity	4.0	0.6	2.3	5.2	0.1	2.3

Invesco Asset Management Limited ('IAML') and Fauchier 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 which 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. Details of Share buy backs can be found on pages 29 to 30. It is the Board's policy to sell Shares held as treasury shares on terms that are in the best interests of shareholders.

Total Expense Ratio ('TER')

The expenses of managing the Company are reviewed by the Board at every meeting. It is the intention of the Board to minimise the TER, which is defined in the Glossary of Terms on page 80, which provides a guide to the effect on performance of all annual operating costs of the Company.

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

	COMPANY	UK EQUITY	GLOBAL EQUITY	HEDGE FUND†	MANAGED LIQUIDITY
2011	1.1%	1.1%	1.1%	1.6%	0.3%
2010	1.1%	0.9%	1.2%	1.6%	0.5%

† Includes Fauchier management fee.

Including performance fees of £111,000 (2010: £nil) and £nil (2010: £nil) for the UK Equity and Global Equity Portfolios respectively, the TERs were:

	COMPANY	UK EQUITY	GLOBAL EQUITY
2011	1.2%	1.4%	1.1%
2010	1.1%	0.9%	1.2%

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. One of the Board's longer-term objectives is to increase the size of the assets of the Company in a manner consistent with seeking to maximise returns for shareholders. The Directors believe that increasing the assets of the Company in this way will make the Company's Shares more attractive to investors and improve the liquidity of the Shares.

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' on pages 33 to 36.
The Directors are proposing changes to the Hedge Fund and Global Equity Portfolios, as noted in the Chairman's Statement on page 4. These changes, which the Directors believe will make the Shares more attractive to investors, are subject to shareholder approval. Details of the proposals will be set out in a separate circular which will also include a notice convening a general meeting of the Company for the same date as the annual general meeting at which the necessary resolutions will be proposed.

Resources

The Company is an investment trust which outsources its investment management, company secretarial and administrative functions. As a result the Company has no employees. Through the contractual arrangements in place, a full range of services is available to it. The most significant contracts are with the Manager, IAML, for the UK Equity, Global Equity and Managed Liquidity Portfolios and the Investment Adviser, Fauchier Partners LLP ('Fauchier'), for the Hedge Fund Portfolio, to whom responsibility for the investment management of the portfolios is delegated. IAML is responsible for secretarial and administrative services The Board reviews the performance of the Manager and Investment Adviser formally at every Board Meeting and additionally when market conditions dictate.

The day to day responsibility for the management of the Portfolios rests with the individual Portfolio Managers. The Board has adopted guidelines within which the Portfolio Managers are permitted wide discretion and decisions made outside these parameters are referred to the Board. The Board has the power to replace any of the Portfolio Managers and formally reviews the contracts with both IAML and Fauchier every year. The outcome of this review is commented upon on page 37.

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

Shareholder Communication

Through the annual and half-yearly financial reports, interim management statements, monthly fact sheets, the Company's website, the AGM and the publication of daily/weekly NAVs and other methods, the Board endeavours to ensure that shareholders understand the Company's Investment Policy and that the Board, both independently and through the Managers, reviews its Investment Policy in the light of feedback from shareholders. The Board monitors and reviews shareholder communications on a regular basis.

Advisers and Principal Service Providers

The Company's main supplier of services is the Manager who provides investment management, company secretarial and administrative services.

The Company has the following additional advisers and principal service providers:

- Fauchier Partners LLP as Investment Adviser to the Fauchier Allocator Funds;
- Canaccord Genuity Limited as Corporate Broker;
- Ernst & Young LLP as Auditor;
- The Bank of New York Mellon as Banker and Custodian; and
- Capita Registrars as Registrars.

Further details of the above can be found on page 23.

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 and Investment Adviser.

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, also takes into account its dividend yield, where applicable, and prevailing interest rates. 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.

While it is the intention of the Directors to pay dividends to holders of the UK Equity, Global Equity 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 types of securities 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 and Investment Adviser strive to maximise the total return from the stocks in which they invest, but these securities are influenced by market conditions and the Board acknowledges the external influences on the performance of each Portfolio.

The performance of the Manager and Investment Adviser is carefully monitored by the Board, and the continuation of the Manager's and Investment Adviser's mandates is reviewed each year. The Board has established guidelines to ensure that the investment policies of each class of Share that are approved are pursued by the Manager and Investment Adviser. The Board maintains an active dialogue with both the Manager and Investment Adviser with the aim of ensuring that the market rating of each Share class reflects the underlying NAV; and that buy back and issuance facilities help the management of this process.

The Company and the investee hedge funds are 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 4 to 5 and 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 another lender, the amounts owing by the Company would need to be funded by the sale of securities. The Company also has a maximum uncommitted overdraft facility of 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 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 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 Company registered under the Companies Act 2006 and as an investment trust and its listing on the London Stock Exchange. A breach of sections 1158-1165 of the CTA 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, Investment Adviser 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 hedge funds in which the Fauchier managed funds invest, including managed accounts, may not be subject to any form of authorisation or regulatory supervision. Investment in such vehicles carries a higher potential risk and this should be taken into account in any investment decision.

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 16 to the financial statements.

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.

Additional Risks Applicable to Hedge Fund Shares

The Fauchier Managed Funds may be indirectly exposed to gearing to the extent that investee funds are themselves geared. This can result in the hedge fund controlling more assets than it has equity. The use of leverage exposes the hedge fund to additional levels of risk from investments than would have been the case had the hedge fund not borrowed to make the investments.

Hedge funds in which Fauchier Managed Funds invest may engage in short selling, which involves selling securities which are not owned at that point in time (i.e. selling borrowed securities). These transactions could expose the investee hedge fund to the risk of uncapped losses until the position is 'closed-out'.

Investee hedge funds may purchase put and call options, commodities and futures contracts, derivative instruments and high-yield securities. These are specialised activities and entail greater than ordinary investment risks. It is also possible that investee hedge funds invest in companies involved in acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies and similar transactions, the uncertainty of which can increase the potential risk for losses by such funds. Investee hedge funds may not be subject to any form of authorisation or regulatory supervision and investment in such vehicles carries a higher potential risk.

Fauchier Managed Funds may invest in hedge funds that do not permit frequent redemptions, including hedge funds that may have 'lock-up' periods. This means that an investment may be relatively illiquid.

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 and Investment Adviser perform services which 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 and/or Investment Adviser may be exposed to reputational risks. In particular, the Manager and/or Investment Adviser 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 one or both of the Manager and Investment Adviser could result in potential counterparties and third parties being unwilling to deal with them and by extension the Company. This could have an adverse impact on the ability of the Company to successfully pursue its Investment Policy.

Financial Position

Assets and Liabilities

At 31 May 2011 the Company's total net assets were £101.7 million (2010: £98.7 million). These comprised a portfolio of equity and non-equity investments, cash and other debtors and liabilities. The Company has a £15 million multicurrency credit facility of which £8.5 million (2010: £6.4 million) was drawn at the year end, with the main borrowing being £7.6 million on the UK Equity Portfolio.

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 each of the four Portfolios. Gearing levels are regularly reviewed. As part of the Company's Investment Policy, the approved maximum limits for gearing are 25% of the total net assets of the UK Equity Portfolio, 20% of total net assets of the Global Equity Portfolio and 10% of total net assets of the Hedge Fund Portfolio. The Company's Investment Policy can be found on pages 25 to 28.

Environmental Matters, Employees and Social and Community Issues

As an investment trust company with no employees, property or activities outside investment, the disclosure of information about environmental matters, the Company's employees and social and community issues is not given.

The Manager and Investment Adviser consider various factors when evaluating potential investments. Some are financial ratios and measures, such as free cash flow, earnings per share and price to book value. Others are more subjective indicators which rely on first hand research; for example, quality of management, innovation and product strength. While a company's policy towards the environment and social responsibility is considered as part of the overall assessment of risk and the suitability of the company for the Portfolio, the 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 of the energy required for its production and distribution.

Manager Details and Assessment

Investment Management Arrangements

Invesco Asset Management Limited ('IAML') is directly responsible for the investment management of the UK Equity, Global Equity and Managed Liquidity Portfolios. IAML also implements the Board's decisions relating to investment of the assets of the Hedge Fund Portfolio but has no investment management role in respect of the Fauchier Managed Funds to which the assets of the Hedge Fund Portfolio are linked.

The Investment Adviser to the Fauchier Managed Funds (to which the performance of the Hedge Fund Share Portfolio is linked) is Fauchier Partners LLP, which is London-based and has Fauchier Partners Management Limited as its controlling partner. The sole business of the Fauchier Partners Group is the management of, and provision of advice on, portfolios of hedge funds.

Statement of Manager's and Investment Adviser's Responsibilities

The Manager and Investment Adviser are generally responsible for the day-to-day investment management activities of the Company, seeking and evaluating investment opportunities and analysing the results of investee companies 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.

Along with the investment management of the UK Equity, Global Equity and Managed Liquidity Portfolios, 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 and Investment Adviser

The performance of the Manager and Investment Adviser in the roles of manager and adviser and IAML in the role of 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 and Investment Adviser'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.

The Directors are proposing changes to the Company, in consequence of which Invesco Perpetual will provide investment management and advice to all share classes.

Investment Management Agreement ('IMA')

Under the 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 and Global Equity Portfolios and 0.25% per annum of net assets in the case of the Hedge Fund and Managed Liquidity Portfolios). 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.

IAML is also entitled to receive performance fees in respect of the UK Equity and Global Equity 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.

Fauchier Partners Management Limited charges the Fauchier Managed Funds an annual management fee of 1% of those funds' NAVs. In addition, the managers of the underlying hedge funds in which Fauchier Managed Funds invest will typically charge an annual management fee (generally 1 to 1.5% of assets) plus a performance fee (generally 20% of any outperformance, subject to a high watermark). The Company will not be liable to pay any management fees directly to any member of the Fauchier Partners Group. The arrangements with Fauchier Partners Group will automatically come to an end if the Hedge Fund Portfolio no longer includes any debt securities, the return on which is linked to Fauchier Managed Funds or any other assets managed by Fauchier Partners Management Limited.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2011
continued

Report of the Audit Committee

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

The Audit Committee is pleased to report that, as a result of this year's review, it has not found any weaknesses in the financial reporting process.

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

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

The Audit Committee has reviewed the financial statements for the year ended 31 May 2011 with the Manager and the Auditor at the conclusion of the audit process.

Details of the audit fee are shown in note 4 to the financial statements.

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.

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.

Substantial Shareholdings

At 31 August 2011 the Company was aware of the following holdings of 3% and over of each class of the Company's issued share capital:

UK EQUITY SHARES	HOLDINGS	%
Merrill Lynch Portfolio Managers	6,278,457	15.9
Lynchwood Nominees	5,639,713	14.3
Smith & Williamson	3,697,330	9.3
JM Finn	2,251,328	5.7
Rathbones	2,152,745	5.4
P Radburn	2,001,285	5.1
Brewin Dolphin	1,265,428	3.2
Hargreave Hale	1,214,683	3.1

GLOBAL EQUITY SHARES	HOLDINGS	%
Smith & Williamson	3,959,123	12.4
Lynchwood Nominees	3,750,054	11.8
Brewin Dolphin	1,977,853	6.2
Merrill Lynch Portfolio Managers	1,505,835	4.7
J Salkeld	1,410,931	4.4
P Davidson	1,367,965	4.3
Williams de Broë	1,178,802	3.7
J Pfeil	1,057,433	3.3
P Radburn	1,005,289	3.2
Rathbones	989,606	3.1

HEDGE FUND SHARES	HOLDINGS	%
Schroder & Co, Zurich	1,286,545	12.1
J Salkeld	798,922	7.5
P Davidson	774,594	7.3
Williams de Broë	744,104	7.0
J Pfeil	678,399	6.4
UBS Wealth Management	426,161	4.0
Smith & Williamson	354,666	3.3
Merrill Lynch Portfolio Managers	331,763	3.1

MANAGED LIQUIDITY SHARES	HOLDINGS	%
Barclays Stockbrokers	762,372	9.3
Merrill Lynch Portfolio Managers	730,461	8.9
J Pfeil	442,956	5.4
JM Finn	419,646	5.1
Smith & Williamson	271,215	3.3
M Franzman	250,000	3.0

Directors' Details

The present members of the Board, all of whom held office throughout the year, are listed on page 22. John Martin retired as a director on 1 November 2010.

Subject to the Articles of Association and relevant statutory law and to such direction as may be given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting.

Directors are appointed by ordinary resolution at a general meeting of shareholders. The Directors have the power to appoint a Director during the year but any person so appointed must stand for election by shareholders at the next AGM.

In accordance with the Company's Articles of Association, at every AGM there shall retire from office any Director who shall have been a Director at each of the preceding two AGMs and who was not appointed or re-appointed by the Company in general meeting since. A retiring Director is eligible for re-appointment.

Sir Michael Bunbury and David Rosier will retire at the forthcoming AGM and stand for re-election as set out in Resolutions 3 and 4 in the Notice of the Meeting on page 76.

Directors' Interests

The beneficial interests of Directors in the issued share capital of the Company as at 1 June 2010 and 31 May 2011 are shown below:

	UK EQUITY	GLOBAL EQUITY	HEDGE FUND	MANAGED LIQUIDITY
31 May 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	–	–
1 June 2010				
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	–	194,989	–	–

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

There were no changes in the above interests between 31 May 2011 and 27 September 2011.

Deed of Indemnity

A Deed of Indemnity has been executed on behalf of the Company for the Board of Directors.

Under the terms of the indemnity, 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 Deed of Indemnity will be available for inspection at the AGM and at the Registered Office at any time.

Directors' and Officers' Liability Insurance

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

Disclosable Interests

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

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 secondly, in taking the decision the Directors must act in a way they consider, in good faith, is most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. 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.

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 (2010: nil).

Donations

The Company made no charitable or political donations during the year.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis 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 both long-term and short-term funding requirements; the liquidity of the investments which could be used to repay the overdraft in the event that the facility could not be renewed or replaced; and the ability of the Company in the light of these factors to meet all of its liabilities and ongoing expenses.

Annual General Meeting

Shareholders will find on pages 76 to 79 the Notice of the AGM to be held on 15 November 2011 starting at 4.00pm.

CORPORATE GOVERNANCE STATEMENT

The Principles

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

In March 2009, the fourth edition of the AIC Code of Corporate Governance ('AIC Code') was published. The Financial Reporting Council have confirmed that AIC member companies who report against the AIC Code and who follow the AIC's Corporate Governance Guide for Investment Companies ('AIC Guide') would meet their obligations in relation to the Combined Code on Corporate Governance ('Combined Code') and paragraph 9.8.6 of the Listing Rules (relating to additional items to be included in the annual financial report). Copies of the AIC Code and AIC Guide can be found on the AIC's website at *www.theaic.co.uk*.

The purpose of the AIC Code is to provide boards with a framework of best practice for the governance of investment companies (including investment trusts). The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide, provides confidence to shareholders, directors and regulators. The Company has complied with the recommendations of the AIC Code and the relevant provisions of section 1 of the Combined Code, save in respect of those matters explained below.

The Combined Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the Company, which is an externally managed investment trust. The Company has therefore not reported further in respect of these provisions.

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 2011. 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 members of the Board are shown on page 22.

Senior Independent Director

The AIC Code recommends the appointment of a Senior Independent Director. The Board appointed Alan Clifton, following the retirement of John Martin on 1 November 2010, 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2011
continued

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.

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 to enable informed decisions to be made. 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 IAML and Fauchier 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 stock market 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.

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.

The Company Secretary makes a significant contribution to the efficiency and effectiveness of the Board, and the smooth running of the Company. To fulfil the role, the Company Secretary keeps up-to-date with relevant legal, statutory and regulatory requirements and is also able to provide impartial advice and support to the Directors. The Company Secretary also acts as a primary point of contact for institutional and other shareholders, especially with regard to matters of corporate governance.

Board's 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 and advisers; 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 detailing the responsibilities of 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.

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. The Articles of Association provide that the Directors may, by notice in writing, remove any Director from the Board without notice or compensation.

Sir Michael Bunbury and David Rosier are standing for re-election at this year's AGM. The Board confirms that their performance continues to be effective and that they continue to demonstrate commitment to their roles. The Board therefore recommends that shareholders support AGM resolutions 3 and 4 relating to the re-election of Sir Michael Bunbury and Mr Rosier.

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*.

Directors' Remuneration

The Board as a whole reviews Directors' remuneration on a regular basis. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 48 and 49.

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, for which attendance has been very good throughout the year;

- 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 and Investment Adviser'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 Directors concluded that the performance evaluation process had proved successful with the Board and Committees of the Board collectively scoring satisfactorily in all areas.

Attendance at Board and Committee Meetings

All the Directors are considered to have a very good attendance record at scheduled Board and Committee meetings of the Company. The following table sets out those scheduled meetings which each Director was eligible to attend and attended in the year.

MEETING	BOARD	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE
Patrick Gifford	5/5	2/2	2/2
Sir Michael Bunbury	5/5	2/2	2/2
Alan Clifton	5/5	2/2	2/2
David Rosier	5/5	2/2	2/2
John Martin*	2/2	1/1	1/1

* John Martin retired on 1 November 2010.

Board members attended a number of additional non-scheduled meetings to deal with *ad hoc* items.

Strategy Board Meeting

The Board holds a specific strategy session separate from the normal agenda items, at which it discusses matters such as the continued relevance of the Company's and Portfolios' investment objectives, policies and styles; the appropriateness of the performance measures in place; shareholder communication strategy; and the changing corporate governance and regulatory environment in which the Company operates. The Board also reviews the Company's corporate structure to ensure that it continues to be the most appropriate to adhere to the Company's Investment Policy.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 47. The Report of the Independent Auditor appears on pages 50 and 51.

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 are in line with best practice and the AIC Code. 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 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 IAML, reviews the Company's compliance with financial reporting and regulatory requirements. At each meeting, a report from the Manager's internal audit and compliance teams is reviewed. 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.

The Audit Committee also reviewed its own effectiveness during the year. The review was done internally as part of the Board, Committee and Directors' performance appraisal process, a report on which is shown on pages 43 and 44.

Internal Financial and Non-Financial Controls

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 occurred in the year ended 31 May 2011 or since up to the date of this annual financial report.

The Board meets regularly, at least four times a year, and reviews financial reports and performance against revenue forecasts, stock market indices and the Company's peer group. In addition, the Manager, Investment Adviser and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the respective 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. The Directors consider that these procedures enable the Company to comply with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'.

Internal Audit Function

The Directors have reviewed the need for the Company to establish an internal audit function but, in view of the extent of the Manager's executive responsibilities and, given that the Manager has an internal audit function consider that such a function is not necessary.

Auditor's Non-Audit Services

The Company's Auditor, Ernst & Young LLP, provided non-audit services to the Company amounting to £5,200 (2010: £13,000) in relation to tax compliance during the financial year ended 31 May 2011. The Directors do not believe the provision of these services impaired the Auditor's independence during the financial year ended 31 May 2011.

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 Company's website. The Management Engagement Committee meets at least once a year to review the performance of the Manager and Investment Adviser, the services provided by them and the Management Agreements with them. A statement of the responsibilities of the Manager and Investment Adviser, Company Secretary and Administrator of the Company and the assessment of the Manager and Investment Adviser by the Management Engagement Committee can be found on page 37.

Shareholder Relations

Shareholder relations are given high priority by the Board, the Manager and the Investment Adviser. 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 of the UK Equity, Global Equity and Managed Liquidity Portfolios and the weekly calculation of the NAV of the Hedge Fund Shares, which are published via the Stock Exchange and monthly and daily factsheets. A presentation is made by some of the individual Portfolio Managers 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 23. At other times the Company responds to letters from shareholders on a range of issues.

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; various corporate governance policies; the Company's Share price; and proxy voting results.

Stewardship

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of corporate governance are maintained in the companies in which it invests. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure 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 and are not simply passed back to the company concerned for discretionary voting by its chairman.

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 Çorporate Governance and stewardship can be found at *www.invescoperpetual.co.uk.*

By order of the Board

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

27 September 2011

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 Auditors are 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 Auditors are 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 profit 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

27 September 2011

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2011

The Board presents this Remuneration Report which 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 Auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The Auditors' opinion is included in their report on pages 50 and 51.

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 2012 and subsequent years.

During the year the Board reviewed Directors' remuneration taking into consideration the increasing demands on and accountability of directors as a result of changes to corporate governance and other regulatory requirements, and that there has been no increase since the launch of the Company in 2006. As a result, the Directors' emoluments were increased as follows with effect from 1 December 2010:

Chairman	from £27,500 to £30,000 pa;
Chairman of the Audit Committee	from £22,000 to £24,000 pa; and
Directors	from £18,500 to £20,000 pa.

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 terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

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 2 and 3.

Directors’ Emoluments for the Year (Audited)

The Directors who served during the year to 31 May 2011 received the following emoluments in the form of fees:

	2011 £	2010 £
Patrick Gifford (Chairman)	28,750	27,500
Sir Michael Bunbury (Audit Committee Chairman)	23,000	22,000
Alan Clifton	19,250	18,500
David Rosier	19,250	18,500
John Martin (retired 1 November 2010)	7,696	18,500
Total	97,946	105,000

Approval

The Directors’ Remuneration Report was approved by the Board of Directors on 27 September 2011.

Signed on behalf of the Board of Directors

Patrick Gifford
Chairman

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 2011 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 18. 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 Auditors

As explained more fully in the Directors' Responsibility Statement set out on page 47, 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 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 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 2011 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 41, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined 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

27 September 2011

INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	NOTES	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
Gains on investments	9	–	10,632	10,632	–	14,272	14,272
Foreign exchange (losses)/gains		–	(52)	(52)	–	17	17
Income	2	2,903	328	3,231	2,752	–	2,752
Management fees	3	(164)	(416)	(580)	(142)	(358)	(500)
Performance fees	3	–	(111)	(111)	–	–	–
Other expenses	4	(377)	(2)	(379)	(429)	(5)	(434)
Net return before finance costs and taxation		2,362	10,379	12,741	2,181	13,926	16,107
Finance costs	5	(39)	(104)	(143)	(40)	(108)	(148)
Return on ordinary activities before tax		2,323	10,275	12,598	2,141	13,818	15,959
Tax on ordinary activities	6	(105)	–	(105)	(81)	–	(81)
Return on ordinary activities after tax for the financial year		2,218	10,275	12,493	2,060	13,818	15,878
Basic return per ordinary share:	7						
– UK Equity Share Portfolio		4.1p	19.5p	23.6p	3.7p	11.4p	15.1p
– Global Equity Share Portfolio		2.0p	8.5p	10.5p	1.5p	21.4p	22.9p
– Hedge Fund Share Portfolio		(0.5)p	(0.7)p	(1.2)p	(0.5)p	8.0p	7.5p
– Managed Liquidity Share Portfolio		0.5p	–	0.5p	0.3p	1.1p	1.4p

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 10, 14, 19 and 21 for the UK Equity, Global Equity, Hedge Fund 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 2009	1,253	1,290	114,324	134	(14,690)	53	102,364
Cancellation of deferred shares	–	–	(10)	10	–	–	–
Shares bought back and cancelled/held in treasury	(182)	–	(17,401)	179	–	–	(17,404)
Realised gains on disposal of investments	–	–	–	–	2,360	–	2,360
Movement in investment holding gains	–	–	–	–	11,912	–	11,912
Foreign exchange gains	–	–	–	–	17	–	17
Charged to capital:							
– management fees	–	–	–	–	(358)	–	(358)
– other expenses	–	–	–	–	(5)	–	(5)
– finance costs	–	–	–	–	(108)	–	(108)
Revenue return on ordinary activities per the income statement	–	–	–	–	–	2,060	2,060
Dividends – note 8	–	–	(17)	–	–	(2,113)	(2,130)
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)
As at 31 May 2011	1,071	1,290	89,617	324	9,403	7	101,712

The accompanying notes are an integral part of this statement.

BALANCE SHEET

AS AT 31 MAY 2011

	NOTES	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'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						
Debtors	10	560	225	40	64	889
Cash and short-term deposits		36	364	–	–	400
		596	589	40	64	1,289
Creditors: amounts falling due within one year	11	(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	12(b)	457	362	136	116	1,071
Share premium account	13	–	–	1,290	–	1,290
Special reserve	13	40,750	31,394	9,488	7,985	89,617
Capital redemption reserve	13	73	78	19	154	324
Capital reserves	13	773	6,620	1,763	247	9,403
Revenue reserve	13	164	184	(356)	15	7
Shareholders' funds		42,217	38,638	12,340	8,517	101,712
Net asset value per ordinary share – basic and diluted	14	105.3p	120.9p	112.1p	102.3p	

These financial statements were approved and authorised for issue by the Board of Directors on 27 September 2011.

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 2010

	NOTES	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
Fixed assets						
Investments held at fair value through profit or loss	9	39,987	36,278	15,933	12,969	105,167
Current assets						
Debtors	10	286	167	6	220	679
Cash and short-term deposits		159	305	2	606	1,072
		445	472	8	826	1,751
Creditors: amounts falling due within one year	11	(6,693)	(283)	(327)	(907)	(8,210)
Net current (liabilities)/assets		(6,248)	189	(319)	(81)	(6,459)
Net assets		33,739	36,467	15,614	12,888	98,708
Shareholders' funds						
Share capital	12(b)	432	352	150	137	1,071
Share premium account	13	–	–	1,290	–	1,290
Special reserve	13	39,883	32,077	12,598	12,338	96,896
Capital redemption reserve	13	73	78	19	153	323
Capital reserves	13	(6,845)	3,874	1,849	250	(872)
Revenue reserve	13	196	86	(292)	10	–
Shareholders' funds		33,739	36,467	15,614	12,888	98,708
Net asset value per ordinary share – basic and diluted	14	85.7p	111.7p	112.4p	101.8p	

The accompanying notes are an integral part of this statement.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY

	NOTES	2011 £'000	2010 £'000
Net cash inflow from operating activities	15(a)	1,847	1,584
Servicing of finance	15(b)	(140)	(145)
Taxation		124	135
Capital expenditure and financial investment	15(b)	5,771	15,463
Equity dividends paid	8	(2,211)	(2,130)
Net cash inflow before management of liquid resources and financing		5,391	14,907
Management of liquid resources	15(b)	–	1,415
Financing	15(b)	(6,011)	(16,078)
(Decrease)/increase in cash		(620)	244

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

FOR THE YEAR ENDED 31 MAY

	NOTES	2011 £'000	2010 £'000
(Decrease)/increase in cash		(620)	244
Cashflow from movement in liquid resources		–	(1,415)
Exchange movements		(52)	17
Cash movements from changes in debt		(2,227)	(365)
Movement of debt in year		(2,899)	(1,519)
Net debt at beginning of year		(5,328)	(3,809)
Net debt at end of year	15(c)	(8,227)	(5,328)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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 Share Portfolio, the Hedge Fund Share Portfolio and/or the Managed Liquidity Share Portfolio (as the case may be). Comprising investment portfolio, 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 Shares, Hedge Fund 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 notes to the financial statements.

The UK Equity, Global Equity, Hedge Fund 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 set out in s1159 of the Corporation Tax Act 2010.

(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.

1. Accounting Policies (continued)

(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 are classified as held at fair value through profit or loss.

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

Fair value for investments that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. 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, 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.

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 is taken to account on an accruals basis and underwriting commission is recognised as earned.

(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	30%	70%
Hedge Fund	–	100%
Managed Liquidity	100%	–

Any entitlement to the investment performance fee which is attributable to the UK Equity and, or, the Global Equity 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 AIM Short-Term Investments Company (Global Series) PLC, all with a maturity of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Income

2011	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
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					
Interest	–	1	–	–	1
Total income	1,878	944	–	81	2,903
2010					
Income from investments					
UK dividends	1,564	218	–	–	1,782
UK scrip dividends	35	27	–	–	62
Overseas dividends	196	568	–	15	779
Unfranked investment income – interest	3	–	–	113	116
	1,798	813	–	128	2,739
Other income					
Interest	6	1	–	2	9
Underwriting and sundry	4	–	–	–	4
Total income	1,808	814	–	130	2,752

Special dividends received in UK Equity of £328,000 (2010: £nil) have been recognised in capital.

3. Management fees

(a) Management fees charged

	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
2011					
Management fee:					
– charged to revenue	80	84	–	–	164
– charged to capital	187	195	34	–	416
Total management fee	267	279	34	–	580
2010					
Management fee:					
– charged to revenue	53	84	–	5	142
– charged to capital	122	196	40	–	358
Total management fee	175	280	40	5	500

The UK Equity Portfolio management fee for 2010 was reduced by £102,000 following an overcharge of fees from inception in 2006 to 31 May 2009. This reduction was credited £30,000 to revenue and £72,000 to capital.

After underperformance brought forward, the UK Equity Portfolio earned a performance fee of £111,000 in the year (2010: no performance fees arose), which is charged wholly to capital. The Global Equity Portfolio performance fee for 2009 was paid in the year.

(b) Details of management fees

Details of the investment management agreement, are given on page 37 in the Report of the Directors. Details of the fees payable on the Fauchier Managed Funds which comprise the Hedge Fund Share Portfolio are also given.

4. Other expenses

	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
2011					
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
2010					
Charged to revenue:					
Directors' fees	33	32	18	22	105
Fees payable to the Company's Auditor for the audit of the annual financial statements	6	6	3	2	17
Fees payable to the Company's Auditor and its associates for other services:					
– relating to taxation	2	2	8	1	13
Other expenses	90	96	50	58	294
	131	136	79	83	429
Charged to capital:					
Transaction costs	3	2	–	–	5
Total	134	138	79	83	434

5. Finance Costs

	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
2011					
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
2010					
Interest payable on borrowings repayable within one year as follows:					
Charged to revenue	40	–	–	–	40
Charged to capital	93	1	14	–	108
Total	133	1	14	–	148

6. Taxation

(a) Current tax charge

	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
2011					
Overseas tax	31	74	–	–	105
2010					
Overseas tax	25	56	–	–	81

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

(b) Reconciliation of current tax charge

	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
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:					
– Gains on investments	(2,215)	(814)	5	1	(3,023)
– 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)	–
Current tax charge for the year	31	74	–	–	105
2010					
Return on ordinary activities before taxation	6,448	8,144	1,123	244	15,959
UK Corporation Tax rate of 28%	1,805	2,280	314	68	4,467
Effect of:					
– Gains on investments	(1,426)	(2,162)	(352)	(57)	(3,997)
– Losses/(gains) on foreign exchange	3	(8)	–	–	(5)
– UK dividends which are not taxable	(448)	(69)	–	–	(517)
– Overseas dividends which are not taxable	(55)	(138)	–	–	(193)
– Overseas tax	25	56	–	–	81
– Excess expenses for the year carried forward	110	97	38	–	245
– Transfer of expenses between Portfolios:					
– revenue expenses at 27%	11	–	–	(11)	–
Current tax charge for the year	25	56	–	–	81

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 £2,007,000 (2010: £860,000) that are available to offset future taxable revenue. A deferred tax asset of £524,000 (2010: £241,000) 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	2011	2010
UK Equity	38,981,102	42,528,103
Global Equity	32,455,572	35,278,074
Hedge Fund	12,736,626	14,910,221
Managed Liquidity	10,514,144	17,867,313

8. Dividends

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

	2011			2010		
	NUMBER OF SHARES	DIVIDEND RATE (PENCE)	TOTAL £'000	NUMBER OF SHARES	DIVIDEND RATE (PENCE)	TOTAL £'000
UK Equity						
First interim	38,249,001	1.65	631	45,161,268	1.65	745
Second interim	38,669,957	2.55	986	39,167,799	2.15	842
		4.20	1,617		3.80	1,587
Global Equity						
First interim	32,203,164	0.45	145	35,329,468	0.45	159
Second interim	32,255,274	1.25	403	34,322,023	0.90	309
		1.70	548		1.35	468
Managed Liquidity						
First interim	9,283,030	0.50	46	18,756,237	0.40	75
		0.50	46		0.40	75
Total paid in respect of the year			2,211			2,130

NOTES TO THE FINANCIAL STATEMENTS

continued

9. Investments held at fair value

(a) Analysis of investments by listing status

	2011 £'000	2010 £'000
UK listed investments	45,241	42,466
UK unlisted investments	500	500
Overseas listed investments (i)	50,780	46,268
Instruments evidencing funds of hedge funds	13,412	15,933
	109,933	105,167

(i) Includes the AIM Short-Term Investments Company (Global Series) PLC investment held by the Managed Liquidity Portfolio of £340,000 (2010: £nil).

(b) Analysis of investments gains/(losses)

	2011 £'000	2010 £'000
Opening valuation	105,167	106,298
Movements in year:		
Purchases at cost	28,611	52,781
Sales – proceeds	(34,477)	(68,184)
– net realised gains on sales	2,261	2,360
Movement in investment holding gains in year	8,371	11,912
Closing valuation	109,933	105,167
Closing book cost	99,723	103,329
Closing investment holding gains	10,210	1,838
Closing valuation	109,933	105,167
Realised gains based on historical cost	2,261	2,360
Movement in investment holding gains in year	8,371	11,912
Gains on investments	10,632	14,272

(c) Transaction costs

Transaction costs were £96,000 (2010: £95,000) on purchases and £44,000 (2010: £61,000) on sales.

10. Debtors

	2011 £'000	2010 £'000
Amounts due from brokers	249	–
Taxation recoverable	129	261
Prepayments and accrued income	511	418
	889	679

11. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Overdraft	127	–
Bank loan	8,500	6,400
Shares bought back	1	961
Taxation payable	149	149
Amounts due to brokers	161	37
Performance fee accrued	292	339
Accruals	280	324
	9,510	8,210

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 26 April 2012, both with The Bank of New York Mellon.

12. Share Capital and Reserves

(a) Share Capital

Authorised:

	2011		2010	
ORDINARY SHARES OF 1P EACH	NUMBER	£'000	NUMBER	£'000
UK Equity	200,000,000	2,000	200,000,000	2,000
Global Equity	200,000,000	2,000	200,000,000	2,000
Hedge Fund	200,000,000	2,000	200,000,000	2,000
Managed Liquidity	200,000,000	2,000	200,000,000	2,000
A	100,000,000	1,000	100,000,000	1,000
	900,000,000	9,000	900,000,000	9,000
Deferred shares of 1p each	105,000,000	1,050	105,000,000	1,050
	1,005,000,000	10,050	1,005,000,000	10,050

(b) Movements in Share Capital During the Year

Issued and fully paid:

	UK EQUITY	GLOBAL EQUITY	HEDGE FUND	MANAGED LIQUIDITY	TOTAL SHARE CAPITAL
ORDINARY SHARES (NUMBER)					
At 31 May 2010	39,359,201	32,643,164	13,895,086	12,663,480	98,560,931
Shares bought back into treasury	(1,764,000)	(1,616,000)	(1,528,000)	(2,330,000)	(7,238,000)
Arising on share conversion:					
– October 2010	923,756	741,110	(566,799)	(1,110,451)	(12,384)
– April 2011	1,562,424	203,364	(790,477)	(898,644)	76,667
At 31 May 2011	40,081,381	31,971,638	11,009,810	8,324,385	91,387,214
TREASURY SHARES (NUMBER)					
At 31 May 2010	3,801,000	2,600,000	1,100,000	995,500	8,496,500
Shares bought back into treasury	1,764,000	1,616,000	1,528,000	2,330,000	7,238,000
Treasury shares cancelled	–	–	–	–	–
At 31 May 2011	5,565,000	4,216,000	2,628,000	3,325,500	15,734,500
ORDINARY SHARES (£'000)					
At 31 May 2010	394	326	139	127	986
Shares bought back into treasury	(18)	(16)	(15)	(23)	(72)
Arising on share conversion:					
– October 2010	9	8	(6)	(11)	–
– April 2011	16	2	(8)	(10)	–
At 31 May 2011	401	320	110	83	914
TREASURY SHARES (£'000)					
At 31 May 2010	38	26	11	10	85
Shares bought back into treasury	18	16	15	23	72
Treasury shares cancelled	–	–	–	–	–
At 31 May 2011	56	42	26	33	157
TOTAL SHARE CAPITAL (£'000)					
Ordinary share capital	401	320	110	83	914
Treasury share capital	56	42	26	33	157
Total share capital	457	362	136	116	1,071
Average buy back price	88.8p	110.1p	103.3p	98.8p	

As part of the conversion process 157,938 (2010: 980,200) 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.

12. Share Capital and Reserves (continued)

(c) Movements in Share Capital after the year end to 27 September 2011

	UK EQUITY	GLOBAL EQUITY	HEDGE FUND	MANAGED LIQUIDITY
ORDINARY SHARES				
Shares bought back into treasury	571,000	186,000	412,000	142,000
Average buy back price	94.8p	105.5p	102.1p	99.2p

(d) 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).

(e) 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.

(f) Future Convertibility of the Shares

Shares are convertible at the option of the holder into any other class of Shares. Further conversion details are given in the Shareholder Information on page 24.

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

The Directors have been advised that conversion of one class of Shares into another will not be treated as a disposal for UK capital gains tax purposes.

13. 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, the share premium and capital reserves are non-distributable. The revenue reserve is distributable by way of dividend.

The capital reserve includes investment holding gains/(losses) being the difference between cost and market value at the balance sheet date, totalling a gain of £10,210,000 (2010: £1,838,000).

14. 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	2011		2010	
	NET ASSET VALUE PER SHARE PENCE	NET ASSETS ATTRIBUTABLE £'000	NET ASSET VALUE PER SHARE PENCE	NET ASSETS ATTRIBUTABLE £'000
UK Equity	105.3	42,217	85.7	33,739
Global Equity	120.9	38,638	111.7	36,467
Hedge Fund	112.1	12,340	112.4	15,614
Managed Liquidity	102.3	8,517	101.8	12,888

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.

15. Notes to the cash flow statement

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

	2011 £'000	2010 £'000
Total return before finance costs and taxation	12,741	16,107
Adjustment for gains on investments	(10,632)	(14,272)
Adjustment for exchange losses/(gains)	52	(17)
Scrip dividends received as income	(30)	(62)
(Increase)/decrease in debtors	(85)	16
Decrease in creditors	(94)	(84)
Tax on unfranked investment income	–	(23)
Overseas tax	(105)	(81)
Net cash inflow from operating activities	1,847	1,584

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

	2011 £'000	2010 £'000
Servicing of finance		
Interest paid	(140)	(145)
Net cash outflow from servicing of finance	(140)	(145)
Capital expenditure and financial investment		
Purchase of investments	(28,487)	(52,783)
Sale of investments	34,228	68,184
Scrip dividends received as income	30	62
Net cash inflow from capital expenditure and financial investments	5,771	15,463
Management of liquid resources		
Decrease in short-term deposits	–	1,415
Financing		
Share buy back costs	(8,238)	(16,443)
Increase in bank borrowings	2,227	365
	(6,011)	(16,078)

(c) Analysis of changes in net debt

	31 MAY 2010 £'000	CASH FLOW £'000	EXCHANGE MOVEMENTS £'000	31 MAY 2011 £'000
Cash	1,072	(620)	(52)	400
Short-term deposits	–	–	–	–
Bank loan	(6,400)	(2,100)	–	(8,500)
Overdraft	–	(127)	–	(127)
Net debt	(5,328)	(2,847)	(52)	(8,227)

16. Risk management, financial assets and liabilities

The Company's financial instruments comprise the four investment portfolios (as shown on pages 9, 13, 18 and 21), cash, borrowings, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

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

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

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

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

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

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

Credit risk, 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

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.

As an investment trust the Company invests in equities and other investments for the long-term so as to meet its investment objective and policies. In pursuing this objective, 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 policies the Company used to manage these risks for the two years under review follow.

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 invests mainly in quoted investments traded on recognised stock exchanges, liquidity risk and credit risk are significantly mitigated.

Market Risk

The Company's 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 42 and 43. Borrowings can be used by the UK Equity, Global Equity and Hedge Fund 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 10% of attributable net assets, respectively.

Currency Risk

A majority of the Global Equity Portfolio and a much smaller 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 Managers monitor these two Portfolios' exposure to foreign currencies on a daily basis and report to the Board on a regular basis. Forward currency contracts can be used to limit the Company's exposure to anticipated future changes in exchange rates which are also used to achieve the portfolio characteristics that assist the Company in meeting its investment objective and policies. All contracts are limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt.

Currency Exposure

The fair values of the Company's monetary items that have 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 so as to show the overall level of exposure.

UK EQUITY PORTFOLIO:	31 MAY 2011 £'000	31 MAY 2010 £'000
Investments at fair value through profit or loss		
US Dollar	2,747	2,601
Swiss Franc	1,245	–
	3,992	2,601

HEDGE PORTFOLIO:	31 MAY 2011 £'000	31 MAY 2010 £'000
Investments at fair value through profit or loss		
US Dollar	352	–

GLOBAL EQUITY PORTFOLIO:

YEAR ENDED 31 MAY 2011

CURRENCY	DEBTORS (DUE FROM BROKERS AND DIVIDENDS) £'000	CASH AT BANK £'000	CREDITORS (DUE TO BROKERS AND ACCRUALS) £'000	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
Israeli Shekel	–	–	–	–	–	–
Japanese Yen	33	–	–	33	3,113	3,146
Korean Won	–	–	–	–	2,034	2,034
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

NOTES TO THE FINANCIAL STATEMENTS

continued

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

Currency Exposure (continued)

YEAR ENDED 31 MAY 2010

CURRENCY	DEBTORS (DUE FROM BROKERS AND DIVIDENDS) £'000	CASH AT BANK £'000	CREDITORS (DUE TO BROKERS AND ACCRUALS) £'000	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	–	–	–	–	637	637
Brazilian Real	–	–	–	–	760	760
Euro	–	–	–	–	4,690	4,690
Hong Kong Dollar	–	–	–	–	3,558	3,558
Indian Rupee	–	–	–	–	1,058	1,058
Israeli Shekel	–	–	–	–	895	895
Japanese Yen	31	–	–	31	5,275	5,306
Korean Won	–	–	–	–	–	–
Swiss Franc	–	–	–	–	2,153	2,153
Taiwan Dollar	–	343	–	343	–	343
US Dollar	19	3	–	22	11,672	11,694
	50	346	–	396	30,698	31,094

Currency Sensitivity

The tables on the next page 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 and Global Equity Portfolios.

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:

	2011	2010
£/Australian Dollar	+/– 4.6%	+/– 7.4%
£/Brazilian Real	+/– 1.9%	+/– 6.1%
£/Euro	+/– 2.4%	+/– 2.4%
£/Hong Kong Dollar	+/– 3.0%	+/– 3.9%
£/Indian Rupee	+/– 2.1%	+/– 6.0%
£/Israeli Shekel	+/– 9.4%	+/– 4.9%
£/Japanese Yen	+/– 1.8%	+/– 5.2%
£/Korean Won	+/– 1.7%	+/– 7.1%
£/Mexican Peso	+/– 2.0%	+/– 6.0%
£/Swiss Franc	+/– 4.5%	+/– 3.2%
£/Taiwan Dollar	+/– 2.7%	+/– 5.0%
£/US Dollar	+/– 3.0%	+/– 4.0%

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

	2011 REVENUE RETURN	2011 CAPITAL RETURN	2011 TOTAL RETURN	2010 REVENUE RETURN	2010 CAPITAL RETURN	2010 TOTAL RETURN
UK EQUITY PORTFOLIO:						
Swiss Franc	(1)	(56)	(57)	–	–	–
US Dollar	(4)	(82)	(86)	(7)	(104)	(111)
	(5)	(138)	(143)	(7)	(104)	(111)
GLOBAL EQUITY PORTFOLIO:						
Australian Dollar	(2)	(42)	(44)	(2)	(47)	(49)
Brazilian Real	–	(18)	(18)	(1)	(46)	(47)
Euro	(4)	(159)	(163)	(3)	(113)	(116)
Hong Kong Dollar	(2)	(134)	(136)	(2)	(139)	(141)
Indian Rupee	–	(18)	(18)	–	(63)	(63)
Israeli Shekel	–	–	–	–	(44)	(44)
Japanese Yen	(1)	(57)	(58)	(3)	(274)	(277)
Korean Won	–	(34)	(34)	(1)	–	(1)
Mexican Peso	–	–	–	(1)	–	(1)
Swiss Franc	(3)	(162)	(165)	(3)	(69)	(72)
Taiwan Dollar	–	(25)	(25)	–	–	–
US Dollar	(5)	(233)	(238)	(6)	(467)	(473)
	(17)	(882)	(899)	(22)	(1,262)	(1,284)
HEDGE PORTFOLIO:						
US Dollar	–	(11)	(11)	–	–	–

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

	2011 REVENUE RETURN	2011 CAPITAL RETURN	2011 TOTAL RETURN	2010 REVENUE RETURN	2010 CAPITAL RETURN	2010 TOTAL RETURN
UK EQUITY PORTFOLIO:						
Swiss Franc	1	56	57	–	–	–
US Dollar	4	82	86	7	104	111
	5	138	143	7	104	111
GLOBAL EQUITY PORTFOLIO:						
Australian Dollar	2	42	44	2	47	49
Brazilian Real	–	18	18	1	46	47
Euro	4	159	163	3	113	116
Hong Kong Dollar	2	134	136	2	139	141
Indian Rupee	–	18	18	–	63	63
Israeli Shekel	–	–	–	–	44	44
Japanese Yen	1	57	58	3	274	277
Korean Won	–	34	34	1	–	1
Mexican Peso	–	–	–	1	–	1
Swiss Franc	3	162	165	3	69	72
Taiwan Dollar	–	25	25	–	–	–
US Dollar	5	233	238	6	467	473
	17	882	899	22	1,262	1,284
HEDGE PORTFOLIO:						
US Dollar	–	11	11	–	–	–

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

Interest Rate Risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings. When the Company has cash balances, they are held by the individual Portfolios in variable rate bank accounts yielding rates of interest dependent on the deposit rate of the Custodian.

The Company has a £15 million, 364 day multicurrency revolving credit facility of which £7.55 million (2010: £6.1 million) was drawn down by the UK Equity Portfolio and £0.95 million (2010: £0.3 million) was drawn by the Hedge Fund Portfolio at the year end. This facility is due for renewal on 25 April 2012. At the maximum possible gearing of £15 million, the effect of a 0.5% movement in interest rates would result in a £75,000 movement in the Company's income statement and net assets. The Company also has a maximum uncommitted overdraft facility of 10% of net assets for settlement and net assets purposes, of which £127,000 (2010: £nil) was drawn down at the year end.

Other than by any cash held and their borrowings, the UK Equity, Global Equity and Hedge Fund Portfolios are not directly exposed to interest rate risk. The Managed Liquidity investment portfolio at 31 May 2011 comprised £8.3 million (2010: £13 million) in the Invesco Perpetual Money Fund and £0.3 million (2010: £nil) in AIM Short-Term Investments Company (Global Series) PLC ('AIM STIC'). The income of both these funds is dependent on interbank lending rates as described in detail in the Investment Manager's Report; the principal amount should, however, remain stable regardless of interest rate movements.

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

	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2011					
Cash	36	364	–	–	400
Bank loan	(7,550)	–	(950)	–	(8,500)
Overdraft	–	–	(124)	(3)	(127)
2010					
Cash	159	305	2	606	1,072
Bank loan	(6,100)	–	(300)	–	(6,400)
Overdraft	–	–	–	–	–

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 and Investment Adviser'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.

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 £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000
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)
2010				
Profit after tax increase due to rise of 10%	3,999	3,628	1,593	1,297
Profit after tax decrease due to fall of 10%	(3,999)	(3,628)	(1,593)	(1,297)

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. The one exception to this is the Hedge Fund Portfolio which, because of the illiquidity of the hedge fund investee companies, requires four months notice to redeem. If required, the Company's borrowing facilities provide both additional short-term and long-term funding.

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 held by the Company. 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, and a maximum in AIM Short-Term Investments Company (Global Series) PLC, an AAA-rated money market fund, of £7 million for the Hedge Fund Portfolio and £8 million for the Managed Liquidity Portfolio.

Financial Value Hierarchy Disclosures

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

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 are deemed to be Level 1. Level 2 comprises all quoted fixed income investments together with the Company's holding of Barclays Bank Nuclear Power Notes and all the investments held in the Managed Liquidity Portfolio. Level 3 investments at the year end comprise any unquoted securities and the investments of the Hedge Fund Portfolio. There were no transfers between any levels during the year.

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

Financial Value of Hierarchy Disclosures (continued)

	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
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

	UK EQUITY £'000	GLOBAL EQUITY £'000	HEDGE FUND £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2010					
Financial assets designated at fair value through profit or loss:					
Level 1	39,323	36,278	–	–	75,601
Level 2	164	–	–	12,969	13,133
Level 3	500	–	15,933	–	16,433
	39,987	36,278	15,933	12,969	105,167

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

	UK EQUITY £'000	HEDGE FUND £'000	TOTAL £'000
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

	UK EQUITY £'000	HEDGE FUND £'000	TOTAL £'000
2010			
Opening fair value	344	16,979	17,323
Purchases at cost	–	16,162	16,162
Sales – proceeds	–	(18,434)	(18,434)
– net realised gains	–	1,909	1,909
Movement in investment holding gains/(losses)	156	(683)	(527)
Closing fair value of Level 3	500	15,933	16,433

Maturity Analysis of Contractual Liability Cash Flows

The financial liabilities of the Company are shown in note 11. The main liabilities are the bank loan and overdraft. The bank overdraft is repayable in full on demand, and the bank loan facility falls for renewal on 25 April 2012. Interest is paid monthly. Other liabilities comprise any amounts due to brokers and accruals. All are paid under contractual terms.

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), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals, cash at bank and 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 disclosed above.

17. Contingencies, guarantees and financial commitments

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

18. 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 39. 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 4.00pm on 15 November 2011 for the following purposes:

Ordinary Business

1. To receive and adopt the Report of the Directors and Financial Statements for the year ended 31 May 2011.
2. To approve the Directors' Remuneration Report.
3. To re-elect Sir Michael Bunbury a Director of the Company*.
4. To re-elect David Rosier a Director of the Company*.
5. To re-appoint Ernst & Young LLP as Auditor to the Company and authorise the Directors to determine their remuneration.

   * The Directors' biographies are shown on page 22 of the annual financial report.

Special Business

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

6. 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 Shares, £1,000,000 of Hedge Fund 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:

7. 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, Hedge Fund and Managed Liquidity) for cash, either pursuant to the authority given by resolution 6 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 £39,510 of UK Equity Shares, £31,785 of Global Equity Shares, £10,597 of Hedge Fund Shares and £8,182 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.

8. 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, Hedge Fund 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 15 November 2011, the date of the Annual General Meeting (equivalent, at 27 September 2011, to 5,922,606 UK Equity Shares, 4,764,667 Global Equity Shares, 1,588,611 Hedge Fund Shares and 1,226,539 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.

9. THAT:

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

Explanatory Notes to Resolution 9

Notice of period for general meetings

This resolution is required as the EU Shareholder Rights Directive requires the minimum notice period for general meetings of companies to be 21 days unless certain conditions are met, in which case it may be 14 days'. In particular, a shareholder resolution reducing the period of notice to not less than 14 days must have been passed at the immediately preceding AGM. This flexibility will be used where the Board believes it is in the interests of shareholders as a whole.

All Resolutions proposed under Special Business are explained further in the Chairman's Statement.

Dated this 27th September 2011

By order of the Board

Invesco Asset Management Limited
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING

continued

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(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

3. A person entered on the Register of Members at close of business on 11 November 2011 (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 27 September 2011 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 39,510,381 UK Equity Shares, 31,785,638 Global Equity Shares, 8,182,385 Managed Liquidity Shares and 10,597,810 Hedge Fund 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 vote. 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 in the case of UK Equity Shares, Global Equity Shares and Managed Liquidity Shares and weekly in the case of the Hedge Fund Shares.

    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/investmenttrusts*.

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 auditors' report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 June 2010; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 June 2010 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.

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.

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.

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).

Gearing

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which shareholders' funds are geared; a nil gearing percentage, or 'nil', shows a company 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.

Total Expense Ratio

The total expenses (excluding financial costs) incurred by the Company, including those charged to capital (excluding transaction costs), as a percentage of average net assets (Shareholders' funds).

Hedge Fund Definitions

Macro These funds take directional positions based on their views of macroeconomic and market trends. They primarily use futures, forwards and options to implement trades in currency, bond or equity markets. Macro funds have historically delivered a strong and uncorrelated performance, but with considerable volatility; they can be very attractive in a portfolio context as they tend to thrive at times of market stress.

Equity Long Bias These managers seek to extract returns from both long and short positions in individual equities. However, they will have a structurally higher allocation to long positions than to shorts and will primarily incorporate short positions as a means of dampening volatility, rather than as a source of alpha. We expect Equity Long Bias managers to show an average beta to the MSCI World Equity Index in excess of 0.5 over a market cycle.

Equity Hedged High Volatility These managers seek to extract returns from both long and short positions in individual equities. We do not expect these funds to show an average beta to the MSCI World Equity Index of more than 0.5 over a market cycle, and they should deliver the majority of their returns through stock-specific or sector-level risk. Over a market cycle, we expect these funds to exhibit at least two-thirds of the volatility of the MSCI World Equity index.

Equity Hedged Low Volatility These managers seek to extract returns from both long and short positions in individual equities. We do not expect these funds to show an average beta to the MSCI World Equity Index of more than 0.5 over a market cycle, and they should deliver the majority of their returns through stock-specific or sector-level risk. Over a market cycle, we expect these funds to exhibit less than two-thirds of the volatility of the MSCI World Equity Index.

Short Bias A few managers run hedge funds with a consistent short bias, primarily in equities but also in corporate bonds. They vary the degree of gross and net exposure according to their perception of individual opportunities. Unsurprisingly, these funds deliver performance which tends to be negatively correlated to markets, Equity Long Bias funds, and to a number of other fundamentally-driven hedge fund strategies. They often perform well at times of high equity and bond market volatility and are attractive in a portfolio context as a form of "value added insurance".

Specialist Credit These funds generate their returns through long and short positions in corporate debt. Hedging instruments can include credit default swaps, equities and equity options. Managers often specialise in certain areas of the credit spectrum, ranging from Distressed and High Yield bonds to Investment Grade issues.

Event Driven The event driven strategy takes advantage of either announced corporate actions or other predefined events that provide an estimated rate of return over a defined time period. Examples of such events include mergers, spin-offs, and index rebalances. Often there is a "spread" between two or more involved securities or one security and a specified cash level. The principal risk is that the event does not come to fruition or that the timeline is underestimated. Generally, only moderate leverage is employed in this strategy.

Fixed Income Funds within this strategy trade interest rate risk on a relative value and/or directional basis. Typically they express their views through G10 government bond markets, interest swaps and other OTC and exchange traded derivative contracts. As government bonds are low volatility instruments, considerable nominal leverage is often applied.

Multiple Strategy This group of hedge funds engages in a combination of the aforementioned strategies, adding value by dynamically allocating to in-house specialist teams in the areas which they think are likely to be most rewarding. These funds have further attractions in that they only charge a performance fee on the net returns achieved across the various strategies in aggregate.

Incubator The Incubator Fund is Fauchier Partners' in house vehicle, through which initial exposure is gained to funds that have yet to develop a statistically-meaningful track record or those about which we feel further understanding must be acquired before we can commit further capital. It does not take large positions in any single fund and does not employ a strategy allocation in its own right. It is fruitful in building long-standing relationships with managers, and early access to hedge funds provides option-like features to manager capacity. It does not charge management fees and does not accept capital from outside investors.

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 $629.4 billion.*

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

** Funds under Management as at 31 August 2011.*

SPECIALIST FUNDS MANAGED BY INVESCO

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

Perpetual Income and Growth Investment Trust plc

Aims to generate capital growth with a higher than average income from investment, primarily, in the UK equity market. It is intended that the Company will provide shareholders with real dividend growth over the medium-term by investing mainly in above-average yield equities. However, investments are also made in companies with lower initial yields which are considered to have good potential for income growth.The Company is geared by a debenture stock and bank debt.

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.

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 Perpetual Select Trust plc – UK Equity Share 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 Perpetual Select Trust plc – Managed Liquidity Share Portfolio

Aims to generate a high level of income from a variety of fixed income instruments combined with a high degree of security.

Invesco Property Income Trust Limited

The Company is a closed-ended investment company with limited liability incorporated in Jersey. The objective is to provide ordinary shareholders with an attractive level of income together with the prospect of income and capital growth from investing in commercial properties in the UK and Continental Europe. The Company is geared by bank debt.

City Merchants High Yield Trust plc

Aims to generate a high level of income from a variety of fixed income and/or equity instruments combined with a degree of security. 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 Recovery Trust 2011 plc

A split-capital investment trust with ordinary income shares, zero dividend preference shares and units (a combination of the two). Aims to meet the capital entitlements of the zero dividend preference shares and to maximise the capital and income returns of the ordinary income shares by investing primarily in equities but also debt securities which are considered to offer recovery prospects. Returns to ordinary income shareholders are geared by the prior charge of the zero dividend preference shares. The Company has an initial life projected to end in 2011.

The Edinburgh Investment Trust plc

Invests in UK securities with the 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 return for it's shareholders via an investment vehicle which gives access to 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 Asia Pacific ex Japan Index, measured in sterling. The Company is geared by bank debt.

Invesco Perpetual Select Trust plc – Global Equity Share Portfolio

Aims to produce long-term capital growth from a sensibly diversified portfolio of international equities (including the UK). The portfolio comprises the "best ideas" of a number of Invesco Perpetual's investment managers. The portfolio is geared by bank debt.

Investing for Absolute Returns

Invesco Perpetual Select Trust plc – Hedge Fund Share Portfolio

Aims to achieve absolute return of 3-month sterling LIBOR plus 5% per annum over a rolling 5-year period, coupled with low volatility. Capital preservation is a priority.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Share Portfolio
- Global Equity Share Portfolio
- Managed Liquidity Share Portfolio
- Hedge Fund Share Portfolio

A choice of asset classes within one investment trust with the freedom to switch between them, twice 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.