Invesco Perpetual Select Trust plc

Annual Financial Report
Year Ended 31 May 2014

The Company in Brief

Nature of the Company

Invesco Perpetual Select Trust plc (the 'Company') is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company is to invest shareholders' funds with the aim of spreading investment risk and generating returns for shareholders. The Company has an indefinite life and is intended as a long-term investment vehicle.

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 share classes, each of which has its own separate Portfolio of assets and liabilities:

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

Investment Policy

The Company's Investment Policy, which includes objectives, policies, risks and investment limits for the Company and the separate Portfolios, is disclosed in full on pages 26 to 29.

Borrowings and Gearing

The two equity portfolios may use bank borrowings, the proceeds from which can be invested, gearing up exposure to the stock market with the aim of enhancing returns to shareholders. The Balanced Risk portfolio is geared by means of the financial derivative instruments used to implement its investment policy.

Business Model

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

Share Class Conversion

The Company enables shareholders to alter their asset allocation to reflect their views of prevailing markets through the opportunity to convert between share classes every three months, on or around 1 February, 1 May, 1 August and 1 November.

Notice from a shareholder to convert any class of Share on any conversion date will be accepted up to ten days prior to the relevant conversion date. Forms for conversion are available on the web pages of all the share classes on the Manager's website: www.invescoperpetual.co.uk/investmenttrusts and from the Company Secretary. Conversion from one class of Shares into another will be on the basis of a ratio derived from the prevailing underlying net asset value of each class of relevant Share, calculated shortly before the date of conversion.

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

The Company's four share classes all qualify to be considered as mainstream investment products suitable for promotion to retail investors.

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

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

Front Cover: Close up of Mica Crystals

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The Company is a member of

aic The Association of Investment Companies

FINANCIAL PERFORMANCE

CUMULATIVE TOTAL RETURNS TO 31 MAY 2014

UK Equity Portfolio

	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	18.3%	67.3%	157.2%
Share Price	9.2%	72.4%	164.1%
FTSE All-Share Index	8.9%	30.3%	92.8%

Global Equity Income Portfolio

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

	SINCE 30 NOVEMBER 2011	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	51.1%	9.1%	33.9%	85.2%
Share Price	63.5%	8.3%	39.8%	90.2%
MSCI World Index (£)	43.4%	7.4%	32.6%	89.0%

Balanced Risk Portfolio

The name and objective of this Portfolio were changed with effect from 8 February 2012. The strategy followed for the last two years since 8 February 2012 is substantially different to the strategy in place prior to that date. The three and five year figures below are presented for consistency.

	SINCE 8 FEBRUARY 2012	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	14.8%	5.5%	5.6%	12.7%
Share Price	27.5%	4.5%	10.5%	19.6%
3 month LIBOR +5% pa	13.1%	5.5%	17.2%	28.9%

Managed Liquidity Portfolio

	ONE YEAR	THREE YEARS	FIVE YEARS
Net Asset Value	0.2%	1.5%	4.9%
Share Price	0.4%	1.9%	3.4%

Source: Thomson Reuters Datastream.

YEAR END NET ASSET VALUE, SHARE PRICE AND DISCOUNT

SHARE CLASS	NET ASSET VALUE (PENCE)	SHARE PRICE (PENCE)	DISCOUNT
UK Equity	155.6	153.0	1.7%
Global Equity Income	150.9	148.0	1.9%
Balanced Risk	118.4	116.0	2.0%
Managed Liquidity	103.3	101.4	1.9%

CHAIRMAN'S STATEMENT

The Company

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

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

The investment objectives and policies of all of the Portfolios are set out on pages 26 to 29.

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

Performance

The NAV total return of the UK Equity Portfolio over the year was +18.3%, which compares with the total return of +8.9%. posted by the FTSE All-Share Index.

The NAV total return of the Global Equity Income Portfolio over the year was +9.1%, compared with the MSCI World Index (£) total return of +7.4%.

The Balanced Risk Portfolio returned +5.5% compared with the total return of +5.5% for its benchmark of 3 months LIBOR plus 5% per annum.

The Managed Liquidity Portfolio continued to perform as expected in the continuing low interest environment, with an NAV total return of +0.2%.

It is pleasing that, since the reorganisation of what are now the Global Equity Income portfolio and the Balanced Risk portfolio, all the share classes have performed ahead of their benchmarks and are therefore delivering appropriately to shareholders. The UK Equity portfolio has built up a very solid record of outperformance over the last five years with a total NAV return of 157.2% compared with one of 92.8% for the FTSE All-Share Index. It is also heartening that the Balanced Risk portfolio has delivered returns higher than its benchmark of LIBOR plus 5% since its inception, something that has proved difficult for many absolute return funds. In the last year it recovered from a very difficult summer, when all the asset classes in which it invests were highly correlated and falling, to produce returns which matched the benchmark.

The last year has seen very concentrated performance; developed market equities and credit performed very well. However, many smaller equity markets, commodities and major government bond markets failed to follow this lead. As the portfolio managers' commentaries on the two equity portfolios make clear this performance has stemmed largely from the rerating of equity markets and not from significant profit growth, although our managers have certainly added to returns through effective stock and sector selection.

Our managers have always stressed the importance of free cash flow and a willingness to pay dividends as expressions of a company's commitment to its shareholders. This has meant that per share net income before special dividends on the UK Equity portfolio has risen from 4.65p to 4.82p, although including special dividends there has been a fall from 5.48p to 5.40p. Net income on the Global Equity Income portfolio grew by 29% to 4.22p per share, faster than the growth of income on the benchmark MSCI World Index of 8%. Owing to the lags imposed by the payment of quarterly dividends this increase will only fully be reflected in the next financial year.

Outlook

Somehow there is never a shortage of things to worry about. If it isn't the implosion of the Euro and possible Greek exit from it, it is civil war in both Iraq and Ukraine. I fear that without such worries there would be no possibility of positive surprises in markets. In the meantime, equity market investors have to grapple with a basic problem that the valuation of many equities has risen considerably without commensurate overall improvement in corporate profits. To put this in perspective, looking at average yearly values, corporate earnings in the UK have barely grown at all over the last five years whereas share prices, represented by the FTSE All-Share Index, have grown by more than 50%. The global picture is similar; earnings of the MSCI World Index constituents have grown by little more than 10%, on average, whereas the Index has increased by over 50% (in sterling terms). While the overall

CHAIRMAN'S STATEMENT

CONTINUED

economic conditions of very easy monetary policy and tight fiscal policy are very helpful for securities markets, equity markets, at least, badly need a stronger rise in profits to make much more progress. In an environment where economic forecasting has been difficult and many trends short-lived, the investment approach of the Balanced Risk portfolio is a relatively reliable and conservative one.

Despite this rather downbeat view of markets we remain confident in our portfolio managers and believe that this period of rather sluggish growth with low inflation is likely to continue, providing a positive background for their sector and stock selection skills.

The majority of investors in the Company came from three corporate transactions of the predecessor company between 1999 and 2001. Since then there have been three changes of structure and one change of investment manager, with this successor Company launched in 2006. Although several of the original investors have now sold, due principally to changes in their circumstances, many still remain and we are delighted by their loyalty. There has, however, been a major change in the pattern of demand and many new shareholders are "execution-only" clients of investment "platforms" provided by investment intermediaries. We are confident that all the classes of shares that we offer are appropriate investments for such buyers and that the company as a whole is an attractive proposition for them. However, they have so far only been significant buyers of the two equity-based classes, even though the conservative approach of the Balanced Risk class should suit many such investors. Our Manager is putting much effort into finding more effective ways of communicating with such actual and prospective investors, but it remains difficult to measure success.

Alternative Investment Fund Managers Directive (AIFMD)

The AIFMD required the Company to appoint an alternative investment fund manager (AIFM) and a depositary by 22 July 2014. The Board has appointed Invesco Fund Managers Limited, a sister company of Invesco Asset Management Limited, as the Company's AIFM. Invesco Asset Management Limited was not eligible to be appointed as AIFM due to certain technical aspects of the AIFMD, but will continue to provide the same operational services it did previously as the AIFM's delegate. The AIFM is separately responsible for certain additional risk monitoring functions under the AIFMD. The Board has appointed BNY Mellon Trust & Depositary (UK) Limited as the Company's depositary. Similar to the investment management arrangements, the depositary has delegated custody functions to its affiliate, The Bank of New York Mellon, London Branch, which previously fulfilled this function for the Company. The depositary itself is responsible for certain additional monitoring and reporting functions under the AIFMD. Both of these appointments were effective from 22 July 2014.

Share Class Conversions

The Company enables shareholders to tailor their asset allocation to reflect their views of prevailing market conditions. Shareholders have the opportunity to convert their holdings of Shares into any other class of Share, without incurring any tax charge (under current legislation). The conversion dates available for the next twelve months are as follows: 3 November 2014; 2 February 2015; 1 May 2015; and 3 August 2015. Should you wish to convert shares at any of these dates, conversion forms, which are available on the Manager's website at *www.invescoperpetual.co.uk/investmenttrusts*, or CREST instructions must be received at least 10 days before the relevant conversion date.

Dividend Policy

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

Discount Policy

The Company adopted a strict discount control policy for all four share classes in January 2013, whereby the Company offers to issue or buy back shares of all classes with a view to maintaining the market price of the Shares at close to their respective net asset values. The policy has been successful to date and the level of share buy backs since its adoption has been modest. The ongoing implementation of this policy is dependent upon the Company's authority to buy back shares, and the Directors' authority to issue shares on a non pre-emptive basis, being renewed at general meetings of the Company.

Share Capital Movements

During the year to 31 May 2014, the Company purchased and placed in treasury 360,000 UK Equity Shares, 150,000 Global Equity Income Shares, 457,000 Balanced Risk Shares and 696,000 Managed Liquidity Shares. The Company also sold 200,000 Global Equity Income Shares from treasury. No Shares were cancelled from treasury in the financial year. The Company has purchased and placed in treasury a further 100,000 Balanced Risk Shares and 49,569 Managed Liquidity Shares since the year end. The Board intends to use the Company's buy back authorities when this will benefit existing shareholders as a whole and to operate the discount control policy mentioned above, and will ask shareholders to renew the authorities as and when appropriate.

Corporate Governance

The Board remains committed to maintaining high standards of Corporate Governance and is accountable to you as shareholders for the governance of the Company's affairs. The Directors believe that, during the year to 31 May 2014, we have complied with the provisions of the latest AIC Code of Corporate Governance, save in respect of matters disclosed in the Corporate Governance Statement in the Directors' Report, on page 39. In the view of the Directors, your Board has an appropriate balance of skills, experience and length of service and they consider its size and composition to be effective in the governance of the Company.

Annual General Meeting (AGM)

The business of the AGM is summarised in the Directors' Report on pages 49 and 50. The meeting will be held at Invesco's city office, 6th Floor, 125 London Wall, London EC2Y 5AS at 11.30am on 25 September 2014 and shareholders are cordially invited to attend. Refreshments will be provided. 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

31 July 2014

STRATEGIC REPORT
UK EQUITY SHARE PORTFOLIO PERFORMANCE RECORD

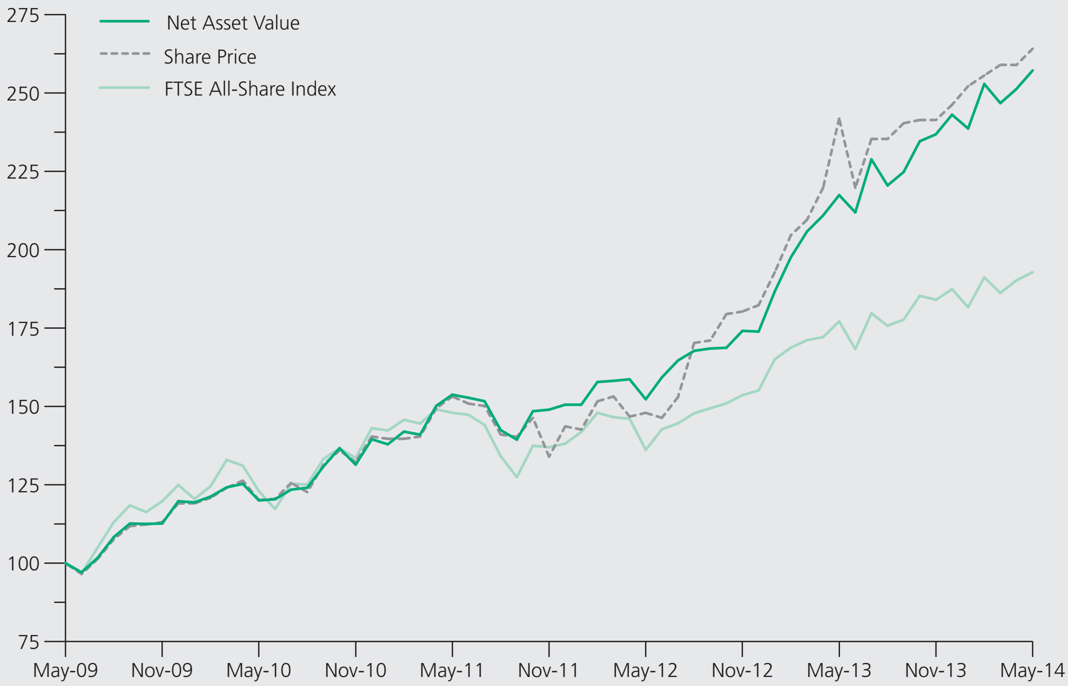
Total Return
For the year ended 31 May

	2014	2013	2012	2011	2010
Net Asset Value	18.3%	42.8%	–1.0%	28.1%	20.0%
Share Price	9.2%	63.5%	–3.4%	27.5%	20.1%
FTSE All-Share Index	8.9%	30.1%	–8.0%	20.4%	22.9%

Revenue return per share	5.40p	5.48p	4.22p	4.07p	3.66p
Dividend	5.30p	5.55p	4.25p	4.20p	3.80p

Source: Thomson Reuters Datastream.

Five Year Total Return
Rebased to 100 at 31 May 2009



STRATEGIC REPORT
UK EQUITY SHARE PORTFOLIO MANAGER'S REPORT

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.

Market and Economic Review

The year under review showed evidence of the stock market's sensitivity to the activities of central banks. The comment last June from Ben Bernanke, Chairman of the US Federal Reserve, that "it would be appropriate to moderate the pace of purchases later this year" prompted market volatility, mitigated by subsequent reassurance that US interest rates would be kept low for some time. There was also positive news on the UK economy. Improving forecasts for UK economic growth were complemented by the Chancellor of the Exchequer's positive assessment of the economic outlook in his March budget.

Thus far 2014 has been challenging as concerns have grown over the outlook for economic growth in emerging markets, most notably China, but overall, the 12 months were positive for market returns as equity valuations re-rated relative to fixed interest and cash.

Portfolio Performance

On a total return basis, the net asset value of the UK Equity Share class rose by 18.3% during the 12 months to the end of May 2014, compared to a rise of 8.9% in the FTSE All-Share Index.

Portfolio Strategy and Review

Significant contributions to performance came from a broad spread of the Portfolio's holdings. The largest individual positive impact came from the holding in BT Group. BT Group has continued to deliver results above expectations, with profit growth driven by cost cutting as well as by the company's dominant position in fibre and broadband. Its final results, released in May, were accompanied by a 13% rise in the dividend and a comment that its recently introduced BT Sport package had made a "confident start". Also within the fixed line telecoms sector, and again a strong contributor to performance, was TalkTalk Telecom. This initially saw its shares underperform on fears of the impact that BT might have on its broadband strategy, but subsequently saw its shares rise very strongly on confirmation of accelerating revenue growth.

The Portfolio's holding in Thomas Cook continued to deliver impressive outperformance. The company announced a fund raising via a rights issue early last year, which was well received by the stock market and put the company on a sounder financial footing. More recent news from the company has confirmed an improved performance at the operating level, benefiting from new revenue growth, cost cutting, web integration and profit improvement programmes.

The Portfolio also benefited from strong performance by its holdings in the pharmaceutical sector, notably AstraZeneca, which successfully rebuffed a takeover approach from Pfizer. Its drug pipeline has generated a number of pieces of good news and an increased rate of drug approvals by the US Food and Drug Administration (FDA) is positive for the sector as a whole. BTG saw its shares rise on news that the FDA had approved its Varithena injectable foam treatment (previously known as Varisolve) for the non-surgical treatment of varicose veins.

Another positive has been the Portfolio's holdings in tobacco stocks, most notably Imperial Tobacco and US listed Reynolds American. We continue to be attracted by the sector's earnings resilience, cash generation and ability to deliver a rising dividend stream.

The Portfolio's investments in the support services sector experienced mixed fortunes over the year. News flow from Capita continues to impress the market as its pipeline of tendered work grows – now up to £5.5 billion – and Bunzl pleased investors with an improving rate of organic revenue growth, but particularly with a rise in its operating margin. However, there was disappointing news from Serco. The company warned that 2014 profits would miss market forecasts by as much as 20%, due to a reduction in its largest contract in Australia. More positive, was news that the company is now again eligible to bid for UK public sector contracts after the government said that it was reassured that Serco "had developed a thorough plan for corporate renewal", and the appointment of Rupert Soames as the company's new CEO.

The continuing political debate over retail electricity prices had a negative impact on the share prices of SSE and Centrica. SSE's own pricing initiative and the referral by Ofgem of the industry to the

STRATEGIC REPORT
UK EQUITY SHARE PORTFOLIO MANAGER'S REPORT
CONTINUED

Competition Commission for a full review led to some recovery for both companies. In its referral, Ofgem noted that there is no meaningful evidence of wrongdoing or excessive returns, but just that some elements of the market are not functioning as they should. We expect the review to conclude that industry returns are not excessive, while moves such as that by SSE are already addressing the political agenda of pricing and transparency of margins.

The market was surprised by Rolls-Royce's first profit warning in a decade, confirming that this year will see no growth in sales or profits. This is largely a result of defence spending cuts, but the company claims that this is a pause, not a change in direction, and that growth will resume in 2015. BAE Systems similarly warned that profits would be hit by defence cuts, but also announced the good news that it had agreed pricing with Saudi Arabia over the rising cost of a long running Eurofighter contract.

The UK Budget led to a fall in value of the holding in Ladbrokes, as a new duty on fixed odds betting terminals was unveiled. This followed a warning from the company earlier in the period that profits would not match expectations, blaming challenging trading in its on-line business.

In terms of portfolio activity, new investments were made in BP, CLS, Derwent London, NewRiver Retail, Nimrod Sea Assets, Macau Property, G4S and Shaftesbury. The holding in Carnival was disposed of.

Outlook

2014 to date has seen the UK equity market struggle to find a convincing direction. Despite the well publicised improvements in economic growth in the UK and US economies, the current valuation of the market represents a level that reflects this optimism, but which may struggle to be maintained if the pace of earnings growth does not accelerate. Meanwhile, the outlook is likely to remain challenging for the foreseeable future due to a combination of elevated valuations and an environment of continued flat corporate profit growth. The other significant reasons for caution over the near term are the impact of a reduction in the scale of asset purchases under the policy of quantitative easing in the US, uncertainty about the strength of economic growth in the developing world, especially China, and a heightened level of political risk both in a domestic context ahead of the UK General Election and internationally due to the Ukrainian/Russian situation and Iraq. It is unlikely that the last two years' market performance will be repeated in the coming year.

Despite these concerns, there remain some pockets of value within the UK equity market. The key to navigating the near term is to remain highly vigilant about the strength of corporate performance and to remain judicious in portfolio selection. The Portfolio's strategy remains largely unchanged from the recent past, with a strong preference for companies that have proven ability to grow revenues, profits and free cash flow in this low growth world, coupled with management teams that are fully cognisant of the need to deliver sustainable, long term, dividend growth. It is this type of investment opportunity that forms the majority of the portfolio and that we believe offers the potential to deliver good risk adjusted returns over the long term.

Mark Barnett
Portfolio Manager
Invesco Asset Management Limited

31 July 2014

STRATEGIC REPORT

UK EQUITY SHARE PORTFOLIO
LIST OF INVESTMENTS

AT 31 MAY 2014

Ordinary shares listed in the UK unless stated otherwise

COMPANY	SECTOR†	MARKET VALUE £'000	% OF PORTFOLIO
British American Tobacco	Tobacco	3,479	4.9
Imperial Tobacco	Tobacco	3,115	4.4
BT Group	Fixed Line Telecommunications	3,079	4.4
AstraZeneca	Pharmaceuticals & Biotechnology	3,040	4.3
Reynolds American – *US common stock*	Tobacco	3,005	4.3
Roche – *Swiss common stock*	Pharmaceuticals & Biotechnology	2,626	3.7
BAE Systems	Aerospace & Defence	2,478	3.5
GlaxoSmithKline	Pharmaceuticals & Biotechnology	2,340	3.3
Reckitt Benckiser	Household Goods & Home Construction	2,097	3.0
Novartis – *Swiss common stock*	Pharmaceuticals & Biotechnology	1,921	2.7
Babcock International	Support Services	1,902	2.7
Thomas Cook	Travel & Leisure	1,847	2.6
SSE	Electricity	1,785	2.6
Legal & General	Life Insurance	1,732	2.5
BP	Oil & Gas Producers	1,682	2.4
Provident Financial	Financial Services	1,680	2.4
Rolls-Royce – *Ordinary Shares*	Aerospace & Defence	1,583	2.3
Rolls-Royce – *C Shares*		19	
Bunzl	Support Services	1,492	2.1
BTG	Pharmaceuticals & Biotechnology	1,404	2.0
Beazley	Non-life Insurance	1,400	2.0
Reed Elsevier	Media	1,390	2.0
Amlin	Non-life Insurance	1,354	1.9
Capita	Support Services	1,350	1.9
Compass	Travel & Leisure	1,343	1.9
Hiscox	Non-life Insurance	1,327	1.9
Rentokil Initial	Support Services	1,268	1.8
NewRiver Retail	Real Estate Investment Trusts	1,188	1.7
Centrica	Gas, Water & Multiutilities	1,131	1.6
Drax	Electricity	1,123	1.6
G4S	Support Services	1,101	1.6
KCOM	Fixed Line Telecommunications	1,056	1.5
Shaftesbury	Real Estate Investment Trusts	985	1.4
London Stock Exchange	Financial Services	937	1.3
TalkTalk Telecom	Fixed Line Telecommunications	936	1.3
Ladbrokes	Travel & Leisure	921	1.3
N Brown	General Retailers	913	1.3
Lancashire	Non-life Insurance	908	1.3
Workspace	Real Estate Investment Trusts	797	1.1
A J Bell – *Unquoted*	Financial Services	781	1.1
HomeServe	Support Services	747	1.1
Derwent London	Real Estate Investment Trusts	694	1.0
Macau Property Opportunities Fund	Real Estate Investment & Services	661	0.9
Serco	Support Services	616	0.9
Nimrod Sea Assets	Investment Instruments	526	0.8
Vectura	Pharmaceuticals & Biotechnology	519	0.7
CLS	Real Estate Investment & Services	430	0.6
Doric Nimrod Air Two – *Preference Shares*	Investment Instruments	359	0.5
Doric Nimrod Air Three – *Preference Shares*	Investment Instruments	342	0.5
Sherborne Investors Guernsey B – *A Shares*	Financial Services	299	0.4
Chemring	Aerospace & Defence	272	0.4
PuriCore	Health Care Equipment & Services	248	0.4
Coalfield Resources	Mining	87	0.1
Barclays Bank – *Nuclear Power Notes 28 Feb 2019*[1]	Electricity	52	0.1
HaloSource	Chemicals	6	–
		70,373	100.0

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

† FTSE Industry Classification Benchmark.

STRATEGIC REPORT
UK EQUITY SHARE PORTFOLIO
TOP TEN INVESTMENTS
AT 31 MAY

Ordinary shares listed in the UK unless stated otherwise

	2014		2013	
	MARKET VALUE £'000	% OF PORTFOLIO	MARKET VALUE £'000	% OF PORTFOLIO
British American Tobacco	3,479	4.9	2,937	4.8
Imperial Tobacco	3,115	4.4	2,946	4.9
BT Group	3,079	4.4	3,665	6.0
AstraZeneca	3,040	4.3	2,805	4.6
Reynolds American – *US common stock*	3,005	4.3	3,141	5.2
Roche – *Swiss common stock*	2,626	3.7	2,507	4.1
BAE Systems	2,478	3.5	2,440	4.0
GlaxoSmithKline	2,340	3.3	2,459	4.0
Reckitt Benckiser	2,097	3.0	1,825	3.0
Novartis – *Swiss common stock*	1,921	2.7	2,627	4.3
	27,180	38.5	27,352	44.9
Total of other investments	43,193	61.5	33,389	55.1
Total value of investments	70,373	100.0	60,741	100.0

The value as at 31 May 2013 of the top ten investments at the same date amounted to £27,996,000, representing 46.0% of the total value of investments.

STRATEGIC REPORT
UK EQUITY SHARE PORTFOLIO
INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY

	2014			2013		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments	–	8,384	8,384	–	14,542	14,542
Foreign exchange (losses)/gains	–	(1)	(1)	–	4	4
Income	2,496	60	2,556	2,420	–	2,420
Management fee	(133)	(309)	(442)	(104)	(242)	(346)
Performance fee	–	(561)	(561)	–	(431)	(431)
Other expenses	(175)	(1)	(176)	(152)	–	(152)
Net return before finance costs and taxation	2,188	7,572	9,760	2,164	13,873	16,037
Finance costs	(32)	(74)	(106)	(37)	(86)	(123)
Return on ordinary activities before tax	2,156	7,498	9,654	2,127	13,787	15,914
Tax on ordinary activities	(46)	–	(46)	(47)	–	(47)
Return on ordinary activities after tax for the financial year	2,110	7,498	9,608	2,080	13,787	15,867
Basic return per ordinary share	5.40p	19.19p	24.59p	5.48p	36.29p	41.77p

SUMMARY OF NET ASSETS
AT 31 MAY

	2014 £'000	2013 £'000
Fixed assets	70,373	60,741
Current assets	758	718
Creditors falling due within one year, excluding borrowings	(1,447)	(1,630)
Bank loan	(8,200)	(7,700)
Net assets	61,484	52,129
Net asset value per share	155.6p	136.3p
Gearing:		
– gross	13.3%	14.8%
– net	12.7%	14.6%

STRATEGIC REPORT
GLOBAL EQUITY INCOME SHARE PORTFOLIO PERFORMANCE RECORD

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

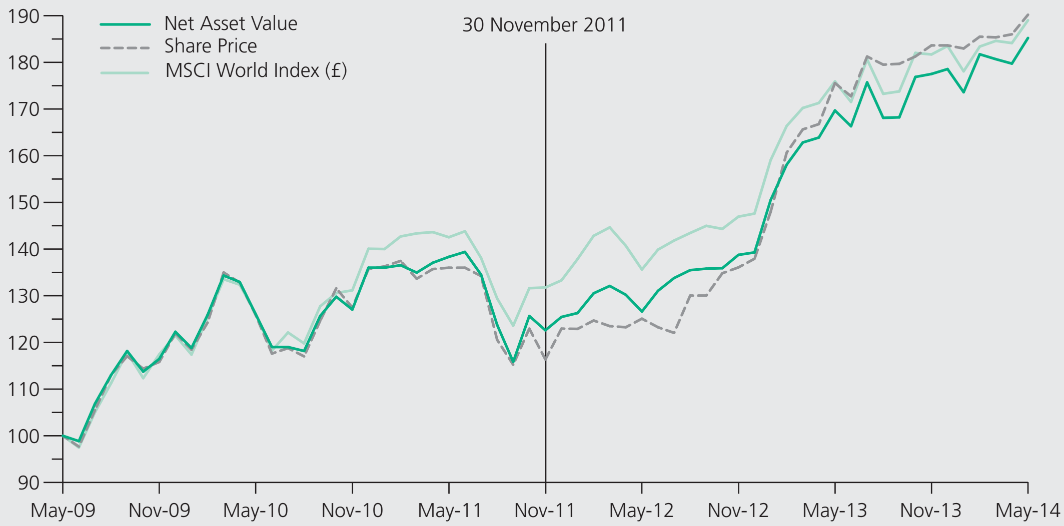
Total Return
For the year ended 31 May

	2014	2013	2012	2011	2010
Net Asset Value	9.1%	33.9%	–8.6%	9.8%	26.0%
Share Price	8.3%	40.4%	–8.0%	8.1%	25.8%
MSCI World Index (£)	7.4%	29.7%	–4.8%	13.0%	26.1%

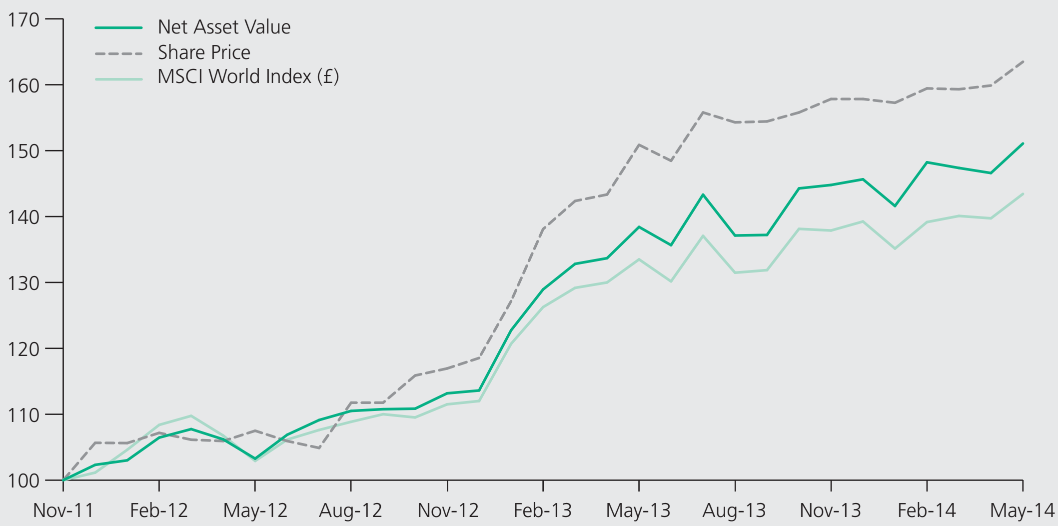
Revenue return per share	4.22p	3.28p	2.69p	1.99p	1.53p
Dividend	3.55p	3.40p	2.50p	1.70p	1.35p

Source: Thomson Reuters Datastream.

Five Year Total Return
Rebased to 100 at 31 May 2009



Total Return – since change of objective (30 November 2011)
Rebased to 100 at 30 November 2011



STRATEGIC REPORT
GLOBAL EQUITY INCOME SHARE PORTFOLIO MANAGER'S REPORT

Investment Objective

The investment objective of the Global Equity Income Portfolio is to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide.

Market and Economic Review

Global equity markets rose modestly over the twelve months to 31 May 2014 on signs that economic growth is accelerating, amid loose monetary policies in the developed world. The lessening of a number of macroeconomic risks, notably the European financial crisis, has served to support the upward trajectory.

For much of 2013, the sectors that saw the largest gains were typically cyclical sectors, such as consumer discretionary, industrials, financials and technology. Relative underperformance came from the typically defensive areas, such as utilities, energy and consumer staples. However, 2014 has seen a reversal of this. Global equity markets pulled back in January amid increasing emerging market turbulence, precipitating a rotation out of the previously high-performing cyclical areas and into more defensive areas. Markets have regained the lost ground since January, against a backdrop of subdued economic recovery in the developed world and heightened emerging market volatility. However, there are two major risks to the global growth scenario – Chinese growth concerns and the Russia-Ukraine crisis.

Portfolio Performance

On a total return basis the net asset value of the Global Equity Income Share class increased by 9.1% over the 12 months to the end of May 2014, compared to a return of 7.4% by the MSCI World Index (£, net of withholding tax).

Portfolio Strategy and Review

Europe has seen a return to favour with the share prices of European companies rising above the broader market over the 12-month period. Strong stock picking within the region and an overweight exposure versus the MSCI World index was a strong contributor to the portfolio outperforming the benchmark index. In the UK, at a macro level, economic growth expectations improved consistently over the review period. Additionally, the portfolio benefited from strong stock picking within the UK.

Political uncertainty continued to dominate within emerging markets. As developed market equities pulled away from their emerging market counterparts, Asia Pacific ex-Japan lagged the broader market, however stock picking within the region was strong.

In terms of sector exposure, performance was mixed across defensives and cyclicals, given the shift in sector leadership. Over the 12 months, stock selection was particularly strong within industrials (Atlantia), financials (Legal & General), consumer discretionary (RTL Group, Reed Elsevier) and telecoms (BT Group).

The IT and energy sectors were strong performers at the broader market level, however the portfolio had an underweight exposure to both versus the MSCI World index, which detracted from relative returns.

Outlook

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

Nick Mustoe
Portfolio Manager
Invesco Asset Management Limited

31 July 2014

STRATEGIC REPORT
GLOBAL EQUITY INCOME SHARE PORTFOLIO
LIST OF INVESTMENTS
AT 31 MAY 2014

Ordinary shares unless stated otherwise

COMPANY	INDUSTRY GROUP†	COUNTRY†	MARKET VALUE £'000	% OF PORTFOLIO
Novartis	Pharmaceuticals, Biotechnology and Life Sciences	Switzerland	2,305	4.5
Roche	Pharmaceuticals, Biotechnology and Life Sciences	Switzerland	1,988	3.9
BT Group	Telecommunication Services	UK	1,913	3.7
Reed Elsevier	Media	Netherlands	1,885	3.7
Nordea	Banks	Sweden	1,597	3.1
RTL	Media	Luxembourg	1,569	3.1
Legal & General	Insurance	UK	1,559	3.0
British American Tobacco	Food, Beverage and Tobacco	UK	1,539	3.0
Microsoft	Software and Services	US	1,507	2.9
HSBC	Banks	UK	1,397	2.7
Pfizer	Pharmaceuticals, Biotechnology and Life Sciences	US	1,395	2.7
United Technologies	Capital Goods	US	1,271	2.5
Macy's	Retailing	US	1,205	2.3
Allianz	Insurance	Germany	1,200	2.3
Adecco	Commercial and Professional Services	Switzerland	1,179	2.3
Atlantia	Transportation	Italy	1,146	2.1
Deutsche Boerse	Diversified Financials	Germany	1,094	2.1
Amgen	Pharmaceuticals, Biotechnology and Life Sciences	US	1,085	2.1
PNC Financial Services	Banks	US	1,045	2.0
Canon	Technology Hardware and Equipment	Japan	1,035	2.0
Statoil	Energy	Norway	1,031	2.0
Indra Sistemas – *Series A*	Software and Services	Spain	1,009	2.0
Philip Morris International	Food, Beverage and Tobacco	US	984	1.9
Baxter International	Health Care Equipment and Services	US	980	1.9
Kellogg	Food, Beverage and Tobacco	US	946	1.9
BP	Energy	UK	946	1.9
UBS	Diversified Financials	Switzerland	880	1.7
Koninklijke Ahold	Food and Staples Retailing	Netherlands	879	1.7
Chevron	Energy	US	851	1.7
Hutchison Whampoa	Capital Goods	Hong Kong	823	1.6
Aon – *A Shares*	Insurance	US	805	1.6
United Parcel Service – *B Shares*	Transportation	US	799	1.5
GlaxoSmithKline	Pharmaceuticals, Biotechnology and Life Sciences	UK	773	1.5
Honda Motor	Automobiles and Components	Japan	764	1.5
Rolls-Royce	Capital Goods	UK	712	1.4
Covidien	Health Care Equipment and Services	US	663	1.3
BNP Paribas	Banks	France	661	1.3
Target	Retailing	US	660	1.3
Hiscox	Insurance	UK	620	1.2
Orkla	Food, Beverage and Tobacco	Norway	609	1.2
Ladbrokes	Consumer Services	UK	587	1.1
Standard Chartered	Banks	UK	583	1.1
Amcor	Materials	Australia	534	1.0
Nielsen	Commercial and Professional Services	US	522	1.0
ComfortDelGro	Transportation	Singapore	521	1.0
Booker	Food and Staples Retailing	UK	512	1.0
Mead Johnson Nutrition	Food, Beverage and Tobacco	US	487	1.0
Orora	Materials	Australia	487	1.0
DS Smith	Materials	UK	486	1.0
Yue Yuen Industrial	Consumer Durables and Apparel	Hong Kong	478	0.9
Catlin	Insurance	UK	448	0.9
Viacom – *B Shares Non-Voting*	Media	US	444	0.9
			51,398	100.0

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

STRATEGIC REPORT
GLOBAL EQUITY INCOME SHARE PORTFOLIO
TOP TEN INVESTMENTS
AT 31 MAY

COMPANY	2014 MARKET VALUE £'000	2014 % OF PORTFOLIO	2013 MARKET VALUE £'000	2013 % OF PORTFOLIO
Novartis	2,305	4.5	2,189	5.1
Roche	1,988	3.9	1,863	4.3
BT Group	1,913	3.7	1,459	3.4
Reed Elsevier	1,885	3.7	1,392	3.2
Nordea	1,597	3.1	906	2.1
RTL	1,569	3.1	918	2.1
Legal & General	1,559	3.0	–	–
British American Tobacco	1,539	3.0	1,319	3.1
Microsoft	1,507	2.9	1,660	3.9
HSBC	1,397	2.7	1,095	2.7
	17,259	33.6	12,801	29.9
Total of other investments	34,139	66.4	30,055	70.1
Total value of investments	51,398	100.0	42,856	100.0

The value as at 31 May 2013 of the top ten investments at the same date amounted to £15,485,000, representing 36.0% of the total value of investments.

STRATEGIC REPORT
GLOBAL EQUITY INCOME SHARE PORTFOLIO
INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY

	2014			2013		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments	–	3,015	3,015	–	10,339	10,339
Foreign exchange losses	–	(9)	(9)	–	(67)	(67)
Income	1,706	144	1,850	1,331	–	1,331
Management fee	(103)	(240)	(343)	(87)	(203)	(290)
Other expenses	(134)	(4)	(138)	(123)	(4)	(127)
Return on ordinary activities before finance costs	1,469	2,906	4,375	1,121	10,065	11,186
Finance costs	(10)	(22)	(32)	(1)	(1)	(2)
Return on ordinary activities before taxation	1,459	2,884	4,343	1,120	10,064	11,184
Tax on ordinary activities	(137)	–	(137)	(118)	–	(118)
Return on ordinary activities after tax for the financial year	1,322	2,884	4,206	1,002	10,064	11,066
Basic return per ordinary share	4.22p	9.23p	13.45p	3.28p	32.88p	36.16p

SUMMARY OF NET ASSETS
AT 31 MAY

	2014 £'000	2013 £'000
Fixed assets	51,398	42,856
Current assets	564	896
Creditors falling due within one year, excluding borrowings	(129)	(121)
Bank loan	(4,400)	–
Net assets	47,433	43,631
Net asset value per share	150.9p	141.0p
Gearing:		
– gross	9.3%	–
– net	8.6%	–
Net cash	–	1.6%

STRATEGIC REPORT
BALANCED RISK SHARE PORTFOLIO PERFORMANCE RECORD

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

Total Return

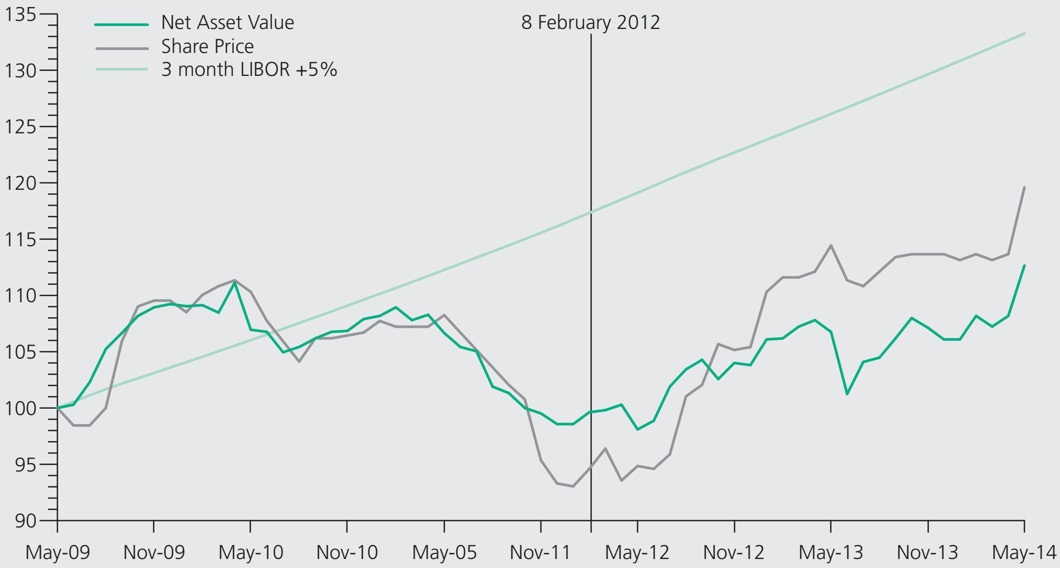
For the year ended 31 May

	2014	2013	2012	2011	2010
Net Asset Value	5.5%	8.3%	–8.0%	–0.3%	6.9%
Share Price	4.5%	20.7%	–12.4%	–1.9%	10.3%
3 month LIBOR +5%	5.5%	5.7%	5.9%	5.7%	5.9%

Source: Thomson Reuters Datastream.

Five Year Total Return

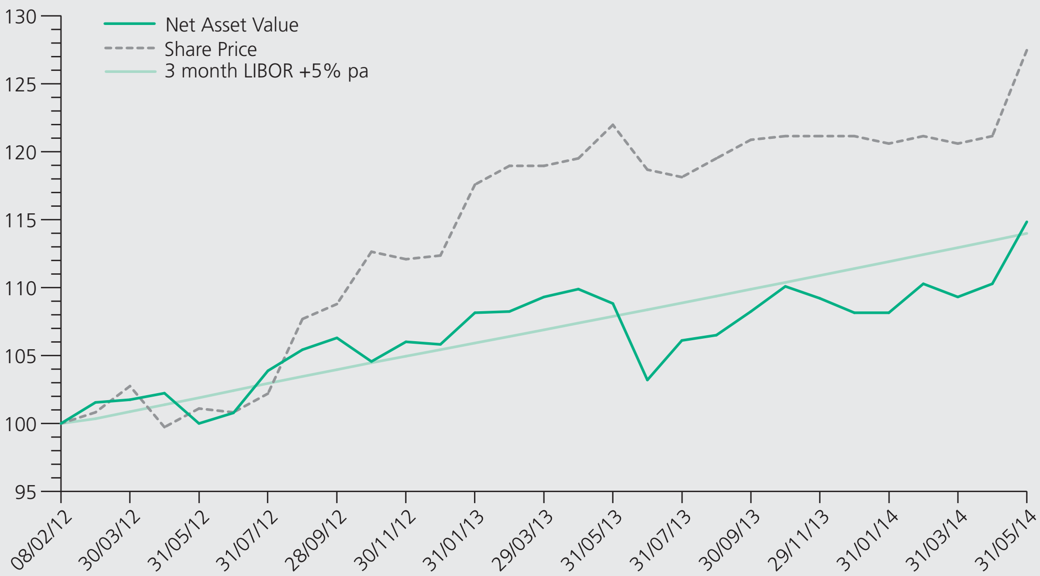
Rebased to 100 at 31 May 2009



Total Return – 8 February 2012 to 31 May 2014

Net Asset Value	14.8%
Share Price	27.5%
3 month LIBOR +5% pa	13.1%

Total Return – since change of objective (8 February 2012)



STRATEGIC REPORT
BALANCED RISK SHARE PORTFOLIO MANAGER'S REPORT

Investment Objective

The investment objective of the Balanced Risk Portfolio is to provide shareholders with an attractive total return in differing economic and inflationary environments, and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

Market and Economic Review

The year experienced a challenging start with all three asset classes (stocks, bonds and commodities) selling off in unison in June 2013. As the calendar year progressed, the third quarter saw better performance from the more risky asset classes. Both equities and commodities experienced solid gains as the US Federal Reserve (Fed) sought to allay fears around their proposed tapering of asset purchases and a host of geopolitical and weather-related factors impacted resource prices. Bonds trod water during the same period as reduced safe haven demand and fears of increased interest rates was tempered by the surprise "no-taper" announcement by the Fed in September.

Equity markets ended 2013 on an impressive note with further gains across most developed markets as investor preference for risky assets elevated index levels, even in the face of the Fed's tapering announcement. Commodities were mixed as cyclical commodity complexes such as energy and industrial metals posted gains while agricultural commodities and precious metals prices pulled back. Bonds saw yields climb as demand for safe-haven assets continued to ebb.

The equity charge ended in the first quarter of 2014. Equity returns were largely negative through mid-March and only select markets, such as Europe and the US, broke into positive territory at the end of that month. Government bonds – the least popular asset class coming into the year – generated attractive gains as investors sought safe havens from equity and commodity volatility and geopolitical issues. Commodities were mixed, with the precious metals and agricultural complexes up strongly, while industrial metals prices languished and energy-related commodities turned in a mixed performance.

The period ended with concerns about tensions between Russian separatists and the Ukrainian government increasing and further weakness in US GDP on the first revision of the initial estimate. Against this backdrop, government bond yields contracted, perhaps signalling a combination of flight to safety behaviour amongst investors and concerns over whether the global economy was set to slow. Equity prices continued to grind higher, shrugging off the concerns that bonds espoused. Commodities turned in a mixed performance as agricultural commodities pulled back from their weather-induced rally and precious metals prices fell. Crude oil, key distillates and copper prices were able to manage gains for the period.

Portfolio Performance

The Balanced Risk Portfolio posted a positive net asset value total return for the year of +5.5%, which matched the performance of the benchmark, 3 month LIBOR plus 5%.

Portfolio Strategy and Update

The Balanced Risk strategy seeks to achieve returns through balancing risk exposure between three asset classes, being equities, bonds and commodities. The asset class weightings are determined using a proprietary investment process, with assets being selected according to three key criteria: a correlation matrix to ensure diversification; the ability to generate excess returns; and specific liquidity and transparency criteria. Exposure to the asset classes is principally obtained through highly liquid and transparently priced exchange-traded futures contracts, with cash and cash equivalents being held as collateral.

For the year to 31 May 2014, exposure to global equities was by far the largest positive contributor to performance (+3.6%). Bonds posted a small positive return for the period (+0.6%) while commodities slightly detracted from performance (–0.3%). The strategic allocations determined by our proprietary analysis process are augmented by tactical active overlays, over or underweighting exposures relative to those strategic allocations. From a tactical standpoint, equities were the largest contributor during the year (0.9%) while commodities, again, slightly detracted (–0.5%).

June 2013 was a difficult month for the strategy with all three asset classes posting negative returns. The high correlation among stocks, bonds and commodities is very rare and tends to be short-lived so the strategy's process was not altered and returned to positive territory in July 2013. Over the following quarter, the strategy posted positive returns led by equities. Tactical positioning benefited results as all six markets carried overweights over the entire quarter, with positioning in Europe and US small caps proving to be most rewarding. Commodities also aided results as all four commodity complexes posted gains. Tactical positioning in commodities detracted from results in the quarter as negative results from positioning in agriculture and industrial metals slightly outweighed positive results from positioning in precious metals and energy commodities. Bonds were marginally negative as gains in Japanese and German government bonds were diluted by negative results from the UK, US, Australia and Canada. Tactical positioning in bonds produced flat results as positive returns from a general underweight to UK Gilts were negated by losses from general overweights to Germany and the US.

The strategy also posted positive returns for the last quarter of 2013. Results were led by US large caps which posted double digit returns, but price advances in Japanese, US small cap and European equities were impressive as well. Tactical positioning from equities helped results as we remained overweight across all of the markets within the portfolio. With the exception of Japan, government bond yields in the developed markets drifted higher on continued fears of tapering of asset purchases by the Fed, improving economic data and deteriorating investor sentiment towards safe haven assets. As a result, strategic and tactical contributions from government bonds detracted from returns. From an asset class perspective, commodities detracted from results while performance was mixed at the complex level.

The strategy started off 2014 outperforming the benchmark. Government bond markets led results for the first quarter of 2014 as investors sought to avoid the volatility of equity and commodity markets. European government bond markets posted impressive results, each returning over 2.5%, while Asian markets generated smaller gains. Commodities added to performance over the quarter mainly led by price appreciation across the soy complex. Equities were the weakest asset class for the quarter, pulling back after impressive gains in 2013. Japan, which led all developed markets last year, is leading to the downside this year as concerns are mounting as to whether the stimulus policy in place is having the desired effects. Hong Kong and UK equity prices also drifted lower while US large caps, small caps and European equities broke into positive territory in March. The tactical allocation within bonds was beneficial to returns during the quarter. Conversely, the contribution form the tactical element within the equity segment detracted from results. Within commodities, positive results from being underweight across the complexes early in the period were reversed as prices rebounded strongly later.

Outperformance of the benchmark continued in both April and May of 2014. Bonds rallied in April as investors sought safe haven assets on renewed concerns about the Russia-Ukraine crisis. They also reacted positively to weak economic data, seeming to be following the same pattern that emerged at the end of the first and second quantitative easing (QE) programmes, where yields dropped as they were wound down. This continued through May and tactical overweights of bonds further improved results. Commodity results were mixed as price gains seen in many agricultural commodities reversed course as weather turned more favourable, alleviating concerns over poor crop yields. This shift in weather produced notable weakness in cotton and elements of the soy complex. Equities also produced mixed results in the two months, with pullbacks of Japanese and US small cap equities offsetting continued growth in other markets.

Outlook

Investors will undoubtedly continue to focus on economic data to gauge whether or not the weak GDP number from the first quarter will be repeated, or if growth comes back to the fore. Also at issue is whether the weak economic data puts a kink in the Fed's continued wind-down of QE3, and whether or not the European Central Bank embarks on some type of easing programme as opposed to simply continuing its narrative strategy of recent memory. If economic data continues to come in weak, and the ECB disappoints on its "whatever it takes" measures, risky assets prices may be vulnerable.

Tactical positioning for the year end continues to overweight all six government bond markets, but those overweights have been tempered, especially in Australia. All six equity markets also continue to carry a positive tactical signal and the overweight to Hong Kong and Japan has been increased month-over-month. Within commodities, exposure to soy beans and soy meal was increased modestly while the underweight to soybean oil was flattened. In the energy complex, the overweight to Brent crude was increased while the overweights to WTI crude and unleaded gas have softened. Gas oil now carries an underweight. In the metals complex, we have strengthened the overweight to copper while maintaining an underweight to aluminium. Gold has been moved to neutral from overweight and silver continues with an underweight.

Scott Wolle
Chief Investment Officer
Invesco Global Strategies

31 July 2014

STRATEGIC REPORT
BALANCED RISK SHARE PORTFOLIO
LIST OF INVESTMENTS
AT 31 MAY 2014

	YIELD %	MARKET VALUE £'000	% OF NET ASSETS
Short-Term Investments			
Short-Term Investment Company (Global Series)	0.322	2,750	29.5
UK Treasury Bill 1 Sep 2014	0.254	2,598	27.9
UK Treasury Bill 10 Nov 2014	0.315	2,995	32.1
Total Short Term Investments		8,343	89.5
Hedge Funds[1]			
Harbinger Class PE Holdings		25	0.3
Harbinger Class L Holdings		2	–
Total Hedge Funds		27	0.3
Total Fixed Asset Investments		8,370	89.8

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

Derivative instruments held in the Balanced Risk Share Portfolio are shown on the following page. At the year end all the derivative instruments held in the Balanced Risk Share Portfolio were exchange traded futures contracts. Holdings in futures contracts that are not exchange traded are permitted as explained in the investment policy on page 28.

STRATEGIC REPORT
BALANCED RISK SHARE PORTFOLIO
LIST OF DERIVATIVE INSTRUMENTS
AT 31 MAY 2014

	NOTIONAL EXPOSURE £'000	NOTIONAL EXPOSURE AS % OF NET ASSETS
Government Bonds		
Australia	1,922	20.6
UK	1,883	20.2
Canada	1,864	20.0
Germany	1,792	19.2
Japan	1,279	13.7
US	901	9.7
Total Bond Futures	9,641	103.4
Equities		
Europe	738	7.9
Hong Kong	705	7.6
UK	683	7.3
US large cap	515	5.5
Japan	493	5.3
US small cap	406	4.4
Total Equity Futures	3,540	38.0
Commodities		
Energy		
Brent crude	257	2.8
WTI crude	238	2.6
Gasoline	224	2.4
Gas oil	106	1.1
Agriculture		
Soy meal	238	2.5
Sugar	230	2.5
Soy bean	223	2.4
Live cattle	33	0.4
Industrial Metals		
Copper	622	6.6
Aluminium	81	0.9
Precious Metals		
Gold	445	4.7
Silver	168	1.8
Total Commodities Futures	2,865	30.7
Total Derivative Instruments	16,046	172.1

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

ASSET CLASS	RISK	CONTRIBUTION
Bonds	3.6%	37.1%
Equities	3.7%	37.4%
Commodities	2.5%	25.5%
	9.8%	100.0%

STRATEGIC REPORT
BALANCED RISK SHARE PORTFOLIO
INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY

	2014			2013		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Losses on investments	–	–	–	–	(15)	(15)
Gains on derivative instruments	135	506	641	83	946	1,029
Foreign exchange losses	–	(67)	(67)	–	(5)	(5)
Income	31	–	31	33	–	33
Management fee	(21)	(49)	(70)	(24)	(54)	(78)
Other expenses	(45)	–	(45)	(50)	–	(50)
Return on ordinary activities before finance costs	100	390	490	42	872	914
Finance costs	–	–	–	–	–	–
Return on ordinary activities before taxation	100	390	490	42	872	914
Tax on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after tax for the financial year	100	390	490	42	872	914
Basic return per ordinary share	1.15p	4.46p	5.61p	0.42p	8.80p	9.22p

SUMMARY OF NET ASSETS
AT 31 MAY

	2014 £'000	2013 £'000
Fixed assets	8,370	9,300
Derivative assets held at fair value through profit or loss	357	366
Current assets	704	571
Derivative liabilities held at fair value through profit or loss	(54)	(191)
Creditors – amounts falling due within one year, excluding borrowings	(54)	(29)
Net assets	9,323	10,017
Net asset value per share	118.4p	112.2p
Exposure	172.1%	155.8%

STRATEGIC REPORT
MANAGED LIQUIDITY SHARE PORTFOLIO PERFORMANCE RECORD

Total Return

For the year ended 31 May

	2014	2013	2012	2011	2010
Net Asset Value	0.2%	0.5%	0.8%	1.0%	2.4%
Share Price	0.4%	1.3%	0.3%	1.0%	0.4%

Revenue return per share	0.02p	0.10p	0.33p	0.49p	0.26p
Dividend	nil	nil	0.50p	0.50p	0.40p

Source: Thomson Reuters Datastream.

Five Year Total Return

Rebased to 100 at 31 May 2009

STRATEGIC REPORT
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

The UK economy has been steadily recovering over the last 12 months. In the first quarter of 2014, real GDP grew 0.8%. The annual rate of growth was 3.1%. The total output of the economy has now recovered to a level just below its pre-recession peak in the first quarter of 2008. Rising employment, retail sales growth and business sentiment all indicate that this recovery in growth can continue.

UK inflation (annual change in the Consumer Price Index) fell from 2.4% in April 2013 to 1.8% in April 2014. In March this year, inflation moved below the Bank of England's target of 2.0% for the first time since 2009. The bank's Monetary Policy Committee (MPC) voted unanimously to maintain the bank's interest rate at a record low of 0.5% throughout the period, stating recently that any interest rate rises will be gradual and policy will be aimed at supporting growth for some time yet. The committee also agreed to leave the level of the bank's asset purchase programme (quantitative easing) at £375 billion.

In May 2013 the US Federal Reserve (Fed) announced that if economic data followed its expected path, the Fed would begin to reduce its programme of asset purchases. In response, core government bond yields rose sharply over the summer months. However, they remain low by historical standards and have fallen in recent months, partly in response to weaker-than-expected inflation in the major developed economies. The yield on the 10 year Gilt closed May at 2.57%, up 57 basis points (bps) from its level at the end of May 2013. The 2 year Gilt yield also rose over the year, up 29 bps at 0.67%.

In interbank lending markets, over the 12 months to the end of May, sterling three-month LIBOR, the interest rate at which the largest banks lend money to one another, rose by 2.5bps to close on 0.53%.

Portfolio Strategy and Review

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

Outlook

The MPC is showing willingness to keep interest rates low and inflationary pressures are low at present in the UK economy. However, given the strength of the economic recovery in recent quarters and the evidence from business sentiment and employment data for further growth in coming quarters, the market is now expecting that interest rates will start to rise within the next 12 months. We agree that such a move is likely in this timeframe, but continue to envisage only modest tightening.

Stuart Edwards
Portfolio Manager
Invesco Asset Management Limited

31 July 2014

STRATEGIC REPORT
MANAGED LIQUIDITY SHARE PORTFOLIO LIST OF INVESTMENTS
AS AT 31 MAY

	2014 MARKET VALUE £'000	2014 % OF PORTFOLIO	2013 MARKET VALUE £'000	2013 % OF PORTFOLIO
Invesco Perpetual Money Fund†	4,870	83.2	7,600	84.5
Short-Term Investments Company (Global Series)	980	16.8	1,396	15.5
	5,850	100.0	8,996	100.0

† At the year end the Managed Liquidity Share Portfolio held 10.3% (2013: 12.8%) of the outstanding shares in the Invesco Perpetual Money Fund.

MANAGED LIQUIDITY SHARE PORTFOLIO INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY

	2014 REVENUE £'000	2014 CAPITAL £'000	2014 TOTAL £'000	2013 REVENUE £'000	2013 CAPITAL £'000	2013 TOTAL £'000
(Losses)/gains on investments	–	(1)	(1)	–	3	3
Income	25	–	25	44	–	44
Management fee	–	–	–	(4)	–	(4)
Other expenses	(23)	–	(23)	(31)	–	(31)
Return/(loss) on ordinary activities before taxation	2	(1)	1	9	3	12
Tax on ordinary activities	–	–	–	–	–	–
Return/(loss) on ordinary activities after tax for the financial year	2	(1)	1	9	3	12
Basic return per ordinary share	0.02p	(0.01)p	0.01p	0.10p	0.03p	0.13p

SUMMARY OF NET ASSETS
AT 31 MAY

	2014 £'000	2013 £'000
Fixed assets	5,850	8,996
Current assets	197	81
Creditors – amounts falling due within one year, excluding borrowings	(158)	(165)
Net assets	5,889	8,912
Net asset value per share	103.3p	103.1p

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BUSINESS REVIEW

Invesco Perpetual Select Trust plc is a UK investment company with four Share classes, each of which has separate investment objectives, as set out below, and is represented by a separate Portfolio (as defined by note 1(a)(ii) on page 63). The strategy the Board follows to achieve its overall objective and those of each Share class is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are also set out below and have been approved by shareholders.

The business model the Company has adopted to achieve its objectives has been to contract the services of a third party Manager to manage the portfolios in accordance with the Board's strategy and under its oversight. The Manager also provides company secretarial, marketing and general administration services. During the financial year to 31 May 2014 the contracted Manager was Invesco Asset Management Limited. As explained in the Chairman's Statement, subsequent to the year end this changed to Invesco Fund Managers Limited. This is purely an administrative change consequent to implementation of the Alternative Investment Fund Managers Directive and does not change the business model of the Company.

Investment Policy

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

The Company

Investment Objective and Policy

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

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

Investment Limits of the Company

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

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

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

UK Equity Share Portfolio ('UK Equity Portfolio')

Investment Objective

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

Investment Policy and Risk

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

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

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

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

The Directors believe that the use of borrowings 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;
– no more than 20% of the gross assets of the UK Equity Portfolio may be held in overseas assets; and
– borrowings may be used to raise equity exposure up to a maximum of 25% of the net assets of the UK Equity Portfolio where it is considered appropriate.

Global Equity Income Share Portfolio (‘Global Equity Income Portfolio’)

Investment Objective

The investment objective of the Global Equity Income Portfolio is to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide.

Investment Policy and Risk

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

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

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

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

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

The Board has prescribed the following limits on the investment policy of the Global Equity Income Portfolio:

– no more than 20% of the gross assets of the Global Equity Income Portfolio may be invested in fixed interest securities;
– no more than 10% of the gross assets of the Global Equity Income Portfolio may be held in a single investment;
– no more than 10% of the gross assets of the Global Equity Income Portfolio may be held in other listed investment companies; and

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– borrowings may be used to raise equity exposure up to a maximum of 20% of the net assets of the Global Equity Income Portfolio, when it is considered appropriate to do so.

Balanced Risk Share Portfolio ('Balanced Risk Portfolio')

Investment Objective

The investment objective of the Balanced Risk Portfolio is to provide shareholders with an attractive total return in differing economic and inflationary environments, and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

Investment Policy and Risk

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

The Portfolio is constructed so as to balance risk: by asset class (bonds, equities and commodities) and by asset within each asset class. Neutral weighting is achieved when each asset class contributes an equal proportion of the total Portfolio risk and each asset contributes an equal proportion of the total risk for its respective asset class. The Manager is permitted to actively vary asset class weightings, subject to a maximum of 150% and a minimum of 50% of each asset class' neutral weight. The Manager is also permitted to actively vary individual asset weightings, provided the asset class guidelines are not violated. Asset weights may not be less than zero (short) and may on occasion exceed twice the neutral weight.

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

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

The Board has prescribed the following limits on the investment policy of the Balanced Risk Portfolio:

– the aggregate notional amount of financial derivative instruments positions may not exceed 250% of the net assets of the Balanced Risk Portfolio; and
– no more than 10% of the gross assets of the Balanced Risk Portfolio may be held in other listed investment companies.

Managed Liquidity Share Portfolio ('Managed Liquidity Portfolio')

Investment Objective

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

Investment Policy and Risk

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

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

Investment Limits

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

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

– no more than 5% of the gross assets of the Managed Liquidity Portfolio may be held in unquoted investments, other than authorised money market funds.

Performance

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

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

Investment Performance

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

The NAV total return performance of each of the Portfolios over the year to 31 May 2014 and of relevant benchmark indices were as follows:

UK Equity Portfolio	18.3%
FTSE All-Share Index	8.9%
Global Equity Income Portfolio	9.1%
MSCI World Index (£)	7.4%
Balanced Risk Portfolio	5.5%
3 month LIBOR plus 5%	5.5%
Managed Liquidity Portfolio	0.2%

Source: Thomson Reuters Datastream.

Other performance periods, together with share price total returns, are shown on page 2.

Dividends

UK Equity Portfolio

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

Net revenue for the year for the UK Equity Portfolio was £2,110,000 (2013: £2,080,000).

The Directors have declared and paid four interim dividends for the year ended 31 May 2014 totalling 5.30p per UK Equity Share (2013: 5.55p). In 2014, income was enhanced by the receipt of £227,000 (2013: £314,000) of non-recurring special dividends, equivalent to 0.58p (2013: 0.83p).

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

Net revenue for the year for the Global Equity Income Portfolio was £1,322,000 (2013: £1,002,000).

The Directors have declared and paid four interim dividends for the year ended 31 May 2014 totalling 3.55p (2013: 3.4p) per Global Equity Income Share.

Balanced Risk Portfolio
In order to maximise the capital return on the Balanced Risk Shares, the Directors only intend to declare dividends on the Balanced Risk Shares to the extent required, having taken into account the dividends paid on the other Share classes, to maintain the Company's status as an investment trust under section 1158 of the Corporation Tax Act 2010. Accordingly, no dividends are required to be declared or paid for the year.

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. Net revenue for the year for the Managed Liquidity Portfolio was £2,000 (2013: £9,000).

As a consequence of continued very low interest rates and in view of the administrative costs involved, no interim dividend was declared on the Managed Liquidity Shares for the year ended 31 May 2014 (2013: nil).

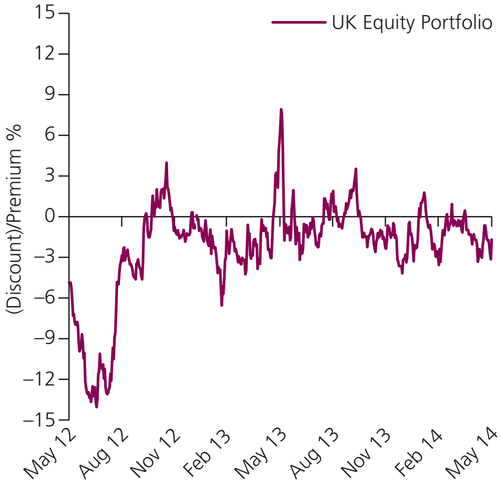
Discount/(Premium)
The Company has a strict discount control policy in place for all four Share classes, whereby the Company offers to issue or buy back Shares of all classes with a view to maintaining the market price of the shares at close to their respective net asset values, and by so doing, avoid significant overhangs or shortages in the market. It is the Board's policy to buy back shares and to sell shares from treasury on terms that do not dilute the net asset value attributable to existing shareholders at the time of the transaction.

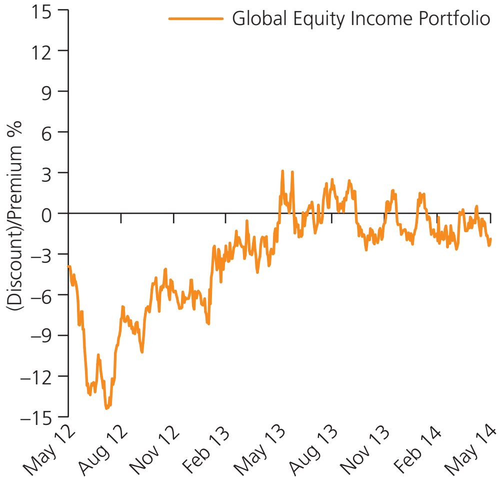
The ongoing implementation of this policy is dependent upon the authorities to buy back and issue shares being renewed by shareholders. Notwithstanding the intended effect of this policy, there can be no guarantee that the Company's shares will trade at close to their respective net asset values. Shareholders should also be aware that there is a risk that this discount policy may lead to a reduction in the size of the Company over time.

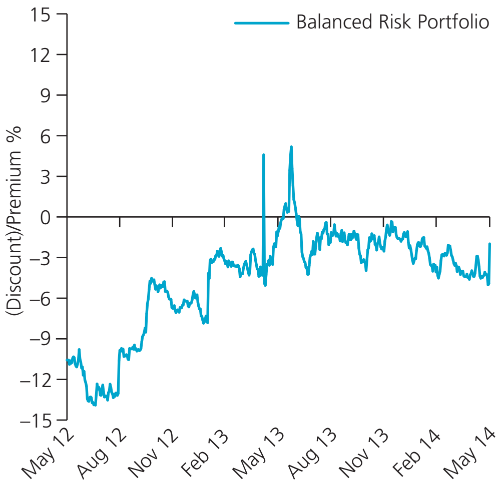
The Manager and the Board closely monitor movements in the Company's share prices and dealings in the Company's shares. Shares bought back and sold from treasury in the year are summarised on page 32. At 31 May 2014, the share prices, net asset values (NAV) and the discount or premium of the four Share classes were as follows:

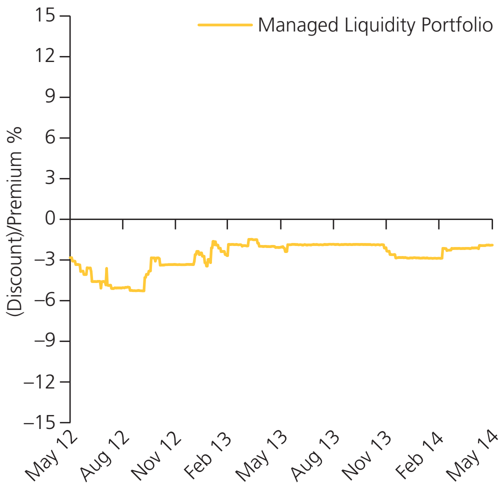
	2014			2013		
SHARE CLASS	NET ASSET VALUE (PENCE)	SHARE PRICE (PENCE)	DISCOUNT	NET ASSET VALUE (PENCE)	SHARE PRICE (PENCE)	DISCOUNT/ (PREMIUM)
UK Equity	155.6	153.0	1.7%	136.3	145.3	(6.6)%
Global Equity Income	150.9	148.0	1.9%	141.0	140.0	0.7%
Balanced Risk	118.4	116.0	2.0%	112.2	111.0	1.1%
Managed Liquidity	103.3	101.4	1.9%	103.1	101.0	2.0%

The following charts show the (discount)/premium at which the Shares traded over the two years to 31 May 2014.









Source: Thomson Reuters Datastream.

Ongoing Charges Ratio

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

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

	COMPANY	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY
2014	1.02%	1.07%	1.04%	1.15%	0.31%
2013	1.05%	1.12%	1.10%	1.18%	0.36%

The additional impact of performance fees of £561,000 (2013: £431,000) for the UK Equity Portfolio was:

	COMPANY	UK EQUITY
2014	0.47%	0.98%
2013	0.42%	0.97%

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During the year the Global Equity Income Portfolio outperformed its benchmark by more than the 1% hurdle to earn a performance fee of £56,000 (2013: £88,000). However, the Portfolio must earn further performance fees of £259,000 (2013: £315,000) to offset past underperformance before a fee will become payable.

Financial Position

Assets and Liabilities

At 31 May 2014 the Company's total net assets were £124.1 million (2013: £114.7 million). These comprised portfolios of equity investments, debt securities, derivative instruments, cash and other debtors and liabilities. The Company has a £20 million multi currency revolving credit facility of which £12.6 million (2013: £7.7 million) was drawn at the year end.

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

Borrowing Policy

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

Issued Share Capital

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

The following table summarises the Company's share capital at the year end and movements during the year and subsequently.

NUMBER OF SHARES	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY
Shares in issue at the year end:				
– excluding treasury	39,509,336	31,443,444	7,876,821	5,699,509
– held in treasury	6,523,000	4,438,000	4,050,000	6,638,216
Movements during the year:				
Increase/(decrease) arising from conversions	1,618,864	441,158	(595,277)	(2,246,260)
Shares bought back into treasury	(360,000)	(150,000)	(457,000)	(696,000)
Average price thereon	149.8p	142.7p	110.1p	101.3p
Shares issued from treasury	–	200,000	–	–
Average price thereon	n/a	142.0p	n/a	n/a
Movement since the year end:				
Shares bought back	–	–	100,000	49,569
Average price thereon	n/a	n/a	115.0p	100.75p

Further details on net changes in issued share capital are set out in note 13 to the financial statements on pages 73 and 74. No treasury shares were cancelled in the year.

Current and Future Developments

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

Details of trends and factors likely to affect the future development, performance and position of the Company's business can be found in the portfolio managers' reports and further details as to the risks affecting the Company are set out under 'Principal Risks and Uncertainties' starting on the next page.

Principal Risks and Uncertainties

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

Investment Policy

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

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

Risks Applicable to the Company

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

The market value of a Share, as well as being affected by its NAV, is also influenced by its dividend yield, where applicable, and prevailing interest rates, amongst other things. As such, the market value of a Share can fluctuate and may not reflect its underlying NAV. Shares may therefore trade at discounts to their NAVs. However, the Board has adopted a strict discount control policy that applies to all Share classes and the Board and the Manager monitor the market rating of each Share class.

While it is the intention of the Directors to pay dividends to holders of the UK Equity, Global Equity Income and Managed Liquidity Shares, the ability to do so will depend upon the level of income received from securities and the timing of receipt of such income by the Company. Accordingly, the amount of dividends paid to shareholders may fluctuate. Any change in the tax or accounting treatment of dividends or other investment income received by the Company may also affect the level of dividend paid on the Shares in future years.

Compulsory Conversion of a Class of Shares

The continued listing on the Official List of each class of Share is dependent on at least 25% of the Shares in that class being held in public hands. This means that if more than 75% of the Shares of any class were held by, *inter alia*, the Directors, persons connected with Directors or persons interested in 5% or more of the relevant Shares, the listing of that class of Shares might be suspended or cancelled. The Listing Rules state that the FCA 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, the Board may serve written notice on the holders of the relevant Shares requiring them to convert their Shares into another Share class.

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

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value of the Company's assets as a whole may affect the Company's ability to pay dividends on a particular class of Shares, even though there are distributable profits attributable to the relevant Portfolio.

Market Movements and Portfolio Performance

Individual Portfolio performance is substantially dependent on the performance of the securities (including derivative instruments) held within the Portfolio. The prices of these securities are influenced by many factors including the general health of worldwide economies; interest rates; inflation; government policies; industry conditions; political and diplomatic events; tax laws; environmental laws; and by the demand from investors for income. The Manager strives to maximise the total return from Portfolios, but the investments held are influenced by market conditions and the Board acknowledges the external influences on the performance of each Portfolio. Further risks specifically applicable to the Balanced Risk Shares are set out on page 35.

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

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

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

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

Gearing

Performance may be geared by use of the £20 million 364 day multicurrency revolving credit facility. There is no guarantee that this facility will be renewed at maturity or on terms acceptable to the Company. If it were not possible to renew this facility or replace it with one from another lender, the amounts owing by the Company would need to be funded by the sale of securities. The Company also has an uncommitted overdraft facility of up to 10% of net assets.

The Balanced Risk Portfolio may also be geared (by up to 250%, according to the investment policy set out on page 28) by means of the derivative instruments in which it invests. This is discussed separately below, under the heading: Additional Risks Applicable to Balanced Risk Shares.

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 those investments.

Hedging

The Company may use derivatives to hedge its exposure to currency or other risks and for the purpose of efficient portfolio management. There may be a correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments, which are the subject of the hedge, on the other hand. In addition, an active market may not exist for a particular hedging derivative instrument at any particular time.

Regulatory and Tax Related

The Company is subject to various laws and regulations by virtue of its status as a public limited investment Company registered under the Companies Act 2006, its status as an investment trust and its listing on the London Stock Exchange. Loss of investment trust status could lead to the Company being subject to Capital Gains Tax on the sale of its investments. A serious breach of other regulatory rules could lead to suspension from the London Stock Exchange, a fine or a qualified Audit Report. Other control failures, either by the Manager or any other of the Company's service providers, could result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with the Corporation Tax Act 2010 and other financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers the risks to which the Company is exposed, the measures in place to control them and the potential for other risks to arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's compliance and internal audit officers produce regular reports for review by the Company's Audit Committee.

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

Additional Risks Applicable to Balanced Risk Shares

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

Additional Risks Applicable to Managed Liquidity Shares

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

Reliance on Third Party Service Providers

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

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

Corporate Governance

The Board is committed to maintaining high standards of Corporate Governance. The Corporate Governance Statement required by the UKLA Listing Rules is set out in the Directors' Report on page 39.

Audit Committee Report

The extended audit committee report required by the UK Corporate Governance Code is included in the Directors' Report on pages 42 to 44. There are no areas of concern in relation to the financial statements to bring to the attention of shareholders.

STRATEGIC REPORT
continued

Board Diversity

The Company's policy on diversity is set out on page 42. The Board comprises four non-executive directors. All served throughout the year and their summary biographical details are shown on page 37. There are no female directors on the Board and no target has been set in this respect. However, although Directors see no immediate need to refresh or enlarge the Board, diversity, including gender, forms part of the Board's deliberations on succession planning.

Social and Environmental Matters

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

This Strategic Report was approved by the Board on 31 July 2014

Invesco Asset Management Limited
Company Secretary

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 Murray Income Trust plc. He is also chairman of the supervisory committee of Scottish Life's with-profits fund and an adviser to a pension fund. He was previously the chief executive of Fleming Investment Trust Management and a director of Robert Fleming Holdings.

Sir Michael Bunbury

Chairman of the Audit and Management Engagement Committees

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

Alan Clifton

Mr Clifton was appointed as a Director on 10 January 2008. He is a former managing partner of the stockbrokers, Kitcat & Aitken, and from 1990 until 2001 was the managing director of Morley Fund Management (now Aviva Investors), the asset management arm of Aviva plc, the UK's largest insurance group. He is chairman of Schroder UK Growth Fund plc, JPMorgan Japanese Smaller Companies Trust plc and International Biotechnology Trust plc, and a director of Macau Property Opportunities Fund Ltd.

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, a commissioner and chairman of the investment committee of The Royal Hospital Chelsea and 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 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.

THE COMPANY'S GOVERNANCE FRAMEWORK

AT 31 MAY 2014

The Board and Committees

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

The Board

Four non-executive directors (NEDs)

Chairman – Patrick Gifford

Key responsibilities:

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

Audit Committee

All NEDs

Chairman – Sir Michael Bunbury

Key responsibility:

- to oversee financial reporting and the control environment

Management Engagement Committee

All NEDs

Chairman – Sir Michael Bunbury

Key responsibilities:

- to review the performance of the Manager; and
- to review other service providers.

Nomination Committee

All NEDs

Chairman – Patrick Gifford

Key responsibilities:

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

Remuneration Committee Function

The Board as a whole performs this function

Key responsibility:

- to set the remuneration policy of the Company.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2014

Business and Status

The Company was incorporated and registered in England and Wales on 25 August 2006 as a public limited company, registered number 5916642.

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

Corporate Governance Statement

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

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

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

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

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

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of Invesco Perpetual Select Trust plc, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties, and so the Company has no executive employees, and in view of the Manager having an internal audit function.

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

The composition and operation of the Board and its committees are summarised on pages 39 to 44.

The Company's approach to internal control and risk management is summarised on page 45.

The contractual arrangements with, and assessment of, the Manager are summarised on pages 45 and 46.

The Company's capital structure and voting rights are summarised on page 47.

The most substantial shareholders in the Company are listed on page 48.

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 42. There are no agreements between the Company and its directors concerning compensation for loss of office.

Powers to issue or buy back the Company's shares, which are sought annually, and any amendment of the Company's Articles of Association require a special resolution to be passed by shareholders.

The Board

The Company has a Board of four non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment policy is adhered to. Details of the Board's responsibilities, the information it relies upon and the number of meetings it holds follow. Certain aspects of the Company's affairs are dealt with by the Directors sitting as Committees of the Board, descriptions of which also follow.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2014
continued

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities. For information on the Directors' remuneration please refer to the Directors' Remuneration Report on pages 51 to 53.

The Board regards all of the Directors to be wholly independent of the Company's Manager. The Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 37.

Chairman
The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. The Chairman is Patrick Gifford, a non-executive and independent Director, who has no conflicting relationships.

Senior Independent Director and Chief Executive Officer
The Board has appointed Alan Clifton as the Senior Independent Director. He is available to shareholders if they have concerns which contact through the normal channels of Chairman, Manager or Company Secretary have failed to resolve or for which such contact is inappropriate. 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.

Board Responsibilities
The Directors have a duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long-term; the need to foster the Company's business relationships with its Manager; the impact of the Company's operations on the community and the environment; the desirability of the Company to maintain a reputation for high standards of business conduct; and the need to act fairly between stakeholders of the Company.

In order to promote the success of the Company, the Board directs and supervises its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters reserved for the Board has been established. The schedule of matters is reviewed annually to ensure compliance with latest best practice and the AIC Code and is available for inspection at the AGM, at the registered office of the Company, and on the Manager's website.

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 Manager. 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 daily NAV disclosures.

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.

As stated above, the Board as a whole periodically undertakes the responsibilities which would otherwise be assumed by a remuneration committee.

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

Board meetings follow a formal agenda, which includes a review of each Portfolio with a report from the respective portfolio manager on the current investment position and outlook; strategic direction;

performance against relevant indices and the Portfolio's peer group (where appropriate); asset allocation; gearing policy; cash management; revenue forecasts for the financial year; marketing and shareholder relations; corporate governance; and industry and other issues.

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

Committees of the Board

As the Board is considered small for the purposes of the AIC Code, all Directors are members of the Nomination, Management Engagement and Audit committees. Each committee has written terms of reference which clearly define its responsibilities and duties, are in line with best practice and the AIC Code, and are reviewed annually. The terms of reference for each committee are available for inspection at the registered office of the Company, at the Company's correspondence address (see page 92), on the Manager's website at www.invescoperpetual.co.uk/investmenttrusts, and will be available at the AGM. In addition, the Board has appointed standing committees of at least one Director to approve the quarterly share conversions and dividend declarations and may appoint committees on an ad hoc basis to deal with other matters.

Board, Committee and Directors' Performance Appraisals

The Directors recognise the importance of the AIC Code, particularly in terms of evaluating the performance of the Board as a whole, the respective Committees and individual Directors. Performance of the Board, Committees and Directors has been assessed during the year in terms of:

- attendance at Board and Committee meetings;
- the independence of individual Directors;
- the ability of Directors to make an effective contribution to the Board and Committees due to the diversity of skills and experience each Director brings to the meetings; and
- the Board's ability to challenge the Manager's recommendations, select topics for discussion and fix timetables for consideration of the future strategy of the Company.

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

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

Attendance at Board and Committee Meetings

The number of meetings held during the year to 31 May 2014 and the attendance of individual Directors are shown in the table below:

	SCHEDULED BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	MANAGEMENT ENGAGEMENT COMMITTEE	NOMINATION COMMITTEE MEETING
Number of Meetings:	5	4	3	1
Attendance:				
Patrick Gifford	5	4	3	1
Sir Michael Bunbury	5	4	3	1
Alan Clifton	5	3	2	1
David Rosier	4	3	3	1

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2014
continued

Appointment, Re-election and Tenure of Directors
New Directors are appointed by the Board, following recommendation by the Nomination Committee, and are then subject to election by shareholders at the first Annual General Meeting following their appointment. No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment, copies of which are on the Manager's website.

The Articles of Association require that each Director shall retire and be subject to election at the first AGM after appointment and re-election at least every three years thereafter. A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders. If this is the case, then a long-serving Director will stand for annual re-election at the Company's AGM. Patrick Gifford and Alan Clifton were re-elected at the AGMs in 2012 and 2013, respectively. 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 their re-election.

Nomination Committee

The chairman is Patrick Gifford. The main responsibilities of the Nomination Committee are to review the size, structure, skills and diversity of the Board and to make recommendations to the Board with regard to any changes considered necessary or new appointments.

The Board's policy on diversity is that the Board seeks to ensure that its structure, size and composition, including the skills, knowledge, diversity (including gender) and experience of directors, is sufficient for the effective direction and control of the Company. The Board has not set any measurable objectives in respect of this policy.

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 alternatively decide that candidates found from sources within the Company and through its advisers are of a sufficiently high quality.

Management Engagement Committee (MEC)

The chairman is Sir Michael Bunbury. The MEC meets at least once a year to review the Management Agreement and the performance and quality of service provided by the Manager and other service providers.

Audit Committee Report

The Audit Committee
The chairman is Sir Michael Bunbury. Audit Committee members consider that collectively they are appropriately experienced to fulfil the role required. 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.

Audit Committee Responsibilities
The responsibilities of the Audit Committee include:

– reviewing the systems of internal control and the management of financial risks;

– consideration of the Manager's internal audit programme and the results reported therefrom; also monitoring the effectiveness of the Manager's internal audit function and the adequacy of its resources;

– review of the performance fee calculations;

– reviewing each aspect of the financial reporting process, the annual and half-yearly financial reports and announcements of the Company and ensuring compliance with relevant statutory and listing requirements;

– management of the relationship with the external auditor, including their appointment, and the scope, effectiveness, independence and objectivity of their audit; and
– advising the board on whether the Committee believes the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

The Audit Committee meets at least three times 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, to review the Company's accounting policies and to approve the audit plan. In addition, the Audit Committee reviews the auditor's independence, objectivity and effectiveness; the service organisation controls of the service providers to the Company; the effectiveness of the audit process; and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. The Manager's internal audit and compliance teams report to the Committee at least twice each year. Representatives of Ernst & Young LLP, the Company's auditor, attend the Audit Committee meeting at which the draft annual financial report is reviewed and are given the opportunity to speak to Committee members without the presence of representatives of the Manager.

The audit plan is agreed with the 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, are reported on by the auditor in the audit report to the Committee. The report is considered by the Committee and discussed with the auditor and the Manager prior to approval and signature of the financial statements.

Accounting Matters and Significant Areas

For the year end the accounting matters that were subject to specific consideration by the Committee and consultation with the auditor, where necessary, were as follows:

SIGNIFICANT AREA	HOW ADDRESSED
Portfolio Ownership and Valuation	The investments are held on behalf of the Company by the Company's custodian. The Manager confirmed to the Committee that the Company's records had been agreed to the custodian's records. Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded are valued as set out in the accounting policy 1(b)(v), and all such valuations are reviewed by the Manager's pricing committee and the Audit Committee.
Income Recognition	The Manager confirmed to the Committee that each stock line had been reviewed to ensure that those marked ex-dividend in the year were included in the income statement and that any special dividends were appropriately attributed to revenue or capital.
Performance Fees	The UK Equity and Global Equity Income year end performance fee calculations were prepared and reviewed by the Manager and reviewed in depth by the Committee, all with reference to the investment management agreement.
Narrative Reporting	The annual financial report was thoroughly reviewed by the Manager and the Committee for compliance with new narrative reporting requirements that became effective for the 2014 year end. The Audit Committee gave particular consideration, on behalf of the Board, as to whether this annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance business model and strategy.

The above were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor. Following a thorough review process, the Audit Committee is satisfied that the 2014 annual financial report, taken as a whole, is fair, balanced and understandable

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2014
continued

and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

Auditor
The Committee assessed the effectiveness of the external audit process, having reviewed the audit plan, its execution and reporting, through discussions with the Manager and the auditor and consideration of review points raised.

The Audit Committee has considered the independence of the external 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.

The Company's appointed auditor has been Ernst & Young LLP since its launch in 2006. The Committee has reviewed the recent changes to the UK Corporate Governance and AIC Codes including the provision for FTSE 350 companies to put the external audit contract out to tender at least every ten years, and also new EU legislation that requires mandatory rotation of the auditor at least every twenty years (but with some transitional flexibility). Following the satisfactory outcome to the Committee's regular review of auditor effectiveness, performance and independence, the Committee has concluded that it does not need to initiate a retendering process at this time, but will continue to keep the situation under review.

The auditor is responsible for the annual statutory audit and certain tax compliance services which the Committee believes they are best placed to undertake due to their position as auditor. No other services are provided by the auditor and it is the Company's policy not to seek substantial non-audit services from its auditor. Were the provision of significant non-audit services being considered, the Committee would consider whether the particular skills of the audit firm made them a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit.

A resolution proposing the reappointment of Ernst & Young LLP as the Company's auditor for the year to 31 May 2015 and authorising the Directors to determine their remuneration has been included in the notice for the forthcoming AGM.

Internal Controls and Risk Management
The Committee assesses the risks arising in relation to the Company's operations and identifies the controls exercised to mitigate them by the Board and its delegates: the Manager and other service providers. The Committee also receives and considers, together with representatives of the Manager, reports in relation to the operational controls of the investment manager, accounting administrator, custodian, company secretary and registrar. These reviews identified no issues of significance to the Company in the last financial year.

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

Directors

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

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

The Directors have declared any potential conflicts of interest to the Company. These are entered into the Company's Register of Potential Conflicts, which is reviewed regularly by the Board. This Register 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.

Disclosable Interests

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 52.

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 other than in respect of indemnification and insurance as set out below.

Directors' Indemnification and Insurance

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

A Deed of Indemnity has been executed by the Company under the terms of which, to the extent permitted by law and the Company's Articles of Association, the Company will indemnify the Directors against liabilities incurred in connection with their office as Directors of the Company and fund reasonable expenditure incurred by them in defending proceedings brought against them in connection with their position as Directors of the Company. The indemnity does not apply in certain circumstances, including to the extent that the costs are recoverable under the Directors' and Officers' liability insurance policy maintained by the Company or from any other insurance maintained by the Director.

Internal Controls and Risk Management

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

The Audit Committee on behalf of 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, including that 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 the review. No significant failings or weaknesses were identified in the year ended 31 May 2014 or since up to the date of this annual financial report.

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

Going Concern

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2014
continued

The Manager

The Manager is responsible for the management of the Company's investment portfolio and also provides administration and company secretarial services to the Company. Invesco Asset Management Limited (IAML) was the Manager for the financial year.

Alternative Investment Fund Managers Directive (AIFMD) or the 'Directive'

The AIFMD requires the Company to appoint an Alternative Investment Fund Manager (AIFM). The Board took independent legal advice in relation to the Directive and has appointed Invesco Fund Managers Limited (IFML) as the Company's AIFM. IFML has been approved as an AIFM by the Financial Conduct Authority and is an associated company of IAML. IAML continues to manage the Company's investments and provide company secretarial and administrative support under delegated authority from IFML.

The Manager's Responsibilities

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

The Manager also provides 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. The Manager additionally maintains records of the Company's investment transactions, portfolio and all monetary transactions, from which the annual and half-yearly financial reports and interim management statements and various statistical reports and information are prepared on behalf of the Company.

Assessment of the Manager

The performance of the Manager is subject both to continual review by the Board and regular annual reviews of the management contract by the Management Engagement Committee.

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

Investment Management Agreement (IMA)

The Manager is entitled to a basic fee (payable quarterly) in respect of each Portfolio (0.75% per annum of net assets in the case of the UK Equity, Global Equity Income and Balanced Risk Portfolios and 0.25% per annum of net assets in the case of the Managed Liquidity Portfolio). The IMA provides for a basic fee to be reduced by any fee payable separately to the Manager on any investments in other funds managed by the Manager.

The Manager is also entitled to receive performance fees in respect of the UK Equity and Global Equity Income Portfolios of 12.5% of the increase in net assets per relevant Share in excess of a hurdle of the relevant benchmark plus 1% per annum. The amount of the performance fee that can be earned in any one year is limited to 0.75% of the net assets of the relevant Portfolio and payment is subject to a high water mark. 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.

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.

Stewardship

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

Greenhouse Gas Emissions

The Company has no employees or property, it does not combust any fuel or operate any facility. The Company does not purchase electricity, heat, steam or cooling for its own use. Accordingly, the quantifiable amount of carbon dioxide produced by the Company annually is zero tonnes.

Capital Structure

The Company's share capital comprises four classes of Share, each represented by a separate Portfolio. Movements in share capital over the course of the year are set out in note 13 to the financial statements on page 73.

Rights Attaching to Shares

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

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

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

The holders of each class of Shares have the right to receive notice of and to attend, speak and vote at any general meeting of the Company, except that the holders of any class of Shares do not have the right to vote on any resolution relating to the payment of a dividend on any other class of Shares. Details of the voting rights attaching to the different classes of Shares are given in note 11 to the Notice of Meeting on page 91.

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

Restrictions on Shares

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

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2014
continued

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

Substantial Shareholdings

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

	AT 30 JUNE 2014		AT 31 MAY 2014	
UK EQUITY SHARES	HOLDINGS	%	HOLDINGS	%
Merrill Lynch Portfolio Managers	4,066,189	10.3	4,222,839	10.7
Rathbone Investment Management	2,526,086	6.4	2,561,960	6.5
D Price	4,428,200	6.2	2,428,200	6.2
P Radburn	2,001,285	5.1	2,001,285	5.1
JM Finn & Co	1,979,751	5.0	1,979,751	5.0
S Price	1,773,927	4.5	1,773,927	4.5
Perkins Echo Trust	1,609,129	4.1	1,609,129	4.1
Investec Wealth & Investment	1,457,868	3.7	1,457,868	3.7
Smith & Williamson	1,406,740	3.6	1,374,305	3.5
Close Brothers Asset Management	1,311,236	3.3	1,311,236	3.3
Hargreave Hale Ltd	1,217,233	3.1	1,217,233	3.1

	AT 30 JUNE 2014		AT 31 MAY 2014	
GLOBAL EQUITY INCOME SHARES	HOLDINGS	%	HOLDINGS	%
P Stormonth Darling	1,840,437	5.9	1,840,437	5.9
Brewin Dolphin Ltd	1,755,406	5.6	1,647,894	5.2
Rathbone Investment Management	1,665,305	5.3	1,622,805	5.2
P Davidson	1,367,965	4.4	1,367,965	4.4
Investec Wealth & Investment	1,274,704	4.1	1,274,704	4.1
Merrill Lynch Portfolio Managers	1,215,680	3.9	1,323,192	4.2
Charles Stanley & Co	1,171,857	3.7	1,171,857	3.7
R Bernays	1,066,086	3.4	1,066,086	3.4
P Radburn	1,005,289	3.2	1,005,289	3.2
J Salkeld	991,431	3.2	1,033,931	3.3

	AT 30 JUNE 2014		AT 31 MAY 2014	
BALANCED RISK SHARES	HOLDINGS	%	HOLDINGS	%
Schroder & Co	909,259	11.5	916,259	11.6
P Davidson	774,594	9.8	774,594	9.8
J Salkeld	752,922	9.6	752,922	9.6
Investec Wealth & Investment	517,703	6.6	517,703	6.6
J Pfeil	433,343	5.5	433,343	5.5
Rathbone Investment Management	399,254	5.1	399,254	5.1
Smith & Williamson	297,393	3.8	297,393	3.8
C Jackson	270,000	3.4	270,000	3.4
HSBC Private Bank	246,628	3.1	246,628	3.1
Hargreaves Lansdown	241,514	3.1	241,514	3.1

	AT 30 JUNE 2014		AT 31 MAY 2014	
MANAGED LIQUIDITY SHARES	HOLDINGS	%	HOLDINGS	%
P Stormonth Darling	694,880	12.2	694,880	12.2
PSigma Investment Management	485,000	8.5	485,000	8.5
Speirs & Jeffrey	402,658	7.1	402,658	7.1
R Bernays	182,429	3.2	182,429	3.2
S Sexton	182,250	3.2	182,250	3.2
Smith & Williamson	181,655	3.2	181,655	3.2
HSBC Private Bank	179,032	3.1	179,032	3.1

Shareholder Relations

Shareholder relations are given high priority by the Board and the Manager. The prime means by which the Company communicates with shareholders are the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the publication of interim management statements, the daily calculation of the NAVs, which are published via the Stock Exchange, and monthly and daily factsheets. 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 institutional shareholders and analysts take place throughout the year. All meetings between the Manager and institutional shareholders are 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 92.

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; Portfolio disclosures; schedule of matters reserved for the Board; terms of reference of Board Committees; Directors' letters of appointment; the Company's Share price; and proxy voting results.

Individual Savings Account (ISA)

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

Annual General Meeting (AGM)

The following summarises the business of the forthcoming AGM of the Company, which is to be held at 6th Floor, 125 London Wall, London EC2Y 5AS at 11.30am on 25 September 2014. Refreshments will be provided. The Notice of the AGM and related notes can be found on pages 88 to 91.

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

Resolution 2 is to approve the Directors' Remuneration Policy. This is a new requirement and the vote is binding. The Directors' Remuneration Policy is set out on page 51 of this Annual Financial Report.

Resolution 3 is to approve the Annual Statement and Report on Remuneration. It is mandatory for listed companies to put their Annual Statement and Report on Remuneration to an advisory shareholder vote. The Annual Statement and Report on Remuneration are set out on pages 51 to 53 of this Annual Financial Report.

Resolutions 4 and 5 are to re-elect Sir Michael Bunbury and David Rosier as Directors. The Board has confirmed that both of these Directors continue to perform effectively and demonstrate independence and commitment to their roles. Brief biographical details are set out on page 37.

Resolution 6 is to reappoint the auditor and to authorise the Directors to determine the auditor's remuneration. Ernst & Young LLP have expressed their willingness to continue to hold office until the conclusion of the next annual general meeting of the Company.

Resolution 7 is to renew the Directors' authority to allot shares. Your Directors are asking for authority to allot new ordinary shares up to an aggregate nominal value of £1,000,000 for each of the four Share classes in issue. This will allow Directors to issue shares within the prescribed limits should any favourable opportunities arise to the advantage of shareholders. The powers authorised will not be exercised at a price below NAV of the relevant Share class so that the interests of existing shareholders are not diluted. This authority will expire at the AGM in 2015.

Resolution 8 is to renew the authority to disapply pre-emption rights. Your Directors are asking for the usual authority to issue new Shares in each share class, either pursuant to a rights issue or otherwise, up to an aggregate nominal amount of £39,509 in UK Equity Shares, £31,443 in Global Equity Income Shares, £7,776 in Balanced Risk Shares and £5,649 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 2015.

Resolution 9 is to renew the authority for the Company to purchase its own shares. Your Directors are seeking to renew the authority to buy back up to 14.99% of each Share class, being approximately 5,922,449 UK Equity Shares, 4,713,372 Global Equity Income Shares, 1,165,745 Balanced Risk Shares and 846,926 Managed Liquidity Shares, subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2015. Your Directors are proposing that Shares bought back by the Company either be cancelled or, alternatively, be held as treasury shares with a view to their resale, if appropriate, or later cancellation. Any resale of treasury shares will only take place on terms that are in the best interests of shareholders as a whole.

Resolution 10 is to permit the Company to hold general meetings (other than annual general meetings) on 14 days notice, which is the minimum notice period permitted by the Companies Act 2006. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless two conditions are met. The first condition is that the company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is intended that this flexibility will be used only where the Board believes it is in the interests of shareholders as a whole.

By order of the Board

Invesco Asset Management Limited
Company Secretary

31 July 2014

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 MAY 2014

This Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules of the Financial Conduct Authority. Ordinary resolutions for the approval of the Directors' Remuneration Policy (binding) and the Chairman's Annual Statement and Report on Remuneration (advisory) will be put to shareholders at the Annual General Meeting.

The Company's auditor is required to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated in this report. The independent auditor's opinion is included on pages 55 to 57.

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

Directors' Remuneration Policy
The 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. Fees for directors are determined by the Board within the limit stated in the Company's Articles of Association (Articles). The Articles limit the aggregate fees to £200,000 per annum and any change to this limit requires shareholder approval.

Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company, at its correspondence address (see page 92), and on the Manager's website. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board and general meetings and committees. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. Directors may, in the furtherance of their duties, take legal advice at the Company's expense up to an initial outlay of £10,000 per Director, having first consulted with the Chairman. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' fees are paid, for the time being, as follows:

Chairman	£33,000 per annum
Audit Committee Chairman	£27,000 per annum
Other Directors	£22,000 per annum

These fees are subject to regular review by the Board having regard to the above factors and fee trends in the investment company sector. The same principles apply to any new appointments.

Notwithstanding the above, the Company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the Board are outside the scope of the ordinary duties of a Director. Any such payment would reflect the Board's assessment of the value to the Company of such services.

This Directors' Remuneration Policy is the same in all material respects as that currently followed by the Board and summarised in the last Directors' Remuneration Report. This Policy is intended to take effect immediately upon its approval by shareholders. The Company has no employees and consequently has no policy on the remuneration of employees.

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

Chairman's Annual Statement on Directors' Remuneration
For the year to 31 May 2014 the Chairman of the Company was paid fees at the rate of £33,000 per annum, the Chairman of the Audit Committee was paid fees at the rate of £27,000 per annum and the other Directors were paid fees at the rate of £22,000 per annum. The Board reviewed the Directors' fees in July 2014 and elected to leave them unchanged. No additional discretionary payments were made in the year, or in the previous year.

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 MAY 2014
continued

Report on Remuneration for the Year Ended 31 May 2014

The Company's Performance

The Directors' Remuneration Report Regulations 2002 require that a performance graph be included with the Directors' Remuneration Report which compares the total return to each class of shareholder to a notional total return of a broad market index. The Directors do not consider that a single graph for the Company's Portfolios would be meaningful. However, graphs for each of the Portfolios are shown on pages 6, 12, 17 and 23.

Directors' Emoluments for the Year (Audited)

The Directors, all of whom served throughout the year to 31 May 2014, received the following emoluments in the form of fees:

	2014 £	2013 £
Patrick Gifford (Chairman)	33,000	30,000
Sir Michael Bunbury (Audit Committee Chairman)	27,000	24,000
Alan Clifton	22,000	20,000
David Rosier	22,000	20,000
	104,000	94,000

Directors' Shareholdings and Share Interests (Audited)

The beneficial interests of the Directors in the ordinary share capital of the Company at 1 June 2013 and 31 May 2014 are set out below:

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY
31 May 2014				
Patrick Gifford	9,050	63,576	128,173	–
Sir Michael Bunbury*	11,500	30,000	22,000	–
Alan Clifton	25,000	25,000	25,000	–
David Rosier	25,000	25,000	–	–
1 June 2013				
Patrick Gifford	9,050	63,576	128,173	–
Sir Michael Bunbury*	11,500	11,000	22,000	–
Alan Clifton	25,000	25,000	25,000	–
David Rosier	25,000	25,000	–	–

* At 31 May 2014 Sir Michael Bunbury also had non-beneficial interests in 66,000 Balanced Risk Shares and 31,000 Global Equity Income Shares (1 June 2013: 66,000 Balanced Risk Shares).

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

Subsequent to the year end Patrick Gifford acquired a non-beneficial interest in 9,577 UK Equity Shares and 9,942 Global Equity Income Shares through his position as a trustee of the purchaser.

There have been no other changes in the above interests between 31 May 2014 and the date of this report.

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

Relative Importance of Spend on Pay

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders (all share classes combined) in the year to 31 May 2014 and the prior year.

	2014 £'000	2013 £'000	CHANGE £'000
Total Directors' Emoluments	104	94	10
Total Dividends Paid to Shareholders	3,185	3,160	25
Total Cost of Shares Bought Back	1,964	2,006	(42)

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 26 September 2013 an advisory resolution was put to shareholders to approve the remuneration report set out in the 2013 annual financial report. This resolution was passed on a show of hands. The proxy votes registered in respect of the resolution were: For 11,696,839 (99.5%); Against 57,143 (0.5%); 29,032 votes were withheld.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 31 July 2014.

Signed on behalf of the Board of Directors

Patrick Gifford
Chairman

DIRECTORS' RESPONSIBILITY STATEMENT
in respect of the preparation of the annual financial report

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss and cash flows 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 Strategic Report, a Directors' Report, which includes a Corporate Governance Statement, and a Directors' Remuneration Report that comply with that law and those regulations.

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

- in so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position, net return and cash flows of the Company;
- 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.; and
- this annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board of Directors

Patrick Gifford
Chairman

31 July 2014

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 2014 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the Reconciliation of Net Cash Flow to Movement in Net Debt and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibility Statement set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual financial report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 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.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- the ownership and valuation of the investments;
- the calculation of performance fees in accordance with the investment management agreement; and
- the appropriate recognition of income.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements, if any, on our audit and on the financial statements and in forming our audit opinion.

INDEPENDENT AUDITOR'S REPORT
continued

We determined materiality for the Company to be £1.24 million which is 1% of total shareholder's funds. This materiality calculation provided a basis for completing our risk assessment procedures; identifying and assessing the risk of material misstatement in the financial statements; and determining the nature, timing and extent of our audit procedures.

On the basis of our risk assessment, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of materiality, namely £0.93 million. Our objective in adopting this performance materiality was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level. Given the importance of the distinction between revenue and capital for the Company we have also applied a separate performance materiality of £0.19 million for the Income Statement, being 5% of the revenue return on ordinary activities before taxation.

We have agreed with the Audit Committee to report any audit differences in excess of £0.06 million, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- We agreed the year end prices for Level 1 and 2 investments to an independent source;
- With the assistance of our valuation experts, we considered the appropriateness of the valuation techniques and inputs applied to Level 3 investments by reviewing the valuation methodology;
- We independently recalculated management fee and performance fee calculations for the year with reference to contractual agreements and agreed the calculation inputs to source data; and
- We conducted testing over income received and receivable including on the allocation of dividends.

Opinion on other matter 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 Strategic Report and the Directors' Report 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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 45, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Sarah Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

31 July 2014

INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

		2014			2013		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments	9	–	11,398	11,398	–	24,869	24,869
Gains on derivative instruments	10	135	506	641	83	946	1,029
Foreign exchange losses		–	(77)	(77)	–	(68)	(68)
Income	2	4,258	204	4,462	3,828	–	3,828
Management fees	3	(257)	(598)	(855)	(219)	(499)	(718)
Performance fees	3	–	(561)	(561)	–	(431)	(431)
Other expenses	4	(377)	(5)	(382)	(356)	(4)	(360)
Net return before finance costs and taxation		3,759	10,867	14,626	3,336	24,813	28,149
Finance costs	5	(42)	(96)	(138)	(38)	(87)	(125)
Return on ordinary activities before tax		3,717	10,771	14,488	3,298	24,726	28,024
Tax on ordinary activities	6	(183)	–	(183)	(165)	–	(165)
Return on ordinary activities after tax for the financial year		3,534	10,771	14,305	3,133	24,726	27,859
Basic return per ordinary share:	7						
– UK Equity Share Portfolio		5.40p	19.19p	24.59p	5.48p	36.29p	41.77p
– Global Equity Income Share Portfolio		4.22p	9.23p	13.45p	3.28p	32.88p	36.16p
– Balanced Risk Share Portfolio		1.15p	4.46p	5.61p	0.42p	8.80p	9.22p
– Managed Liquidity Share Portfolio		0.02p	(0.01)p	0.01p	0.10p	0.03p	0.13p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The supplementary revenue and capital columns are prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations and the Company has no other gains or losses. Therefore no statement of recognised gains or losses is presented. No operations were acquired or discontinued in the period. Income statements for the different Share classes are shown on pages 11, 16, 22 and 25 for the UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity Share Portfolios respectively.

The accompanying notes are an integral part of this statement.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MAY

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	SPECIAL RESERVE £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVES £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 May 2012	1,071	1,290	87,160	324	2,101	50	91,996
Cancellation of deferred shares	(1)	–	(7)	8	–	–	–
Shares bought back and held in treasury	–	–	(2,006)	–	–	–	(2,006)
Realised gains on disposal of investments	–	–	–	–	5,374	–	5,374
Movement in investment holding gains	–	–	–	–	19,495	–	19,495
Gains on derivative instruments	–	–	–	–	946	–	946
Foreign exchange losses	–	–	–	–	(68)	–	(68)
Charged to capital:							
– management fees	–	–	–	–	(499)	–	(499)
– performance fees	–	–	–	–	(431)	–	(431)
– other expenses	–	–	–	–	(4)	–	(4)
– finance costs	–	–	–	–	(87)	–	(87)
Revenue return on ordinary activities per the income statement	–	–	–	–	–	3,133	3,133
Dividends – note 8	–	–	–	–	–	(3,160)	(3,160)
At 31 May 2013	1,070	1,290	85,147	332	26,827	23	114,689
Cancellation of deferred shares	(8)	–	–	8	–	–	–
Shares issued from treasury	–	–	284	–	–	–	284
Shares bought back and held in treasury	–	–	(1,964)	–	–	–	(1,964)
Realised gains on disposal of investments	–	–	–	–	7,758	–	7,758
Movement in investment holding gains	–	–	–	–	3,640	–	3,640
Gains on derivative instruments	–	–	–	–	506	–	506
Foreign exchange losses	–	–	–	–	(77)	–	(77)
Special dividend taken to capital	–	–	–	–	204	–	204
Charged to capital:							
– management fees	–	–	–	–	(598)	–	(598)
– performance fees	–	–	–	–	(561)	–	(561)
– other expenses	–	–	–	–	(5)	–	(5)
– finance costs	–	–	–	–	(96)	–	(96)
Revenue return on ordinary activities per the income statement	–	–	–	–	–	3,534	3,534
Dividends – note 8	–	–	–	–	–	(3,185)	(3,185)
As at 31 May 2014	1,062	1,290	83,467	340	37,598	372	124,129

The accompanying notes are an integral part of this statement.

BALANCE SHEET

AS AT 31 MAY 2014

	NOTES	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
Fixed assets						
Investments held at fair value through profit or loss	9	70,373	51,398	8,370	5,850	135,991
Current assets						
Derivative assets held at fair value through profit or loss	10	–	–	357	–	357
Debtors	11	394	266	8	56	724
Cash, short-term deposits and cash held at brokers		364	298	696	141	1,499
		758	564	1,061	197	2,580
Creditors: amounts falling due within one year						
Derivative liabilities held at fair value through profit or loss	10	–	–	(54)	–	(54)
Other creditors	12	(9,647)	(4,529)	(54)	(158)	(14,388)
Net current (liabilities)/assets		(8,889)	(3,965)	953	39	(11,862)
Net assets		61,484	47,433	9,323	5,889	124,129
Shareholders' funds						
Share capital	13(a)	460	359	120	123	1,062
Share premium	14	–	–	1,290	–	1,290
Special reserve	14	40,879	31,165	6,079	5,344	83,467
Capital redemption reserve	14	73	78	22	167	340
Capital reserves	14	19,913	15,424	2,020	241	37,598
Revenue reserve	14	159	407	(208)	14	372
Shareholders' funds		61,484	47,433	9,323	5,889	124,129
Net asset value per ordinary share	15	155.6p	150.9p	118.4p	103.3p	

These financial statements were approved and authorised for issue by the Board of Directors on 31 July 2014.

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 2013

	NOTES	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
Fixed assets						
Investments held at fair value through profit or loss	9	60,741	42,856	9,300	8,996	121,893
Current assets						
Derivative assets held at fair value through profit or loss	10	–	–	366	–	366
Debtors	11	611	207	8	69	895
Cash, short-term deposits and cash held at brokers		107	689	563	12	1,371
		718	896	937	81	2,632
Creditors: amounts falling due within one year						
Derivative liabilities held at fair value through profit or loss	10	–	–	(191)	–	(191)
Other creditors	12	(9,330)	(121)	(29)	(165)	(9,645)
Net current (liabilities)/assets		(8,612)	775	717	(84)	(7,204)
Net assets		52,129	43,631	10,017	8,912	114,689
Shareholders' funds						
Share capital	13(a)	444	354	126	146	1,070
Share premium	14	–	–	1,290	–	1,290
Special reserve	14	39,074	30,463	7,259	8,351	85,147
Capital redemption reserve	14	73	78	20	161	332
Capital reserves	14	12,415	12,540	1,630	242	26,827
Revenue reserve	14	123	196	(308)	12	23
Shareholders' funds		52,129	43,631	10,017	8,912	114,689
Net asset value per ordinary share	15	136.3p	141.0p	112.2p	103.1p	

The accompanying notes are an integral part of this statement.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY

	NOTES	2014 £'000	2013 £'000
Net cash inflow from operating activities	16(a)	2,630	2,629
Servicing of finance	16(b)	(140)	(125)
Taxation		(7)	(31)
Capital expenditure and financial investment	16(b)	(2,312)	1,957
Equity dividends paid	8	(3,185)	(3,160)
Net cash inflow before management of liquid resources and financing		(3,014)	1,270
Financing	16(b)	3,219	(1,942)
Increase/(decrease) in cash		205	(672)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

FOR THE YEAR ENDED 31 MAY

	NOTES	2014 £'000	2013 £'000
Increase/(decrease) in cash		205	(672)
Exchange movements		(77)	(6)
Cash movements from changes in debt		(4,900)	(62)
Movement in year		(4,772)	(740)
Net debt at beginning of year		(6,329)	(5,589)
Net debt at end of year	16(c)	(11,101)	(6,329)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

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 (the 'SORP') 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009.

(ii) *Definitions used in the financial statements*

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

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

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

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

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement.

(iii) *Functional and presentational currency*

The Company's functional currency is 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Accounting policies (continued)

(b) Financial instruments (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, including financial derivative instruments, are classified as held at fair value through profit or loss.

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

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

Financial liabilities

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

(c) Hedging and derivatives

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

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

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

(d) Income

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

(e) Expenses and finance costs

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

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

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

PORTFOLIO	REVENUE RESERVE	CAPITAL RESERVE
UK Equity	30%	70%
Global Equity Income	30%	70%
Balanced Risk	30%	70%
Managed Liquidity	100%	–

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

(f) Dividends

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

(g) Taxation

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

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

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

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

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

(h) Cash and cash funds

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

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Income

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

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
2014					
Income from investments					
UK dividends:					
– ordinary dividends	1,815	341	–	–	2,156
– special dividends	227	–	–	–	227
	2,042	341	–	–	2,383
UK scrip dividends	27	–	–	–	27
Overseas dividends					
– ordinary dividends	426	1,268	10	3	1,707
– special dividends	–	97	–	–	97
Unfranked investment income – interest	–	–	–	22	22
Interest from Treasury bills	–	–	20	–	20
	2,495	1,706	30	25	4,256
Other income					
Deposit interest	1	–	1	–	2
Total income	2,496	1,706	31	25	4,258
2013					
Income from investments					
UK dividends:					
– ordinary dividends	1,765	239	–	–	2,004
– special dividends	314	3	–	–	317
	2,079	242	–	–	2,321
UK scrip dividends	9	–	–	–	9
Overseas dividends	332	1,088	10	8	1,438
Unfranked investment income – interest	–	1	–	36	37
Interest from Treasury bills	–	–	22	–	22
	2,420	1,331	32	44	3,827
Other income					
Deposit interest	–	–	1	–	1
Total income	2,420	1,331	33	44	3,828

Special dividends of £60,000 (2013: nil) on UK Equity and £144,000 (2013: nil) on Global Equity Income have been recognised in capital.

3. Management and performance fees

This note shows the fees paid to the Manager. These are made up of the individual Portfolio management fees calculated quarterly on the basis of the value of the assets being managed and the performance fees of the UK Equity and Global Equity Income Portfolios.

2014	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Management fee:					
– charged to revenue	133	103	21	–	257
– charged to capital	309	240	49	–	598
Total management fee	442	343	70	–	855
Performance fee charged to capital	561	–	–	–	561
2013					
Management fee:					
– charged to revenue	104	87	24	4	219
– charged to capital	242	203	54	–	499
Total management fee	346	290	78	4	718
Performance fee charged to capital	431	–	–	–	431

Details of the investment management agreement, are given on page 46 in the Directors' Report.

During the year, the Global Equity Income Portfolio outperformed its benchmark by more than the 1% hurdle to earn a performance fee of £56,000 (2013: £88,000). However the Portfolio must earn further performance fees of £259,000 (2013: £315,000) to offset past underperformance before a fee will become payable.

4. Other expenses

The other expenses of the Company are presented below; those paid to the Directors and the auditor are separately identified.

2014	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Charged to revenue:					
Directors' fees (i)	49	40	8	7	104
Auditor's fees (ii):					
– for the audit of the financial statements	14	10	2	1	27
– for other services relating to tax compliance	4	2	1	–	7
Other expenses	108	82	34	15	239
	175	134	45	23	377
Charged to capital:					
Custodian transaction charges	1	4	–	–	5
Total	176	138	45	23	382

NOTES TO THE FINANCIAL STATEMENTS

continued

4. Other expenses (continued)

2013	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Charged to revenue:					
Directors' fees (i)	40	34	10	10	94
Auditor's fees (ii):					
– for the audit of the financial statements	11	11	2	2	26
– for other services relating to taxation	3	2	1	1	7
Other expenses	98	76	37	18	229
	152	123	50	31	356
Charged to capital:					
Custodian transaction charges	–	4	–	–	4
Total	152	127	50	31	360

(i) The Directors' Remuneration Report provides further information on Directors' fees. Included within other expenses is £10,000 (2013: £9,000) of employer's national insurance payable on Directors' fees. As at 31 May 2014, the amounts outstanding on Directors' fees and employer's national insurance was £19,000 (2013: £17,000).

(ii) Auditor's fees are shown excluding VAT, which is included in other expenses.

5. Finance costs

Finance costs are the cost of borrowing facilities. These are made up of costs incurred to have the facility in place and any interest charged when the facility is used.

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
2014					
Interest payable on borrowings repayable within one year as follows:					
Charged to revenue	32	10	–	–	42
Charged to capital	74	22	–	–	96
Total	106	32	–	–	138
2013					
Interest payable on borrowings repayable within one year as follows:					
Charged to revenue	37	1	–	–	38
Charged to capital	86	1	–	–	87
Total	123	2	–	–	125

6. Taxation

As an investment trust, the Company pays no tax on capital gains. However, the Company suffers tax on certain overseas dividends which is irrecoverable and this note shows details of the tax charge. In addition, this note clarifies the basis for the Company to have no deferred tax asset or liability.

(a) Current tax charge

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
2014					
Overseas tax	46	137	–	–	183
2013					
Overseas tax	47	118	–	–	165

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

(b) Reconciliation of current tax charge

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
2014					
Return on ordinary activities before taxation	9,654	4,343	490	1	14,488
UK Corporation Tax rate of 22.67%	2,189	985	111	–	3,285
Effect of:					
– Non taxable gains on investments and derivatives	(1,900)	(684)	(115)	–	(2,699)
– Non taxable losses/(gains) on foreign exchange	–	2	15	–	17
– Non taxable scrip dividends	(6)	–	–	–	(6)
– UK dividends which are not taxable	(397)	(77)	–	–	(474)
– Special dividends which are not taxable	(65)	(33)	–	–	(98)
– Overseas dividends which are not taxable	(97)	(309)	–	–	(406)
– Overseas tax	46	137	–	–	183
– Disallowable expenses	–	1	–	–	1
– Excess of allowable expenses over taxable income	276	115	(12)	–	379
– Excess of allowable expenses over taxable offshore fund gains	–	–	1	–	1
Tax charge for the year	46	137	–	–	183

NOTES TO THE FINANCIAL STATEMENTS
continued

6. Taxation (continued)

2013	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	COMPANY TOTAL £'000
Return on ordinary activities before taxation	15,914	11,184	914	12	28,024
UK Corporation Tax rate of 23.84%	3,794	2,666	218	3	6,681
Effect of:					
– Non taxable gains on investments and derivatives	(3,466)	(2,465)	(222)	(1)	(6,154)
– Non taxable losses/(gains) on foreign exchange	(1)	16	1	–	16
– Non taxable scrip dividends	(2)	–	–	–	(2)
– UK dividends which are not taxable	(496)	(58)	–	–	(554)
– Overseas dividends which are not taxable	(79)	(259)	–	–	(338)
– Overseas tax	47	118	–	–	165
– Disallowable expenses	–	1	–	–	1
– Excess of allowable expenses over taxable income	248	99	3	–	350
– Transfer of expenses between Portfolios:					
– revenue expenses at 22.84%	2	–	–	(2)	–
Tax charge for the year	47	118	–	–	165

Given the Company's status as an investment trust, and the intention to continue meeting the conditions required to maintain this status for 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 £6,598,000 (2013: £4,933,000) that are available to offset future taxable revenue. A deferred tax asset of £1,320,000 (2013: £1,135,000), measured at the standard corporation tax rate of 20% (2013: 23%) 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 for it to be set against.

7. Basic return per Ordinary Share

Return per share is the amount of gain generated for each share class in the financial year divided by the weighted average number of the shares in issue.

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:

	WEIGHTED AVERAGE NUMBER OF SHARES	
SHARE	2014	2013
UK Equity	39,077,545	37,988,843
Global Equity Income	31,262,679	30,606,208
Balanced Risk	8,742,185	9,910,525
Managed Liquidity	6,956,381	9,527,002

8. Dividends

Dividends represent income less expenses remitted to shareholders. Dividends are paid as an amount per share held.

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

	2014			2013		
	NUMBER OF SHARES	DIVIDEND RATE (PENCE)	TOTAL £'000	NUMBER OF SHARES	DIVIDEND RATE (PENCE)	TOTAL £'000
UK Equity						
First interim	38,250,272	0.85	325	38,941,883	1.15	448
Second interim	39,045,387	1.10	429	38,716,784	1.00	387
Third interim	39,123,268	0.90	352	36,805,777	0.95	350
Fourth interim	39,497,608	2.45	968	37,719,977	2.45	924
		5.30	2,074		5.55	2,109
Global Equity Income						
First interim	30,952,286	0.80	248	31,236,703	1.00	312
Second interim	31,261,451	0.75	234	31,166,298	0.65	203
Third interim	31,340,725	0.35	110	29,163,994	0.35	102
Fourth interim	31,464,956	1.65	519	31,000,257	1.40	434
		3.55	1,111		3.40	1,051
Total paid in respect of the year			3,185			3,160

No dividends have been paid to Balanced Risk and Managed Liquidity shareholders during the year (2013: nil).

9. Investments held at fair value

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

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

(a) Analysis of investments by listing status

	2014 £'000	2013 £'000
UK listed investments	84,577	71,119
UK unlisted investments	781	750
Overseas listed investments(i)	50,606	49,911
Overseas unlisted investments	–	72
Unquoted hedge fund investments	27	41
	135,991	121,893

(i) Includes the Short-Term Investments Company (Global Series) investment held by the Managed Liquidity Portfolio of £980,000 (2013: £1,396,000) and Balanced Risk Portfolio of £2,750,000 (2013: £3,300,000).

NOTES TO THE FINANCIAL STATEMENTS

continued

9. Investments held at fair value (continued)

(b) Analysis of investment gains/(losses)

	2014 £'000	2013 £'000
Opening valuation	121,893	98,602
Movements in year:		
Purchases at cost	56,485	63,490
Sales – proceeds	(53,785)	(65,068)
– net realised gains on sales	7,758	5,374
Movement in investment holding gains in year	3,640	19,495
Closing valuation	135,991	121,893
Closing book cost	108,804	98,346
Closing investment holding gains	27,187	23,547
Closing valuation	135,991	121,893
Realised gains based on historical cost	7,758	5,374
Movement in investment holding gains in year	3,640	19,495
Gains on investments	11,398	24,869

(c) Transaction costs

Transaction costs were £140,000 (2013: £99,000) on purchases and £38,000 (2013: £51,000) on sales.

10. Derivative instruments

Derivative instruments are contracts whose price is derived from the value of other securities or indices. The Balanced Risk Portfolio uses futures, which represent agreements to buy or sell commodities or financial instruments at a pre-determined price in the future.

Excluding forward currency contracts used for currency hedging purposes.

	2014 £'000	2013 £'000
Opening derivative assets held at fair value through profit and loss	366	374
Opening derivative liabilities held at fair value through profit and loss	(191)	(658)
Opening net derivative liabilities held at fair value shown in balance sheet	175	(284)
Closing derivative assets held at fair value through profit and loss	357	366
Closing derivative liabilities held at fair value through profit and loss	(54)	(191)
Closing net derivative assets held at fair value shown in balance sheet	303	175
Movement in derivative holding gains	128	459
Net realised gains on derivative instruments	378	487
Net capital gain on derivative instruments as shown in the income statement	506	946
Net income arising on derivatives	135	83
Total gain on derivatives instruments	641	1,029

The derivative assets/liabilities shown in the balance sheet are the unrealised gains/losses arising from the revaluation to fair value of futures contracts held in the Balanced Risk Share Portfolio, as shown on page 21.

11. Debtors

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

	2014 £'000	2013 £'000
Amounts due from brokers	–	331
Taxation recoverable	210	203
Prepayments and accrued income	514	361
	724	895

12. Other creditors

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

	2014 £'000	2013 £'000
Bank loan	12,600	7,700
Shares bought back	–	1
Taxation payable	149	149
Amounts due to brokers	28	376
Performance fee accrued	1,280	1,110
Accruals	331	309
	14,388	9,645

At the year end the Company had a maximum uncommitted overdraft facility of 10% of net assets and a £20 million committed 364 day multicurrency revolving credit facility, which is due for renewal on 23 April 2015, both with The Bank of New York Mellon.

The performance fee accrued is solely in respect of the UK Equity Portfolio. This includes an amount of £460,000 (2013: £391,000) that is now payable as the UK Equity Portfolio's year end net asset value was above that Portfolio's high water mark.

13. Share capital and reserves

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

All shares have a nominal value of 1 penny.

(a) Movements in Share Capital During the Year

Issued and fully paid:

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY	TOTAL SHARE CAPITAL
ORDINARY SHARES (NUMBER)					
At 31 May 2013	38,250,472	30,952,286	8,929,098	8,641,769	86,773,625
Shares bought back into treasury	(360,000)	(150,000)	(457,000)	(696,000)	(1,663,000)
Shares issued from treasury	–	200,000	–	–	200,000
Arising on share conversion:					
– August 2013	795,115	109,165	(44,229)	(1,192,355)	(332,304)
– November 2013	77,881	229,274	(97,218)	(320,746)	(110,809)
– February 2014	374,340	124,231	(18,631)	(705,592)	(225,652)
– May 2014	371,528	(21,512)	(435,199)	(27,567)	(112,750)
At 31 May 2014	39,509,336	31,443,444	7,876,821	5,699,509	84,529,110
TREASURY SHARES (NUMBER)					
At 31 May 2013	6,163,000	4,488,000	3,593,000	5,942,216	20,186,216
Shares bought back into treasury	360,000	150,000	457,000	696,000	1,663,000
Shares issued from treasury	–	(200,000)	–	–	(200,000)
At 31 May 2014	6,523,000	4,438,000	4,050,000	6,638,216	21,649,216

NOTES TO THE FINANCIAL STATEMENTS

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13. Share capital and reserves (continued)

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY	TOTAL SHARE CAPITAL
ORDINARY SHARES OF 1 PENCE EACH (£'000)					
At 31 May 2013	382	309	90	87	868
Shares bought back into treasury	(3)	(2)	(5)	(7)	(17)
Shares issued from treasury	–	2	–	–	2
Arising on share conversion:					
– August 2013	8	1	(1)	(12)	(4)
– November 2013	1	2	(1)	(4)	(2)
– February 2014	4	2	–	(7)	(1)
– May 2014	3	–	(4)	–	(1)
At 31 May 2014	395	314	79	57	845
TREASURY SHARES OF 1 PENCE EACH (£'000)					
At 31 May 2013	62	45	36	59	202
Shares bought back into treasury	3	2	5	7	17
Shares issued from treasury	–	(2)	–	–	(2)
At 31 May 2014	65	45	41	66	217
TOTAL SHARE CAPITAL (£'000)					
Ordinary share capital	395	314	79	57	845
Treasury share capital	65	45	41	66	217
Total share capital	460	359	120	123	1,062
Average buy back price	149.8p	142.7p	110.1p	101.3p	
Average issue price	–	142.0p	–	–	

The total cost of share buy backs was £1,964,000 (2013: £2,006,000) and the proceeds from share issues was £284,000 (2013: £nil). As part of the conversion process 804,618 (2013: 701,435) deferred shares of 1p each were created and subsequently cancelled during the year. No deferred shares were in issue at the start or end of the year.

(b) Movements in Share Capital after the Year End to 31 July 2014

	UK EQUITY	GLOBAL EQUITY INCOME	BALANCED RISK	MANAGED LIQUIDITY
ORDINARY SHARES				
Shares bought back into treasury	–	–	100,000	49,569
Average buy back price	n/a	n/a	115.0p	100.75p

(c) Dividend and Voting Rights

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

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

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

(d) Deferred Shares

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

(e) Future Convertibility of the Shares

Shares are convertible at the option of the holder into any other class of Share. Further conversion details are given on the inside front cover and in the Shareholder Information on page 93.

14. Reserves

This note explains the different reserves attributable to shareholders. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

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

The capital reserve includes unrealised investment holding gains, being the difference between cost and fair value, of £27,187,000 (2013: £23,547,000). It also includes realised net gains of £10,411,000 (2013: £3,280,000) which are distributable.

15. Net asset value per Share

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

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

ORDINARY SHARES	2014		2013	
	NET ASSET VALUE PER SHARE PENCE	NET ASSETS ATTRIBUTABLE £'000	NET ASSET VALUE PER SHARE PENCE	NET ASSETS ATTRIBUTABLE £'000
UK Equity	155.6	61,484	136.3	52,129
Global Equity Income	150.9	47,433	141.0	43,631
Balanced Risk	118.4	9,323	112.2	10,017
Managed Liquidity	103.3	5,889	103.1	8,912

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.

NOTES TO THE FINANCIAL STATEMENTS

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16. Notes to the cash flow statement

The cash flow statement shows the cash flows of the Company from its operating, investing and financing activities. The main cash flows arise from the purchase and sale of investments, with other main flows being any amounts paid for shares bought back or cash received on shares issued.

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

	2014 £'000	2013 £'000
Total return before finance costs and taxation	14,626	28,149
Adjustment for (gains)/losses on investments	(11,398)	(24,869)
Adjustment for capital (gains)/losses on derivatives	(506)	(946)
Adjustment for exchange losses	77	6
Scrip dividends received as income	(27)	(9)
(Increase)/decrease in debtors	(153)	5
Increase in creditors	194	458
Overseas tax	(183)	(165)
Net cash inflow from operating activities	2,630	2,629

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

	2014 £'000	2013 £'000
Servicing of finance		
Interest paid	(140)	(125)
Net cash outflow from servicing of finance	(140)	(125)
Capital expenditure and financial investment		
Purchase of investments	(56,833)	(63,393)
Sale of investments	54,116	64,854
Sale of futures	378	487
Scrip dividends received as income	27	9
Net cash (outflow)/inflow from capital expenditure and financial investments	(2,312)	1,957
Financing		
Net proceeds from issue of shares	284	–
Share buy back costs	(1,965)	(2,004)
Increase in bank borrowings	4,900	62
Net cash inflow/(outflow) from servicing of finance	3,219	(1,942)

(c) Analysis of changes in net debt

	31 MAY 2013 £'000	CASH FLOW £'000	EXCHANGE MOVEMENTS £'000	31 MAY 2014 £'000
Cash, short-term deposits and cash held at brokers	1,371	205	(77)	1,499
Bank loan	(7,700)	(4,900)	–	(12,600)
Net debt	(6,329)	(4,695)	(77)	(11,101)

17. Financial instruments

This note summarises the risks deriving from the financial instruments that comprise the Company's assets and liabilities.

The Company's financial instruments comprise the following:

– investments in equities, fixed interest securities and liquidity funds which are held in accordance with the Company's investment objectives and the investment objectives of the four Portfolios;

– short-term debtors, creditors and cash arising directly from operations;

– short-term forward foreign currency and futures contracts; and

– bank loans and short-term overdrafts, used to finance operations.

The financial instruments held in each of the four investment portfolios are shown on pages 9, 14, 20, 21 and 25.

The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for these financial instruments. This note also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The Company's principal risks and uncertainties are outlined in the Strategic Report on pages 33 to 35. This note expands on risks areas in relation to the Company's financial instruments. The portfolios are managed in accordance with the Company's investment policies and objectives, which is set out on pages 26 to 29. The management process is subject to risk controls, which the Audit Committee reviews on behalf of the Board, as described on pages 42 and 43.

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

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

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

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

Other price risk – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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

Risk Management Policies and Procedures

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

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

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

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17. Financial instruments (continued)

Market Risk

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

Currency Risk

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

Management of Currency Risk

The portfolio managers monitor the separate Portfolios' exposure to foreign currencies on a daily basis and report to the Board on a regular basis. Forward foreign currency contracts can be used to limit the Company's exposure to anticipated future changes in exchange rates which are also used to achieve the portfolio characteristics that assist the Company in meeting its investment objective and policies. All contracts are limited to currencies and amounts commensurate with the asset exposure to those currencies. No such contracts were in place at the current or preceding year end. Income denominated in foreign currencies is converted to sterling on receipt.

Foreign Currency Exposure

The fair value or amortised cost of the Company's monetary items that have foreign currency exposure at 31 May are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency they have been included separately in the analysis in order to show the overall level of exposure.

UK EQUITY PORTFOLIO:

YEAR ENDED 31 MAY 2014

CURRENCY	DEBTORS (DUE FROM BROKERS AND DIVIDENDS) £'000	CASH AT BANK £'000	CREDITORS (DUE FROM 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
Swiss Franc	63	–	–	63	4,547	4,610
US Dollar	–	–	–	–	3,531	3,531
	63	–	–	63	8,078	8,141

YEAR ENDED 31 MAY 2013

CURRENCY	DEBTORS (DUE FROM BROKERS AND DIVIDENDS) £'000	CASH AT BANK £'000	CREDITORS (DUE FROM 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
Swedish Krona	–	–	–	–	72	72
Swiss Franc	250	–	–	250	5,134	5,384
US Dollar	9	–	–	9	3,141	3,150
	259	–	–	259	8,347	8,606

GLOBAL EQUITY INCOME PORTFOLIO:

YEAR ENDED 31 MAY 2014

CURRENCY	DEBTORS (DUE FROM BROKERS AND DIVIDENDS) £'000	CASH/ (OVERDRAFT) AT BANK £'000	CREDITORS (DUE TO BROKERS AND ACCRUALS) £'000	TOTAL FOREIGN CURRENCY EXPOSURE ON NET MONETARY ITEMS £'000	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS THAT ARE EQUITIES £'000	TOTAL NET CURRENCY £'000
Australian Dollar	–	–	–	–	1,021	1,021
Euro	20	–	–	20	9,443	9,463
Hong Kong Dollar	14	–	–	14	1,301	1,315
Japanese Yen	3	–	–	3	1,799	1,802
Norwegian Krone	15	–	–	15	1,641	1,656
Swedish Krona	–	–	–	–	1,597	1,597
Singapore Dollar	–	–	–	–	521	521
Swiss Franc	63	–	–	63	6,352	6,415
US Dollar	65	–	–	65	15,649	15,714
	180	–	–	180	39,324	39,504

YEAR ENDED 31 MAY 2013

CURRENCY	DEBTORS (DUE FROM BROKERS AND DIVIDENDS) £'000	CASH/ (OVERDRAFT) AT BANK £'000	CREDITORS (DUE TO BROKERS AND ACCRUALS) £'000	TOTAL FOREIGN CURRENCY EXPOSURE ON NET MONETARY ITEMS £'000	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS THAT ARE EQUITIES £'000	TOTAL NET CURRENCY £'000
Australian Dollar	–	–	–	–	1,371	1,371
Euro	20	–	–	20	4,944	4,964
Hong Kong Dollar	13	–	–	13	1,117	1,130
Japanese Yen	5	–	–	5	2,806	2,811
Norwegian Krone	10	–	–	10	645	655
Swedish Krona	–	–	–	–	906	906
Singapore Dollar	–	–	–	–	559	559
Swiss Franc	58	–	–	58	4,913	4,971
US Dollar	75	–	–	75	19,522	19,597
	181	–	–	181	36,783	36,964

BALANCED RISK PORTFOLIO:

YEAR ENDED 31 MAY 2014

CURRENCY	DERIVATIVE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS £'000	CASH/ (OVERDRAFT) AT BANK* £'000	DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS £'000	CREDITORS (DUE TO BROKERS AND ACCRUALS) £'000	TOTAL FOREIGN CURRENCY EXPOSURE ON NET MONETARY ITEMS £'000	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS THAT ARE EQUITIES £'000	TOTAL NET CURRENCY £'000
Australian Dollar	70	23	–		93	–	93
Canadian Dollar	11	49	–	–	60	–	60
Euro	113	28	–	–	141	–	141
Hong Kong Dollar	4	88	–	–	92	–	92
Japanese Yen	6	49	(9)	–	46	–	46
US Dollar	106	219	(45)	(27)	253	27	280
	310	456	(54)	(27)	685	27	712

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17. Financial instruments (continued)

Market Risk (continued)

YEAR ENDED 31 MAY 2013

CURRENCY	DERIVATIVE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS £'000	CASH/ (OVERDRAFT) AT BANK* £'000	DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS £'000	CREDITORS (DUE TO BROKERS AND ACCRUALS) £'000	TOTAL FOREIGN CURRENCY EXPOSURE ON NET MONETARY ITEMS £'000	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS THAT ARE EQUITIES £'000	TOTAL NET CURRENCY £'000
Australian Dollar	22	31	–	–	53	–	53
Canadian Dollar	–	37	(16)	–	21	–	21
Euro	42	68	–	–	110	–	110
Hong Kong Dollar	–	43	(8)	–	35	–	35
Japanese Yen	105	37	(18)	–	124	–	124
US Dollar	176	221	(133)	–	264	41	305
	345	437	(175)	–	607	41	648

*Cash includes amounts held at brokers.

Foreign Currency Sensitivity

The sensitivity analysis is based on the Company's monetary foreign currency financial instruments held at each balance sheet date and takes account of forward foreign exchange contracts that offset the effects of changes in currency exchange rates. The effect of strengthening or weakening of sterling against other currencies to which the Company is exposed is calculated by reference to the volatility of exchange rates during the year using the standard deviation of currency fluctuations against the mean, giving the following exchange rate fluctuations:

	2014	2013
£/Australian Dollar	+/– 4.4%	+/– 2.2%
£/Brazilian Real	+/– 5.1%	+/– 3.4%
£/Canadian Dollar	+/– 5.9%	+/– 1.2%
£/Euro	+/– 1.7%	+/– 3.3%
£/Hong Kong Dollar	+/– 3.4%	+/– 2.3%
£/Indian Rupee	+/– 4.4%	+/– 2.5%
£/Japanese Yen	+/– 5.2%	+/– 8.1%
£/Korean Won	+/– 1.5%	+/– 2.9%
£/Norwegian Krone	+/– 4.0%	+/– 2.9%
£/Singapore Dollar	+/– 3.3%	+/– 1.9%
£/Swedish Krona	+/– 3.1%	+/– 3.9%
£/Swiss Franc	+/– 1.4%	+/– 2.4%
£/Taiwan Dollar	+/– 3.9%	+/– 1.8%
£/US Dollar	+/– 3.4%	+/– 2.3%

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

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

UK EQUITY PORTFOLIO:

	2014			2013		
	REVENUE RETURN	CAPITAL RETURN	TOTAL RETURN	REVENUE RETURN	CAPITAL RETURN	TOTAL RETURN
Swedish Krona	(1)	–	(1)	–	(3)	(3)
Swiss Franc	(3)	(65)	(68)	(5)	(128)	(133)
US Dollar	(6)	(120)	(126)	(9)	(72)	(81)
	(10)	(185)	(195)	(14)	(203)	(217)

GLOBAL EQUITY INCOME PORTFOLIO:

	2014 REVENUE RETURN	2014 CAPITAL RETURN	2014 TOTAL RETURN	2013 REVENUE RETURN	2013 CAPITAL RETURN	2013 TOTAL RETURN
Australian Dollar	(2)	(45)	(47)	(1)	(30)	(31)
Euro	(9)	(161)	(170)	(6)	(163)	(169)
Hong Kong Dollar	(3)	(45)	(48)	(1)	(26)	(27)
Japanese Yen	(3)	(94)	(97)	(7)	(227)	(234)
Norwegian Krone	(3)	(66)	(69)	(1)	(19)	(20)
Swedish Krona	–	(50)	(50)	–	(35)	(35)
Singapore Dollar	(1)	(17)	(18)	–	(11)	(11)
Swiss Franc	(3)	(90)	(93)	(4)	(118)	(122)
US Dollar	(13)	(534)	(547)	(13)	(449)	(462)
	(37)	(1,102)	(1,139)	(33)	(1,078)	(1,111)

BALANCED RISK PORTFOLIO:

	2014 REVENUE RETURN	2014 CAPITAL RETURN	2014 TOTAL RETURN	2013 REVENUE RETURN	2013 CAPITAL RETURN	2013 TOTAL RETURN
Australian Dollar	(1)	(4)	(5)	–	(1)	(1)
Canadian Dollar	(1)	(4)	(5)	–	–	–
Euro	–	(2)	(2)	–	(4)	(4)
Hong Kong Dollar	–	(3)	(3)	–	(1)	(1)
Japanese Yen	(1)	(2)	(3)	–	(10)	(10)
US Dollar	–	(10)	(10)	–	(6)	(6)
	(3)	(25)	(28)	–	(22)	(22)

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

Interest Rate Risk

Interest rate movements may affect:

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

Management of interest rate risk

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

When the Company has cash balances, they are held in variable rate bank accounts yielding rates of interest dependent on the base rate of the custodian. The Company has a £20 million, 364 day multicurrency revolving credit facility which is due for renewal on 23 April 2015. The Company uses the facility when required at levels approved and monitored by the Board.

Interest rate exposure

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

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

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17. Financial instruments (continued)

Market Risk (continued)

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

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2014					
Exposure to floating interest rates:					
Investments held at fair value through profit and loss*	–	–	2,750	5,850	8,600
Cash, short-term deposits and cash held at brokers	364	298	696	141	1,499
Bank loans	(8,200)	(4,400)	–	–	(12,600)
	(7,836)	(4,102)	3,446	5,991	(2,501)
Exposure to fixed interest rates:					
Investments held at fair value through profit and loss – including UK Treasury Bills	–	–	5,593	–	5,593
Net exposure to interest rates	(7,836)	(4,102)	9,039	5,991	3,092

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2013					
Exposure to floating interest rates:					
Investments held at fair value through profit and loss*	–	–	3,300	8,996	12,296
Cash, short-term deposits and cash held at brokers	107	689	563	12	1,371
Bank loans	(7,700)	–	–	–	(7,700)
	(7,593)	689	3,863	9,008	5,967
Exposure to fixed interest rates:					
Investments held at fair value through profit and loss – including UK Treasury Bills	–	–	5,959	–	5,959
Net exposure to interest rates	(7,593)	689	9,822	9,008	11,926

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

The income on the Invesco Perpetual Money Fund and Short Term Investments Company (Global Series) is dependent on interbank lending rates; the principal amount should normally remain stable regardless of interest rate movements.

Interest rate sensitivity

At the maximum possible borrowing of £20 million, the effect over one year of a 0.5% movement in interest rates would result in a £100,000 maximum movement in the Company's income statement and net assets.

The effect over one year of a 1% movement in the interest rates on investments held at fair value through profit and loss would result in a £20,000 (2013: £14,000) maximum movement in the Company's income statement and net assets.

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

Other Price Risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the equity investments, but it is the business of the portfolio 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 performance.

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

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

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000
2014				
Profit after tax increase/decrease due to rise/fall of 10%	7,037	5,140	837	585
2013				
Profit after tax increase/decrease due to rise/fall of 10%	6,074	4,286	930	900

Liquidity Risk

Management of liquidity risk

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

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

Liquidity risk

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

	UK EQUITY		GLOBAL EQUITY INCOME	BALANCED RISK		MANAGED LIQUIDITY	
	3 MONTHS OR LESS £'000	MORE THAN 3 MONTHS £'000	3 MONTHS OR LESS £'000	3 MONTHS OR LESS £'000	MORE THAN 3 MONTHS £'000	3 MONTHS OR LESS £'000	COMPANY TOTAL £'000
2014							
Bank loan	8,200	–	4,400	–	–	–	12,600
Amount due to brokers	–	–	–	27	–	1	28
Other creditors and accruals	167	–	129	27	–	157	480
Performance fee accrued	460	820	–	–	–	–	1,280
Derivative financial instruments	–	–	–	52	2	–	54
	8,827	820	4,529	106	2	158	14,442

NOTES TO THE FINANCIAL STATEMENTS
continued

17. Financial instruments (continued)

Liquidity Risk (continued)

	UK EQUITY		GLOBAL EQUITY INCOME	BALANCED RISK		MANAGED LIQUIDITY	
	3 MONTHS OR LESS £'000	MORE THAN 3 MONTHS £'000	3 MONTHS OR LESS £'000	3 MONTHS OR LESS £'000	MORE THAN 3 MONTHS £'000	3 MONTHS OR LESS £'000	COMPANY TOTAL £'000
2013							
Bank loan	7,700	–	–	–	–	–	7,700
Amount due to brokers	374	–	–	–	–	2	376
Other creditors and accruals	146	–	121	29	–	163	459
Performance fee accrued	391	719	–	–	–	–	1,110
Derivative financial instruments	–	–	–	104	87	–	191
	8,611	719	121	133	87	165	9,836

Credit Risk

Credit risk is the failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

This risk is managed as follows:

– investment transactions are carried out with a selection of brokers, approved by the Manager and settled on a delivery versus payment basis. Brokers' credit ratings are regularly reviewed, by the Manager, so as to minimise the risk of default to the Company;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the daily review of failed trade reports and the use of daily stock and cash reconciliations. Only approved counterparties are used;

– the Company's ability to operate in the short-term may be adversely affected if the Company's Depositary, its Manager, or their delegates suffer insolvency or other financial difficulties. The Board reviews annual controls reports from these service providers;

– where an investment is made in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default; and

– cash balances are limited to a maximum of £2.5 million for each Portfolio with any one depositary (other than margins on derivative instruments), with only depositaries approved by the Manager being used. Cash held at brokers includes that arising from margin on the futures contracts and during the year only one futures clearing broker, Merrill Lynch, was used.

The following table sets out the maximum credit risk exposure at the year end:

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2014					
Bonds	–	–	5,593	–	5,593
Cash held as short term investment	–	–	2,750	980	3,730
Unquoted securities	781	–	27	–	808
Derivative financial instruments	–	–	16,046	–	16,046
Debtors	394	266	8	56	724
Cash, short-term deposits and cash held at brokers	364	298	696	141	1,499
	1,539	564	25,120	1,177	28,400

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2013					
Bonds	–	–	5,959	–	5,959
Cash held as short term investment	–	–	3,300	8,996	12,296
Unquoted securities	822	–	41	–	863
Derivative financial instruments	–	–	15,603	–	15,603
Debtors	611	207	8	69	895
Cash, short-term deposits and cash held at brokers	107	689	563	12	1,371
	1,540	896	25,474	9,077	36,987

Fair Value Hierarchy Disclosures

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

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

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

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

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

The valuation techniques used by the Company are explained in the accounting policies note. All quoted equity investments and Treasury bills are deemed to be Level 1. Level 2 comprises all other quoted fixed income investments, the UK Equity Portfolio's holdings of Barclays Bank Nuclear Power Notes, derivative instruments and liquidity funds held in the Balanced Risk and Managed Liquidity Portfolios. Level 3 investments comprise any unquoted securities and the remaining hedge fund investments of the Balanced Risk Portfolio.

	UK EQUITY £'000	GLOBAL EQUITY INCOME £'000	BALANCED RISK £'000	MANAGED LIQUIDITY £'000	TOTAL £'000
2014					
Financial assets designated at fair value through profit or loss:					
Level 1	69,540	51,398	5,593	–	126,531
Level 2	52	–	3,107	5,850	9,009
Level 3	781	–	27	–	808
Total for financial assets	70,373	51,398	8,727	5,850	136,348
Financial liabilities:					
Level 2 – Derivative instruments	–	–	54	–	54
2013					
Financial assets designated at fair value through profit or loss:					
Level 1	59,800	42,856	5,959	–	108,615
Level 2	191	–	3,666	8,996	12,853
Level 3	750	–	41	–	791
Total for financial assets	60,741	42,856	9,666	8,996	122,259
Financial liabilities:					
Level 2 – Derivative instruments	–	–	191	–	191

NOTES TO THE FINANCIAL STATEMENTS

continued

17. Financial instruments (continued)

Fair Value Hierarchy Disclosures (continued)

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

	UK EQUITY £'000	BALANCED RISK £'000	TOTAL £'000
2014			
Opening fair value	750	41	791
Sales – proceeds	–	(13)	(13)
– net realised losses	–	(13)	(13)
Movement in investment holding gains	31	12	43
Closing fair value of Level 3	781	27	808
2013			
Opening fair value	625	80	705
Sales – proceeds	–	(21)	(21)
– net realised losses	–	(30)	(30)
Movement in investment holding gains	125	12	137
Closing fair value of Level 3	750	41	791

Fair Values of Financial Assets and Financial Liabilities

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

Capital Management

The Company's total capital employed at 31 May 2014 was £111,529,000 (2013: £122,389,000) comprising borrowings of £12,600,000 (2013: £7,700,000) and equity share capital and other reserves of £124,129,000 (2013: £114,689,000).

The Company's total capital employed is managed to achieve each of the Company's and the Portfolios' investment objectives as set out on pages 26 to 29, including that borrowings may be used to provide gearing. Borrowings were drawn down by the UK Equity Portfolio and Global Equity Income Portfolio, the net gearing of which was 12.7% (2013: 14.6%). The Company's policies and processes for managing capital were unchanged throughout the year and the preceding year.

The main risks to the Company's investments are shown in the Directors' Report under the 'Principal Risks and Uncertainties' section on pages 33 to 35. These also explain that the Company is able to borrow and that this will amplify the effect on equity of changes in the value of the portfolio.

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

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

Borrowings comprise any bank overdraft and any bank loan, details of which are given in note 12.

18. Contingencies, guarantees and financial commitments

Any liabilities the Company is committed to honour but which are dependent on a future circumstance or event occurring would be disclosed in this note if any existed.

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

19. Related party transactions and transactions with the Manager

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

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on page 52 with additional disclosure in note 4. No other related parties have been identified.

Invesco Fund Managers Limited and Invesco Asset Management Limited are wholly owned subsidiaries of Invesco Limited. They act as Manager, Company Secretary and Administrator to the Company. Details of their services and fees are disclosed in the Directors' Report.

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 6th Floor, 125 London Wall, London EC2Y 5AS at 11.30am on 25 September 2014 for the following purposes:

Ordinary Business

1. To receive the Annual Financial Report for the year ended 31 May 2014.
2. To approve the Directors' Remuneration Policy.
3. To approve the Chairman's Annual Statement and Report on Remuneration.
4. To re-elect Sir Michael Bunbury a Director of the Company.
5. To re-elect David Rosier a Director of the Company.
6. To reappoint Ernst & Young LLP as Auditor to the Company and authorise the Directors to determine the Auditor's remuneration.

Special Business

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

7. THAT:

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

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

8. THAT:

   the Directors be and they are hereby empowered, in accordance with sections 570 and 573 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution ('2006 Act') to allot Shares in each class (UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity) for cash, either pursuant to the authority given by resolution 7 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 £39,509 of UK Equity Shares, £31,443 of Global Equity Income Shares, £7,776 of Balanced Risk Shares and £5,649 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.

9. THAT:

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

PROVIDED ALWAYS THAT

(i) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of each class of the Company's share capital at 25 September 2014, the date of the Annual General Meeting (equivalent, at 30 July 2014, to 5,922,449 UK Equity Shares, 4,713,372 Global Equity Income Shares, 1,165,745 Balanced Risk Shares and 846,926 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.

10. THAT:

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

All Resolutions are explained further in the Directors' Report on pages 49 and 50.

Dated 31st July 2014

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

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

   The appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST proxy instruction) does not prevent a member from attending and voting at the AGM.

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

3. A person entered on the Register of Members at close of business on 23 September 2014 (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. The 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), at the Company's correspondence address (see page 92) 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 30 July 2014 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 39,509,336 UK Equity Shares, 31,443,444 Global Equity Income Shares, 7,776,821 Balanced Risk Shares and 5,649,940 Managed Liquidity Shares (all excluding shares held in treasury).
11. Subject to the Articles, voting takes place on a show of hands with every member who is present in person or by proxy having a right to one vote (except that if a proxy's instructions include votes for and against (in respect of different shares) the proxy has one vote for and one vote against on a show of hands). On a poll the number of votes per Share of each class will vary with the Net Asset Value ('NAV') of the respective underlying Portfolio and is determined in accordance with the following formula: $V = A \div B$

    WHERE:

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

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

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

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

    For the purposes of the AGM, the number of votes which may be cast and the total voting rights will be determined by the number of Shares in issue and the NAV as at a date no more than ten business days prior to the date of the AGM.
12. A copy of this notice (contained within the 2014 annual financial report), 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 auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which the annual financial report was laid in accordance with section 437 of the 2006 Act (in each case) that the members propose to raise at the relevant Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Registered Office

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

Company Number

Registered in England and Wales Number 5916642

Manager, Company Secretary and Correspondence Address

Invesco Perpetual*
6th Floor
125 London Wall
London EC2Y 5AS

☎ 020 3753 1000

Company Secretarial contact: Paul Griggs

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to you from 8.30am to 6pm, Monday to Friday (excluding Bank Holidays). Current valuations, statements and literature can be obtained, however, no investment advice can be given.

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

Auditor

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

Depositary

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

Corporate Broker

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Registrars

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

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

☎ 0871 664 0300.

Calls cost 10p per minute plus network charges.

From outside the UK: +44 20 8639 3399.

Lines are open from 9am to 5.30pm, Monday to Friday (excluding Bank Holidays).

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

The 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 0454

Calls cost 10p per minute plus network charges.

From outside the UK: +44 20 3367 2699.

Lines are open from 8am to 4.30pm, Monday to Friday (excluding Bank Holidays).

Savings Scheme and ISA Administration

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

Invesco Perpetual
P.O. Box 11150
Chelmsford
CM99 2DL

☎ 0800 085 8677

* Invesco Perpetual is a business name of Invesco Fund Managers Limited (the Manager) and Invesco Asset Management Limited (the Company Secretary).

SHAREHOLDER INFORMATION

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

NAV Publication

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

Share Price Listings

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

UK Equity Shares	IVPU
Global Equity Income Shares	IVPG
Balanced Risk Shares	IVPB
Managed Liquidity Shares	IVPM

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.

The Association of Investment Companies

The Company is a member of the Association of Investment Companies.
Contact details are as follows:
☎ 020 7282 5555.
Email: enquires@theaic.co.uk
Website: www.theaic.co.uk

Financial Calendar

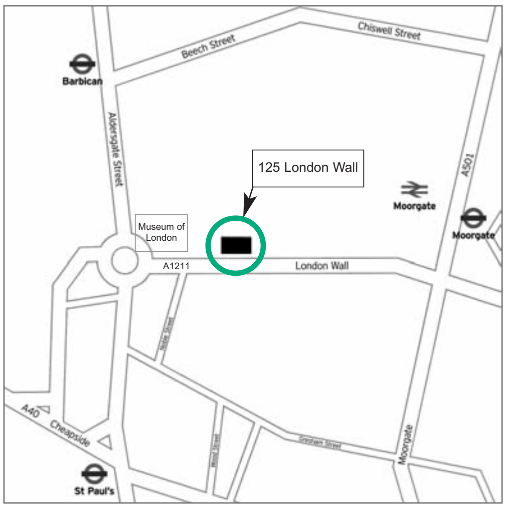
Annual Financial Results	31 July 2014
Interim Dividends Announced*	July 2014
Share Conversion†	1 August 2014
AGM	25 September 2014
Interim Management Statement	October 2014
Interim Dividends Announced*	October 2014
Share Conversion†	3 November 2014
Interim Dividends Announced*	January 2015
Half-Yearly Financial Results	January 2015
Share Conversion†	2 February 2015
Interim Management Statement	April 2015
Interim Dividends Announced*	April 2015
Share Conversion†	1 May 2015
Year End	31 May 2015

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

† Share conversion requests must be received not less than 10 days before the relevant conversion date. Forms and instructions are available online on the web pages for all the share classes at www.invescoperpetual.co.uk/investmenttrusts and from the Company Secretary.

Location of Annual General Meeting

The Annual General Meeting will be held at 11.30am on 25 September 2014 at 6th Floor, 125 London Wall, London EC2M 5AS.



GLOSSARY OF TERMS

Discount (and Premium)

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

Gearing

The gearing percentage reflects the amount of borrowings that a company has invested and is indicative of the extra amount by which shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which shareholders' funds are geared; i.e. 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 by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of shareholders' funds.

Net Gearing

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

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities for which the Company is responsible (for example, money owed). The NAV is also described as 'shareholders' funds'. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is not necessarily 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.

Net Cash

This reflects the Company's net exposure to cash and cash equivalents expressed as a percentage of shareholders' funds after any offset against its gearing.

Ongoing Charges Ratio

This is calculated in accordance with guidance issued by the AIC as follows: the annualised ongoing charges, including those charged to capital but excluding interest, incurred by the Company, expressed as a percentage of the average undiluted net asset value (at market value) reported in the period.

Total Return

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

Volatility

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

The Manager of Invesco Perpetual Select Trust plc is Invesco Fund Managers Limited.

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

Invesco Perpetual is a business name of Invesco Limited.

Invesco is one of the largest independent global investment management firms, with funds under management in excess of $802 billion.*

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

** Funds under Management as at 30 June 2014.*

INVESTMENT COMPANIES MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust Limited

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

Invesco Income Growth Trust plc

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

Invesco Enhanced Income Limited

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

Invesco Perpetual Select Trust plc – Managed Liquidity Portfolio

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

Invesco Perpetual Select Trust plc – UK Equity Portfolio

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

Keystone Investment Trust plc

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

Perpetual Income and Growth Investment Trust plc

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

The Edinburgh Investment Trust plc

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

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

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

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

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

Investing Internationally

Invesco Asia Trust plc

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

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

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

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

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

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

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

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

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

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

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